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## **中国人民保险集团股份有限公司**

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

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

**(Stock Code: 1339)**

### **ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018**

The Board of Directors (the “Board”) of The People’s Insurance Company (Group) of China Limited (the “Company”) announces the following audited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2018 together with the comparative figures for the previous year, which should be read in conjunction with the following management discussion and analysis:

#### **FINANCIAL STATEMENTS AND MATERIAL NOTES**

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

<i>(in RMB million)</i>	<i>Notes</i>	<b>2018</b>	<b>2017</b>
Gross written premiums	5	<b>498,608</b>	476,447
Less: Premiums ceded to reinsurers	5	<b>(29,623)</b>	(27,870)
Net written premiums	5	<b>468,985</b>	448,577
Change in unearned premium reserves	5	<b>(13,638)</b>	(13,600)
Net earned premiums		<b>455,347</b>	434,977
Reinsurance commission income		<b>9,805</b>	8,803
Investment income	6	<b>29,527</b>	36,476
Other income		<b>3,918</b>	3,519
<b>TOTAL INCOME</b>		<b>498,597</b>	483,775
Life insurance death and other benefits paid		<b>100,066</b>	119,406
Claims incurred		<b>242,449</b>	221,042
Changes in long-term life insurance contract liabilities		<b>(11,008)</b>	(5,508)
Policyholder dividends		<b>2,148</b>	2,661
Claims and policyholders' benefits		<b>333,655</b>	337,601
Less: claims and policyholders' benefits ceded to reinsurers		<b>(15,030)</b>	(18,760)
Net claims and policyholders' benefits		<b>318,625</b>	318,841
Handling charges and commissions		<b>81,728</b>	68,094
Finance costs		<b>6,555</b>	5,569
Exchange (gains)/losses		<b>(425)</b>	668
Other operating and administrative expenses		<b>76,859</b>	71,648
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>		<b>483,342</b>	464,820
Share of profits and losses of associates and joint ventures		<b>12,540</b>	12,674
Loss on deemed disposal of an associate		<b>(737)</b>	(798)
<b>PROFIT BEFORE TAX</b>	7	<b>27,058</b>	30,831
Income tax expense	8	<b>(8,343)</b>	(7,780)
<b>PROFIT FOR THE YEAR</b>		<b>18,715</b>	23,051
Attributable to:			
Equity holders of the Company		<b>12,912</b>	16,099
Non-controlling interests		<b>5,803</b>	6,952
		<b>18,715</b>	23,051
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
– Basic (in RMB Yuan)	9	<b>0.30</b>	0.38

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

(in RMB million)

	2018	2017
<b>PROFIT FOR THE YEAR</b>	<b>18,715</b>	<b>23,051</b>
<b>OTHER COMPREHENSIVE EXPENSE</b>		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Fair value losses	(6,977)	(164)
– Reclassification of losses/(gains) to profit or loss on disposals	1,628	(4,431)
– Impairment losses	2,424	887
Income tax effect	377	765
	<u>(2,548)</u>	<u>(2,943)</u>
Net gains on cash flow hedges	–	3
Income tax effect	–	2
	<u>–</u>	<u>5</u>
Share of other comprehensive income/(expense) of associates and joint ventures	412	(1,425)
Exchange differences arising on translation of foreign operations	58	(77)
	<u>470</u>	<u>(1,502)</u>
<b>NET OTHER COMPREHENSIVE EXPENSE THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>	<b>(2,078)</b>	<b>(4,440)</b>
Items that will not be reclassified to profit or loss:		
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	454	335
Income tax effect	(113)	(84)
	<u>341</u>	<u>251</u>
Actuarial losses on pension benefit obligation	(187)	(232)
Share of other comprehensive income of associates and joint ventures	23	113
	<u>154</u>	<u>(119)</u>
<b>NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>	<b>177</b>	<b>132</b>
<b>OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX</b>	<b>(1,901)</b>	<b>(4,308)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>16,814</b>	<b>18,743</b>
Attributable to:		
– Equity holders of the Company	11,324	12,865
– Non-controlling interests	5,490	5,878
	<u>16,814</u>	<u>18,743</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

<i>(in RMB million)</i>	<i>Notes</i>	<b>31 December 2018</b>	31 December 2017
<b>ASSETS</b>			
Cash and cash equivalents		61,601	72,819
Debt securities		316,394	313,261
Equity securities, mutual funds and trust schemes		116,697	115,013
Insurance receivables, net	11	44,218	41,518
Reinsurance assets		27,025	28,206
Term deposits		98,653	70,706
Restricted statutory deposits		13,794	11,311
Investments classified as loans and receivables		164,512	157,715
Investments in associates and joint ventures	12	107,492	97,740
Investment properties		12,782	12,155
Property and equipment		25,778	24,281
Intangible assets		2,329	1,494
Prepaid land premiums		3,414	3,649
Deferred tax assets		8,662	9,645
Other assets		28,284	28,393
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>1,031,635</b>	<b>987,906</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>			
Securities sold under agreements to repurchase		54,889	41,226
Payables to reinsurers		15,551	18,737
Income tax payable		3,185	4,462
Bonds payable		57,732	49,801
Insurance contract liabilities		559,217	557,011
Investment contract liabilities for policyholders		41,808	45,880
Policyholder dividends payable		3,970	5,205
Pension benefit obligation		2,967	2,899
Deferred tax liabilities		1,021	834
Other liabilities		84,994	74,970
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		<b>825,334</b>	<b>801,025</b>
		<hr/> <hr/>	<hr/> <hr/>

<i>(in RMB million)</i>	<i>Note</i>	<b>31 December 2018</b>	31 December 2017
<b>EQUITY</b>			
Issued capital	<i>13</i>	<b>44,224</b>	42,424
Reserves		<b>108,829</b>	95,109
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		<b>153,053</b>	137,533
Non-controlling interests		<b>53,248</b>	49,348
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>206,301</b>	186,881
		<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,031,635</b>	987,906
		<hr/> <hr/>	<hr/> <hr/>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2018

(in RMB million)

	Attributable to equity holders of the Company													Non-controlling interests	Total
	Share capital (note 13)	Share premium account	Available-for-sale financial asset revaluation reserve	General risk reserve	Agriculture catastrophic loss reserve	Asset revaluation	Share of other comprehensive (expense)/income of associates and joint ventures	Foreign currency translation reserve	Surplus reserve*	Other reserves	Actuarial losses on pension benefit obligation	Retained profits	Subtotal		
Balance at 1 January 2018	42,424	19,925	159	8,473	1,705	2,625	(304)	(52)	11,759	(15,153)	(884)	66,856	137,533	49,348	186,881
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	12,912	12,912	5,803	18,715
Other comprehensive (expense)/income for the year	-	-	(1,991)	-	-	267	279	44	-	-	(187)	-	(1,588)	(313)	(1,901)
Total comprehensive (expense)/income for the year	-	-	(1,991)	-	-	267	279	44	-	-	(187)	12,912	11,324	5,490	16,814
Appropriations to general risk reserve and surplus reserve	-	-	-	1,401	-	-	-	-	282	-	-	(1,683)	-	-	-
Appropriations to agriculture catastrophic loss reserve	-	-	-	-	192	-	-	-	-	-	-	(192)	-	-	-
Utilisations of agriculture catastrophic loss reserve	-	-	-	-	(192)	-	-	-	-	-	-	192	-	-	-
Dividends paid to shareholders (note 10)	-	-	-	-	-	-	-	-	-	-	-	(1,672)	(1,672)	(1,590)	(3,262)
Issue of new shares	1,800	4,048	-	-	-	-	-	-	-	-	-	-	5,848	-	5,848
Others	-	-	-	-	-	-	20	-	-	-	-	-	20	-	20
Balance at 31 December 2018	44,224	23,973	(1,832)	9,874	1,705	2,892	(5)	(8)	12,041	(15,153)	(1,071)	76,413	153,053	53,248	206,301

	Attributable to equity holders of the Company													Non-controlling interests	Total	
	Share capital (note 13)	Share premium account	Available-for-sale financial asset revaluation reserve	General risk reserve	Agriculture catastrophic loss reserve	Asset revaluation	Cash flow hedging reserve	Share of other comprehensive (expense)/income of associates and joint ventures	Foreign currency translation reserve	Surplus reserve*	Other reserves	Actuarial losses on pension benefit obligation	Retained profits			Subtotal
Balance at 1 January 2017	42,424	19,925	2,353	7,062	1,300	2,417	(7)	661	6	1,410	(15,153)	(652)	64,355	126,101	44,893	170,994
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	16,099	16,099	6,952	23,051
Other comprehensive (expense)/income for the year	-	-	(2,194)	-	-	208	7	(965)	(58)	-	-	(232)	-	(3,234)	(1,074)	(4,308)
Total comprehensive (expense)/income for the year	-	-	(2,194)	-	-	208	7	(965)	(58)	-	-	(232)	16,099	12,865	5,878	18,743
Appropriations to general risk reserve and surplus reserve	-	-	-	1,411	-	-	-	-	-	10,349	-	-	(11,760)	-	-	-
Appropriations to agriculture catastrophic loss reserve	-	-	-	-	405	-	-	-	-	-	-	-	(405)	-	-	-
Dividends paid to shareholders (note 10)	-	-	-	-	-	-	-	-	-	-	-	-	(1,433)	(1,433)	(1,452)	(2,885)
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29	29
Balance at 31 December 2017	42,424	19,925	159	8,473	1,705	2,625	-	(304)	(52)	11,759	(15,153)	(884)	66,856	137,533	49,348	186,881

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

<i>(in RMB million)</i>	<i>Notes</i>	<b>2018</b>	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>27,058</b>	30,831
Adjustments for:			
Investment income	6	<b>(29,527)</b>	(36,476)
Exchange (gains)/losses		<b>(425)</b>	668
Share of profits and losses of associates and joint ventures		<b>(12,540)</b>	(12,674)
Loss on deemed disposal of an associate		<b>737</b>	798
Depreciation of property and equipment	7	<b>2,193</b>	1,900
Amortisation of intangible assets	7	<b>281</b>	203
Amortisation of prepaid land premiums	7	<b>172</b>	152
Disposal gains from investment properties, property and equipment, intangible assets and prepaid land premiums		<b>(151)</b>	(72)
Finance costs except for interests credited to policyholders		<b>4,861</b>	4,152
(Reversal)/recognition of impairment losses on receivables and other assets		<b>(416)</b>	445
Investment expenses		<b>279</b>	789
		<hr/>	<hr/>
Operating cash flows before working capital changes		<b>(7,478)</b>	(9,284)
		<hr/> <hr/>	<hr/> <hr/>
Increase in insurance receivables, net (Decrease)/increase in investment contract liabilities for policyholders		<b>(2,353)</b>	(7,605)
		<b>(4,072)</b>	7,510
Increase in insurance contract liabilities, net		<b>3,387</b>	21,311
Increase in other assets, net		<b>(1,340)</b>	(3,074)
Increase/(decrease) in other liabilities, net		<b>3,239</b>	(494)
		<hr/> <hr/>	<hr/> <hr/>
Cash (used in)/generated from operations		<b>(8,617)</b>	8,364
Income tax paid		<b>(8,186)</b>	(8,989)
		<hr/> <hr/>	<hr/> <hr/>
Net cash used in operating activities		<b>(16,803)</b>	(625)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interests received		<b>30,284</b>	28,721
Dividends received		<b>6,432</b>	6,016
(Increase)/decrease in policy loans		<b>(857)</b>	143
Capital expenditures		<b>(5,116)</b>	(3,125)
Proceeds from disposals of investment properties, property and equipment, intangible assets and prepaid land premiums		<b>363</b>	254
Investments in associates and joint ventures		<b>(338)</b>	–
Purchases of investments		<b>(201,493)</b>	(255,498)
Proceeds from disposals of investments		<b>184,165</b>	225,085
Payments for investment expenses		<b>(279)</b>	(789)
(Increase)/decrease in term deposits, net		<b>(27,768)</b>	21,063
		<hr/> <hr/>	<hr/> <hr/>
Net cash (used in)/generated from investing activities		<b>(14,607)</b>	21,870

<i>(in RMB million)</i>	2018	2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares by subsidiaries	–	29
Issue of new shares	<b>5,848</b>	–
Increase in securities sold under agreements to repurchase	<b>13,663</b>	8,160
Issue of bonds payable	<b>30,000</b>	3,500
Proceeds from bank borrowings	<b>600</b>	–
Repayment of bonds payable	<b>(22,000)</b>	–
Repayment of bank borrowings	<b>(600)</b>	–
Interests paid	<b>(4,185)</b>	(3,763)
Dividends paid	<b>(3,262)</b>	(2,885)
	<hr/>	<hr/>
Net cash generated from financing activities	<b>20,064</b>	5,041
	<hr/> <hr/>	<hr/> <hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(11,346)</b>	26,286
Cash and cash equivalents at beginning of the year	<b>72,819</b>	46,729
Effects of exchange rate changes on cash and cash equivalents	<b>128</b>	(196)
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	<b>61,601</b>	72,819
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of balances of cash and cash equivalents</b>		
Demand deposits and deposits with banks		
with original maturity of no more than three months	<b>38,548</b>	29,528
Securities purchased under resale agreements with original maturity of no more than three months	<b>23,053</b>	43,291
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	<b>61,601</b>	72,819
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## NOTES:

### 1. CORPORATE INFORMATION

The Company was established on 22 August 1996 in the People's Republic of China ("PRC") and its registered office is located at No.88, West Chang'an Avenue, Xi Cheng District, Beijing 100031, PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established on 20 October 1949 by the PRC government. The ultimate controlling party of the Company is the Ministry of Finance ("MOF") of the PRC.

The Company is an investment holding company. During the year ended 31 December 2018, the Company's subsidiaries mainly provided integrated financial products and services and were engaged in property and casualty ("P&C") insurance, life and health insurance, asset management and other businesses.

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

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties, certain financial instruments and insurance contract liabilities.

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

### 3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

The Group has applied the following amendments to IFRSs issued by the IASB for the first time in the current year:

IFRS 15	<i>Revenue from Contracts with Customers and the related Amendments</i>
IFRIC-22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
Amendments to IAS 28	<i>As part of the Annual Improvements to IFRSs 2014-2016 Cycle</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>

Except as described below, the application of the above new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### **IFRS 15 – Revenue from Contracts with Customers and the related Amendments**

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group will continue to apply IFRS 4 Insurance Contracts to its insurance contracts and apply IFRS 15 to non-insurance contracts (or unbundled components of insurance contracts). As the Group provides various services including handling certain taxes or levies for relevant authorities, managing certain contracts classified as investment contracts and asset management services, implementations of IFRS 15 affect the recognition or measurement of income from these services. However, the directors of the Company consider the application of IFRS 15 has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

### **Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**

IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The Standard introduces new requirements for classification and measurement of financial assets and financial liabilities, expected credit loss for financial assets, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, except for entities engaging predominantly in insurance activities and opt for deferral or overlay approach as permitted by Amendments to IFRS 4.

In September 2016, IFRS 4 was amended to address issues arising from the different effective dates of IFRS 9 and the upcoming IFRS 17.

The amendment provides entities meeting a criterion for engaging predominantly in insurance activities with the option of adopting the deferral approach to continue current IFRS accounting and to defer the application of IFRS 9 until the earlier of the application of the new insurance standard or periods beginning on or after 1 January 2021. The assessment of predominance has to be made at the reporting entity level and at the annual reporting date immediately preceding 1 April 2016. Thereafter it should not be reassessed, unless there is a significant change in the entity's activities that would trigger a mandatory reassessment.

Separately, the amendment provides all entities with contracts within the scope of IFRS 4 with an option to apply IFRS 9 in full but to make adjustments to profit or loss to remove the impact of IFRS 9, compared with IAS 39, for designated qualifying financial assets. This is referred to as the 'overlay approach' and is available on an asset by asset basis with specific requirements around designations and de-designations.

During the year ended 31 December 2016, the Group performed an assessment based on these amendments. The carrying amount of the Group's liabilities connected with insurance exceed 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 deferral approach. The Group has decided to apply the temporary exemption in its reporting period commencing on 1 January 2018.

The Group has not yet assessed the interaction of IFRS 9 and IFRS 17 when the impact analysis of IFRS 9 was performed.

The Group has applied uniform accounting policies in accounting for its subsidiaries, associates and joint ventures in these consolidated financial statements.

#### **4. OPERATING SEGMENT INFORMATION**

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

For management purposes, the Group is organised into business units based on principal activities of subsidiaries and has the following operating and reportable segments:

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

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

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

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

#### Segment revenue and results for the year ended 31 December 2018

<i>(in RMB million)</i>	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
Net earned premiums	344,675	92,677	13,797	-	-	4,333	(135)	455,347
Reinsurance commission income	10,419	448	151	-	-	168	(1,381)	9,805
Investment income	14,656	12,355	1,278	584	4,450	439	(4,235)	29,527
Other income	2,475	728	133	1,610	1	831	(1,860)	3,918
<b>TOTAL INCOME</b>								
- SEGMENT INCOME	372,225	106,208	15,359	2,194	4,451	5,771	(7,611)	498,597
- External income	374,667	105,643	15,322	1,498	478	989	-	498,597
- Intersegment income	(2,442)	565	37	696	3,973	4,782	(7,611)	-
Net claims and policyholders' benefits	213,661	90,170	11,913	-	-	2,964	(83)	318,625
Handling charges and commissions	74,072	7,953	662	-	-	-	(959)	81,728
Finance costs	2,076	2,978	476	7	1,002	16	-	6,555
Exchange gains	(211)	(161)	(5)	-	(42)	(6)	-	(425)
Other operating and administrative expenses	63,751	8,281	2,302	1,338	905	2,910	(2,628)	76,859
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>	353,349	109,221	15,348	1,345	1,865	5,884	(3,670)	483,342
Share of profits and losses of associates and joint ventures	7,896	3,736	10	3	846	(45)	94	12,540
Loss on deemed disposal of an associate	(737)	-	-	-	-	-	-	(737)
<b>PROFIT/(LOSS) BEFORE TAX</b>	26,035	723	21	852	3,432	(158)	(3,847)	27,058
Income tax (expense)/credit	(7,950)	5	-	(214)	(192)	(10)	18	(8,343)
<b>PROFIT/(LOSS) FOR THE YEAR</b>								
- SEGMENT RESULTS	18,085	728	21	638	3,240	(168)	(3,829)	18,715

## Segment revenue and results for the year ended 31 December 2017

<i>(in RMB million)</i>	Non-life insurance	Life insurance	Health insurance	Asset management	Head- quarters	Others	Eliminations	Total
Net earned premiums	309,552	105,428	17,997	–	–	1,748	252	434,977
Reinsurance commission income	9,374	273	93	–	–	102	(1,039)	8,803
Investment income	15,901	17,320	2,008	452	4,438	162	(3,805)	36,476
Other income	2,025	754	121	1,618	1	379	(1,379)	3,519
<b>TOTAL INCOME</b>								
– SEGMENT INCOME	<u>336,852</u>	<u>123,775</u>	<u>20,219</u>	<u>2,070</u>	<u>4,439</u>	<u>2,391</u>	<u>(5,971)</u>	<u>483,775</u>
– External income	337,586	123,375	20,190	1,432	815	377	–	483,775
– Intersegment income	<u>(734)</u>	<u>400</u>	<u>29</u>	<u>638</u>	<u>3,624</u>	<u>2,014</u>	<u>(5,971)</u>	<u>–</u>
Net claims and policyholders’ benefits	<u>192,586</u>	<u>108,162</u>	<u>17,182</u>	<u>–</u>	<u>–</u>	<u>875</u>	<u>36</u>	<u>318,841</u>
Handling charges and commissions	59,754	8,369	796	–	–	–	(825)	68,094
Finance costs	2,000	2,122	543	4	899	1	–	5,569
Exchange losses	442	185	2	1	35	3	–	668
Other operating and administrative expenses	<u>60,137</u>	<u>7,725</u>	<u>1,689</u>	<u>1,301</u>	<u>823</u>	<u>1,809</u>	<u>(1,836)</u>	<u>71,648</u>
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>	<u>314,919</u>	<u>126,563</u>	<u>20,212</u>	<u>1,306</u>	<u>1,757</u>	<u>2,688</u>	<u>(2,625)</u>	<u>464,820</u>
Share of profits and losses of associates and joint ventures	7,919	3,625	–	(1)	923	–	208	12,674
Loss on deemed disposal of an associate	<u>(356)</u>	<u>(398)</u>	<u>–</u>	<u>–</u>	<u>(44)</u>	<u>–</u>	<u>–</u>	<u>(798)</u>
PROFIT/(LOSS) BEFORE TAX	29,496	439	7	763	3,561	(297)	(3,138)	30,831
Income tax (expense)/credit	<u>(7,315)</u>	<u>(285)</u>	<u>–</u>	<u>(199)</u>	<u>99</u>	<u>–</u>	<u>(80)</u>	<u>(7,780)</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>								
– SEGMENT RESULTS	<u><u>22,181</u></u>	<u><u>154</u></u>	<u><u>7</u></u>	<u><u>564</u></u>	<u><u>3,660</u></u>	<u><u>(297)</u></u>	<u><u>(3,218)</u></u>	<u><u>23,051</u></u>

Segment assets and liabilities as at 31 December 2018 and 2017, and other segment information for the years ended 31 December 2018 and 2017

<i>(in RMB million)</i>	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
<b>31 December 2018</b>								
Segment assets	<u>559,314</u>	<u>391,661</u>	<u>35,086</u>	<u>10,887</u>	<u>118,646</u>	<u>14,882</u>	<u>(98,841)</u>	<u>1,031,635</u>
Segment liabilities	<u>408,433</u>	<u>360,767</u>	<u>29,528</u>	<u>2,323</u>	<u>22,744</u>	<u>7,257</u>	<u>(5,718)</u>	<u>825,334</u>
Other segment information:								
Capital expenditures	4,012	332	198	311	160	103	-	5,116
Depreciation and amortisation	2,053	244	59	33	155	17	85	2,646
Interest income	<u>14,063</u>	<u>13,828</u>	<u>1,090</u>	<u>189</u>	<u>299</u>	<u>425</u>	<u>126</u>	<u>30,020</u>
<b>31 December 2017</b>								
Segment assets	<u>530,450</u>	<u>381,802</u>	<u>43,096</u>	<u>10,293</u>	<u>109,569</u>	<u>11,382</u>	<u>(98,686)</u>	<u>987,906</u>
Segment liabilities	<u>392,477</u>	<u>350,242</u>	<u>37,463</u>	<u>2,205</u>	<u>20,587</u>	<u>3,541</u>	<u>(5,490)</u>	<u>801,025</u>
Other segment information:								
Capital expenditures	1,908	706	109	306	62	34	-	3,125
Depreciation and amortisation	1,806	176	54	31	111	8	69	2,255
Interest income	<u>13,304</u>	<u>12,866</u>	<u>1,425</u>	<u>146</u>	<u>222</u>	<u>139</u>	<u>213</u>	<u>28,315</u>

## 5. GROSS AND NET WRITTEN PREMIUMS

<i>(in RMB million)</i>	2018	2017
(a) Gross written premiums		
Long-term life insurance premiums	93,354	113,111
Short-term health insurance premiums	15,172	12,438
Non-life insurance premiums	<u>390,082</u>	<u>350,898</u>
Total	<u><b>498,608</b></u>	<u>476,447</u>
(b) Premiums ceded to reinsurers		
Long-term life insurance premiums	(1,501)	(1,083)
Short-term health insurance premiums	(287)	(1,167)
Non-life insurance premiums	<u>(27,835)</u>	<u>(25,620)</u>
Total	<u><b>(29,623)</b></u>	<u>(27,870)</u>
Net written premiums	<u><b>468,985</b></u>	<u>448,577</u>
(c) Change in unearned premium reserves		
Change in gross unearned premium reserves	(14,789)	(12,150)
Less: Change in reinsurers' share of unearned premium reserves	<u>1,151</u>	<u>(1,450)</u>
Net amount	<u><b>(13,638)</b></u>	<u>(13,600)</u>

## 6. INVESTMENT INCOME

<i>(in RMB million)</i>	2018	2017
Dividend, interest and rental income (a)	34,370	32,650
Realised (losses)/gains (b)	(1,883)	4,823
Fair value losses (c)	(536)	(110)
Impairment losses of available-for-sale financial assets	(2,424)	(887)
TOTAL	<u>29,527</u>	<u>36,476</u>

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

<i>(in RMB million)</i>	2018	2017
Operating lease income from investment properties	<u>554</u>	<u>575</u>
Interest income		
Current and term deposits	5,203	4,992
Debt securities		
– Held-to-maturity	6,027	5,857
– Available-for-sale	8,258	7,727
– At fair value through profit or loss	211	271
Derivative financial assets	–	3
Loans and receivables	<u>10,321</u>	<u>9,465</u>
SUBTOTAL	<u>30,020</u>	<u>28,315</u>
Dividend income		
Equity securities, mutual funds and trust schemes		
– Available-for-sale	3,503	3,369
– At fair value through profit or loss	<u>293</u>	<u>391</u>
SUBTOTAL	<u>3,796</u>	<u>3,760</u>
TOTAL	<u>34,370</u>	<u>32,650</u>



**(b) Realised (losses)/gains**

<i>(in RMB million)</i>	2018	2017
Debt securities		
– Available-for-sale	530	90
– At fair value through profit or loss	34	9
Equity securities and mutual funds		
– Available-for-sale	(2,162)	4,330
– At fair value through profit or loss	(285)	394
TOTAL	<u>(1,883)</u>	<u>4,823</u>

**(c) Fair value losses**

<i>(in RMB million)</i>	2018	2017
Debt securities		
– At fair value through profit or loss	104	(105)
Equity securities and mutual funds		
– At fair value through profit or loss	(797)	195
Investment properties	157	(200)
TOTAL	<u>(536)</u>	<u>(110)</u>

## 7. PROFIT BEFORE TAX

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

<i>(in RMB million)</i>	2018	2017
Employee costs (a)	41,185	39,026
Depreciation of property and equipment	2,193	1,900
(Reversal)/recognition of impairment losses on insurance receivables ( <i>note 11</i> )	(347)	426
(Reversal)/recognition of impairment losses on other assets	(69)	11
Impairment losses on prepaid land premiums	–	8
Minimum lease payments under operating leases in respect of land and buildings	1,262	1,089
Amortisation of intangible assets	281	203
Amortisation of prepaid land premium	172	152
Auditors' remuneration	33	31
	<u>41,185</u>	<u>39,026</u>

### (a) Employee costs

<i>(in RMB million)</i>	2018	2017
Employee costs (including directors' and supervisors' remuneration)		
– Salaries, allowances and performance related bonuses	36,812	35,198
– Pension scheme contributions	4,373	3,828
	<u>41,185</u>	<u>39,026</u>

## 8. INCOME TAX EXPENSE

<i>(in RMB million)</i>	2018	2017
Current tax	6,897	10,653
Adjustments in respect of prior years	12	42
Deferred tax	1,434	(2,915)
	<u>8,343</u>	<u>7,780</u>

In accordance with the relevant PRC income tax rules and regulations, the Company and its subsidiaries registered in the PRC are subject to corporate income tax (“CIT”) at the statutory rate of 25% (2017: 25%) on their respective taxable income. Income taxes on taxable income elsewhere were calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The People's Insurance Company of China (Hong Kong) Limited ("PICC Hong Kong") and PICC Asset Management (Hong Kong) Company Limited ("PICC AMHK"), subsidiaries incorporated in Hong Kong, were subject to a profits tax rate of 16.5% for the year ended 31 December 2017. Since 1 January 2018, PICC Hong Kong was nominated to adopt a profits tax rate of 8.25% for the first HKD2 million of its assessable profits and a profits tax rate of 16.5% for the remaining assessable profits. PICC AMHK was still subject to a profits tax rate of 16.5% during the year.

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

<i>(in RMB million)</i>	<b>2018</b>	2017
Profit before tax	<u>27,058</u>	<u>30,831</u>
Tax at the statutory tax rate	6,765	7,708
Adjustments in respect of prior years	12	42
Tax effect of share of profits and losses of associates	(2,951)	(2,969)
Income not subject to tax	(1,637)	(888)
Expenses not deductible for tax	5,590	3,511
Unrecognised deductible temporary differences and tax losses	564	384
Effects of different tax rates applied to subsidiaries	<u>–</u>	<u>(8)</u>
Tax charge for the year	<u>8,343</u>	<u>7,780</u>
Effective tax rate	<u><b>30.8%</b></u>	<u>25.2%</u>

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share for the years of 2018 and 2017 is based on the profit attributable to equity holders of the Company and the number of ordinary shares in issue during the year.

	<b>2018</b>	2017
Profit attributable to equity holders of the Company for the year <i>(in RMB million)</i>	<u>12,912</u>	<u>16,099</u>
Weighted average number of ordinary shares in issue <i>(in million shares)</i>	<u>42,574</u>	<u>42,424</u>
Basic earnings per share <i>(in RMB)</i>	<u><b>0.30</b></u>	<u>0.38</u>

The weighted average number of ordinary shares in issue during the year was adjusted to reflect the effect of the issue of new shares after the completion of A share offering in 2018.

No diluted earnings per share has been presented for the years of 2018 and 2017 as the Group had no potential ordinary shares in issue during the years.

## 10. DIVIDENDS

	2018	2017
Dividends recognised as distributions during the year:		
2017 Final, paid – RMB3.94 cent per share	1,672	–
2016 Final, paid – RMB3.37881 cent per share	–	1,433
	<u>          </u>	<u>          </u>

As at 22 March 2019, final dividend in respect of the year ended 31 December 2018 of RMB4.57 cent per share has been proposed by the Board of Directors and is subject to approval by the shareholders at the forthcoming general meeting.

## 11. INSURANCE RECEIVABLES, NET

	31 December 2018	31 December 2017
Premiums receivable and agents' balances	33,117	22,848
Receivables from reinsurers	<u>14,309</u>	<u>22,272</u>
Subtotal	<u>47,426</u>	<u>45,120</u>
Less: Impairment provisions on		
– Premiums receivable and agents' balances	(3,009)	(3,343)
– Receivables from reinsurers	<u>(199)</u>	<u>(259)</u>
TOTAL	<u>44,218</u>	<u>41,518</u>

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

<i>(in RMB million)</i>	2018	2017
At 1 January	3,602	3,218
(Reversal)/recognition of impairment losses <i>(note 7)</i>	(347)	426
Amount written off as uncollectible	(47)	(42)
	<u>3,208</u>	<u>3,602</u>
At 31 December	<u>3,208</u>	<u>3,602</u>

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

<i>(in RMB million)</i>	31 December 2018	31 December 2017
Not yet due and up to 3 months	37,008	30,382
More than 3 months to 6 months	3,004	4,288
More than 6 months to 12 months	3,592	5,652
More than 1 year to 2 years	511	1,033
More than 2 years	103	163
	<u>44,218</u>	<u>41,518</u>
Total	<u>44,218</u>	<u>41,518</u>

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

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

## 12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

- (a) The Group's investments in the associates and joint ventures as at 31 December 2018 and 2017 are as follows:

<i>(in RMB million)</i>	<b>31 December 2018</b>	31 December 2017
Associates		
Cost of investment in associates <i>(note)</i>	<b>66,160</b>	66,756
Share of post-acquisition profits and other comprehensive income	<b>38,226</b>	28,094
	<hr/>	<hr/>
Subtotal	<b>104,386</b>	94,850
	<hr/>	<hr/>
Joint ventures		
Cost of investment in joint ventures	<b>3,086</b>	2,890
Share of post-acquisition profits and other comprehensive income	<b>20</b>	–
	<hr/>	<hr/>
Subtotal	<b>3,106</b>	2,890
	<hr/>	<hr/>
Total	<b>107,492</b>	97,740
	<hr/> <hr/>	<hr/> <hr/>

*Note:* In 2018 and 2017, two associates of the Group completed their private offering in respective year. Since the Group did not subscribe for the shares proportionately, its total equity interests in respective associate were diluted, resulting in a loss in deemed disposal of RMB737 million and RMB798 million respectively and such loss is included in the profit or loss of the current period.

Included in the carrying amount of investments in associates as at 31 December 2018 was an aggregate amount of RMB94,141 million (31 December 2017: RMB84,958 million) in respect of listed entities and their corresponding fair values amounted to RMB62,010 million (31 December 2017: RMB71,963 million) on the same date.

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

Associates	Place of registration	Principal activities /Place of operation	Percentage of ownership interest and voting rights held by the Group			
			31 December 2018		31 December 2017	
			Direct	Indirect	Direct	Indirect
Industrial Bank	Fujian Province, PRC	Banking, PRC	<b>0.85%</b>	<b>12.05%</b>	0.85%	12.05%
Hua Xia Bank	Beijing, PRC	Banking, PRC	–	<b>16.66%</b>	–	19.99%

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

### 13. SHARE CAPITAL

	31 December 2018	31 December 2017
Issued and fully paid ordinary shares of RMB1 each <i>(in million shares)</i>		
Owned by MOF	29,896	29,896
Owned by National Council for Social Security Fund	3,802	3,802
Owned by other shareholders		
Including: A shares	1,800	–
H shares	8,726	8,726
	<u>44,224</u>	<u>42,424</u>
Share capital <i>(in RMB million)</i>		
Owned by MOF	29,896	29,896
Owned by National Council for Social Security Fund	3,802	3,802
Owned by other shareholders		
Including: A shares	1,800	–
H shares	8,726	8,726
	<u>44,224</u>	<u>42,424</u>

On 16 November 2018, the Company completed its A shares offering on the Shanghai Stock Exchange. The company issued 1,800 million A shares at an issue price of RMB3.34 per share. The Company raised a total net proceed of RMB5,848 million, of which an amount of RMB1,800 million was recorded in issued capital. The difference between the net proceed and issued capital of RMB4,048 million is credited to share premium account.

## 14. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

<i>(in RMB million)</i>	<b>31 December 2018</b>	31 December 2017
<b>ASSETS</b>		
Cash and cash equivalents	2,294	2,833
Debt securities	6,174	2,386
Equity securities and mutual funds	6,935	7,138
Term deposits	3,963	131
Investments classified as loans and receivables	1,281	600
Investments in subsidiaries	84,217	84,274
Investments in associates	5,633	5,571
Investment properties	2,615	2,605
Property and equipment	3,099	3,090
Intangible assets	23	29
Prepaid land premiums	64	65
Other assets	1,042	227
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>117,340</b>	<b>108,949</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>		
Bonds payable	17,977	15,995
Pension benefit obligation	2,967	2,899
Other liabilities	1,801	1,693
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>22,745</b>	<b>20,587</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Share capital	44,224	42,424
Reserves	50,371	45,938
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>94,595</b>	<b>88,362</b>
	<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>117,340</b>	<b>108,949</b>
	<hr/> <hr/>	<hr/> <hr/>



## MANAGEMENT DISCUSSION AND ANALYSIS

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

### I. KEY OPERATING INDICATORS

#### (1) Key Operating Data

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

	<b>2018</b>	2017	(% of change)
Original Premiums Income			
PICC P&C	<b>388,020</b>	349,290	11.1
PICC Life	<b>93,714</b>	106,238	(11.8)
PICC Health	<b>14,798</b>	19,250	(23.1)
Combined ratio of PICC P&C (%)	<b>98.5</b>	97.2	Increase of 1.3 pt
Value of one year’s new business of PICC Life	<b>5,735</b>	5,687	0.8
Value of one year’s new business of PICC Health	<b>507</b>	468	8.3
Total investment yield (%)	<b>4.8</b>	5.9	Decrease of 1.1 pt

Unit: in RMB million, except for percentages

	As of 31 December 2018	As of 31 December 2017	(% of change)
Market share <sup>(1)</sup>			
PICC P&C (%)	33.0	33.1	Decrease of 0.1 pt
PICC Life (%)	3.6	4.1	Decrease of 0.5 pt
PICC Health (%)	0.6	0.7	Decrease of 0.1 pt
Embedded Value of PICC Life	70,632	61,909	14.1
Embedded Value of PICC Health	8,689	7,831	11.0

	As of 31 December 2018	As of 31 December 2017	(% of change)
Comprehensive solvency margin ratio (%)			
PICC Group	309	299	Increase of 10 pt
PICC P&C	275	278	Decrease of 3 pt
PICC Life	244	219	Increase of 25 pt
PICC Health	282	396	Decrease of 114 pt
Core solvency margin ratio (%)			
PICC Group	244	235	Increase of 9 pt
PICC P&C	229	229	–
PICC Life	201	192	Increase of 9 pt
PICC Health	182	257	Decrease of 75 pt

- (1) The market share was based on the statistics and measurement of the Original Premiums Income in the PRC (excluding Hong Kong, Macau and Taiwan) published by the China Banking and Insurance Regulatory Commission (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.

In 2018, by adhering to the general tone of “making progress while maintaining stability”, PICC put new development philosophy into practice, and promoted implementation of the “3411 Project” for the transformation to high quality development of the Group. In a complex and ever-changing external environment, the Group successfully maintained the general tone of “stability”, highlighted the rhythm of “making progress” and achieved a “good” momentum. Steady progresses have been made in the efforts for the reform and development of the Group. In 2018, the market share of PICC P&C in the P&C insurance market was 33.0%, the market share of PICC Life in life and health insurance market was 3.6% and the market share of PICC Health in life and health insurance market was 0.6%. In terms of the total written premiums (the “TWPs”), in 2018, the Group’s TWPs exceeded RMB500 billion, and the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB388,020 million, RMB99,710 million, RMB15,334 million and RMB273 million, respectively.

## (2) Key Financial Indicators

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

	<b>2018</b>	2017	(% of change)
Gross written premiums (the “GWPs”)	<b>498,608</b>	476,447	4.7
PICC P&C	<b>388,769</b>	350,314	11.0
PICC Life	<b>93,727</b>	106,299	(11.8)
PICC Health	<b>14,798</b>	19,250	(23.1)
Profit before tax	<b>27,058</b>	30,831	(12.2)
Net profit	<b>18,715</b>	23,051	(18.8)
Net profit attributable to equity holders of the Company	<b>12,912</b>	16,099	(19.8)
Earnings per share (RMB)	<b>0.30</b>	0.38	(20.1)
Weighted average return on equity (%)	<b>9.0</b>	12.2	Decrease of 3.2 pt

*Unit: in RMB million, except for percentages*

	<b>As of 31 December 2018</b>	<b>As of 31 December 2017</b>	<b>(% of change)</b>
Total assets	<b>1,031,635</b>	987,906	4.4
Total liabilities	<b>825,334</b>	801,025	3.0
Total equity	<b>206,301</b>	186,881	10.4
Net assets per share (RMB)	<b>3.46</b>	3.24	6.8
Gearing ratio <sup>(1)</sup> (%)	<b>80.0</b>	81.1	Decrease of 1.1 pt

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

### **(3) Explanation for the differences between domestic and overseas accounting standards**

*Unit: in RMB million, except for percentages*

	<b>Net profit attributable to equity holders of the Company</b>		<b>Equity attributable to equity holders of the Company</b>	
	<b>2018</b>	2017	<b>As of 31 December 2018</b>	As of 31 December 2017
Under the China Accounting Standards for Business Enterprises	<b>13,450</b>	16,646	<b>152,468</b>	136,919
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic Risk Reserve of Agricultural Insurance	<b>(73)</b>	139	<b>1,010</b>	1,082
Impact of above adjustment on deferred income tax	<b>17</b>	(34)	<b>(251)</b>	(269)
Reclassification of insurance contract to investment contract	<b>26</b>	(56)	<b>(174)</b>	(199)
Loss on deemed disposal of an associate	<b>(508)</b>	(596)	–	–
Under the International Financial Reporting Standards	<b>12,912</b>	16,099	<b>153,053</b>	137,533

Explanation for major adjustments:

1. According to the Cai Jin [2013] No.129 Document, PICC P&C made provision for catastrophic risk reserve of agricultural insurance based on a certain proportion of the retained premium of agricultural insurance; however, the provision for catastrophic risk reserve is not accounted under the International Financial Reporting Standards. Hence, there is a difference in the reserve between the two reporting standards.
2. At the end of 2014, PICC Life reviewed the test result of major insurance risks under the policies and reclassified contracts relating to certain risks from insurance contracts to investment contracts under the China Accounting Standards for Business Enterprise. 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.
3. In 2018 and 2017, two associates of the Group completed their private offering in respective year. Since the Group did not subscribe for the shares proportionately, its total equity interests in respective associate were diluted, resulting in a loss in deemed disposal of RMB737 million and RMB798 million respectively. According to the China Accounting Standards for Business Enterprises, the impact of such loss is charged to capital reserve, and their impact on the equity attributable to equity holders of the Company in 2018 and 2017 were RMB508 million and RMB596 million respectively. Under the International Financial Reporting Standards, such loss is included in the profit or loss of the current period, and their impact on the net profit attributable to equity holders of the Company in 2018 and 2017 were RMB508 million and RMB596 million respectively.

## **II. BUSINESS ANALYSIS**

### **(1) P&C Insurance Business**

In 2018, with continued economic transformation and upgrading in China and further implementation of the supply-side structural reforms, the economic structure continued to improve, the new drivers for development continued to grow, and the vitality of development continued to increase. The overall economy showed a good momentum of “stability with progress and changes made”. In the property insurance sector, market competition has continued to intensify, regulatory reforms have been further implemented, supervision has been continuously strengthened, reforms in premium rate for commercial motor vehicle insurance have been continuously reformed, adjustments in market structure and formation of new business models have been accelerated, bringing significant opportunities and challenges to the development of entities in the industry.

Facing opportunities and challenges, the P&C insurance segment accurately followed the development trend, adhered to the bottom line of no systemic risks, actively served the economy and society, promoted the integration of policy-based business and commercial business, and deepened the integration of business model changes and technological changes, implemented innovation-driven development and digital strategy, implemented the integration strategy deeply, promoted the internationalization strategy steadily, implemented the regional development strategy fully, continued to innovate in product supply, improved service quality continuously, and accelerated the transformation of the Company to high-quality development, and recorded a operating result of stability with progress.

## 1. PICC P&C

### (1) Analysis by Product

The following table sets forth the GWPs by type from PICC P&C for the reporting periods indicated:

*Unit: in RMB million, except for percentages*

**For the Year Ended 31 December**

	<b>2018</b>	2017	(% of change)
Motor vehicle insurance	<b>258,904</b>	249,232	3.9
Accidental injury and health insurance	<b>40,444</b>	30,646	32.0
Agricultural insurance	<b>26,718</b>	22,090	21.0
Liability insurance	<b>21,706</b>	16,975	27.9
Commercial property insurance	<b>13,413</b>	12,623	6.3
Credit insurance	<b>11,575</b>	4,942	134.2
Cargo insurance	<b>3,864</b>	3,232	19.6
Other P&C insurance	<b>12,145</b>	10,574	14.9
<b>Total</b>	<b>388,769</b>	350,314	11.0

During the reporting period, the Chinese economy continued to transform and upgrade, the supply-side structural reforms were further implemented, and the economic structure continued to improve. PICC P&C actively responded to the challenges, made more efforts in reform and innovation, and recorded steady growth in insurance premiums income. In 2018, the GWPs for PICC P&C of the Group was RMB388,769 million, representing an increase of 11.0% as compared to last year.

GWPs for motor vehicle insurance increased by 3.9% to RMB258,904 million in 2018 from RMB249,232 million in 2017. In 2018, PICC P&C actively responded to the challenges caused by the decline in new car sales and the continuous reform of premium rate for commercial motor vehicle insurance, which led to the decline in premium rate for motor vehicle insurance, further strengthened the market orientation, optimized the outlay of channels, so as to ensure the stability of new insurance business, strengthen the renewal insurance business and optimize the transferred-in insurance business. On the one hand, we will continue to promote the resources management and channel cooperation, broaden the space for business development, and improve the acquisition capacity of new motor vehicle insurance business; on the other hand, we will monitor the renewal insurance business and transferred-in insurance business closely, continue to strengthen the process of tracking and node management, develop and promote of models for renewal insurance, continue to strengthen team building, and continuously improve the quality of service, so as to achieve a higher renewal and transfer rate of quality business and a steady increase in GWPs for motor vehicle insurance.

GWPs for accidental injury and health insurance increased by 32.0% to RMB40,444 million in 2018 from RMB30,646 million in 2017. In 2018, PICC P&C implemented the “Healthy China” strategy and served the social governance, and continued to consolidate the development of critical illness insurance business while putting great effort in exploring business in new fields, such as poverty alleviation, medical assistance, nursing-care, and supplementary work injury; actively promoted commercial health insurance business such as personal and family health insurance, and promoted the traditional pillar businesses such as student and infant insurance, people’s livelihood insurance, corporate businesses insurance, and construction accidental injury insurance, and integrated the development of driver and passengers accidental injury insurance and accidental injury insurance of agricultural network, to promote an overall rapid development of the accidental injury and health insurance business.

GWPs for agricultural insurance increased by 21.0% to RMB26,718 million in 2018 from RMB22,090 million in 2017. In 2018, PICC P&C fully integrated the state’s rural revitalization and precise poverty alleviation strategy, deepened the construction of the agricultural network platform, and put great effort in exploring the agricultural insurance market, consolidated the traditional agricultural insurance business by focusing on expanding the scope, raising bids and increasing products, while expanding and strengthening the classic agricultural insurance business, accelerated the development of innovative businesses such as income insurance and output/output insurance, created the “deep poverty insurance”, the first innovation project in the industry, actively developed agricultural insurance product features poverty alleviation, and took other measures to effectively promote the rapid development of agricultural insurance business.

GWPs for liability insurance increased by 27.9% to RMB21,706 million in 2018 from RMB16,975 million in 2017. In 2018, PICC P&C accurately followed the economic and social development trends, actively served the development of real economy, served the national governance and poverty alleviation strategy, increased its efforts in product development, improved the quality of service and professionalism, fully utilized the advantages of outlets, and promoted the rapid development of traditional pillar businesses such as employer, public liability insurances. At the same time, new policy-oriented businesses such as the first set of major technical equipment, new materials, government (poverty alleviation) relief, safe production, and building quality insurance also grew rapidly.

GWPs for commercial property insurance increased by 6.3% to RMB13,413 million in 2018 from RMB12,623 million in 2017. In 2018, PICC P&C overcame the adverse effects of intensified competition in market, fully motivated base-level employees to expand business, continued to strengthen renewal of insurance and put more efforts in securing new insurance and competition, and promoted the steady development of corporate property insurance business.

GWPs for credit insurance increased by 134.2% to RMB11,575 million in 2018 from RMB4,942 million in 2017. In 2018, PICC P&C seized the opportunities in the growth of import and export trade and the development of online consumer finance, further consolidated its competitiveness in export credit insurance, engineering performance guarantee insurance, tariff guarantee insurance and others, and put more efforts in the construction of infrastructure for online consumer finance business and business practices, and achieved good development results and promoted the rapid development of the overall credit business.

GWPs for cargo insurance increased by 19.6% to RMB3,864 million in 2018 from RMB3,232 million in 2017. In 2018, PICC P&C seized the opportunities brought by the stabilization of the domestic economy and the recovery of the global economy, optimized the business expanding model and channel construction, continuously expanded traditional insurance such as import and export, road, railway and multi-way transportation insurance, while promoting its individual decentralized business and internet business, and effectively promoted the rapid growth of the cargo insurance as a whole.

GWPs for other insurances increased by 14.9% to RMB12,145 million in 2018 from RMB10,574 million in 2017. In 2018, PICC P&C actively responded to the market situation, guided the upgrading of business structure through resource allocation and internal assessment, and achieved a balanced development of family property insurance, engineering insurance, special risk insurance, and hull insurance.



(2) *Analysis by Channel*

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

*Unit: in RMB million, except for percentages*

**For the Year Ended 31 December**

	2018			2017	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Insurance agents	277,240	71.5	12.4	246,610	70.6
Among which:					
Individual insurance agents	130,214	33.6	4.5	124,548	35.7
Ancillary insurance agents	53,958	13.9	(6.5)	57,705	16.5
Professional insurance agents	93,068	24.0	44.6	64,357	18.4
Direct sales	80,080	20.6	(3.4)	82,859	23.7
Insurance brokerage	30,700	7.9	54.9	19,821	5.7
<b>Total</b>	<b>388,020</b>	<b>100.0</b>	<b>11.1</b>	<b>349,290</b>	<b>100.0</b>

In 2018, PICC P&C continued to optimize the outlay of channels, strengthened the marketing strategy and sales process management of motor vehicle insurance, improved the linkage mechanism for resources allocation, and continued to strengthen the control, cohesiveness and competitiveness of channels. At the same time, it strengthened cross-interaction among property, life and health segments, deepened the establishment and sharing of outlets, teams and resources, promoted the establishment of integrated comprehensive development team, and the integrated sales service system is growing. Among them, the original premiums income of the insurance agents increased by 12.4% to RMB277,240 million in 2018 from RMB246,610 million in 2017; the original premiums income of the insurance brokerage increased by 54.9% to RMB30,700 million in 2018 from RMB19,821 million in 2017.

(3) *Analysis by Region*

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

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

	<b>2018</b>	2017	(% of change)
Guangdong Province	<b>37,993</b>	32,353	17.4
Jiangsu Province	<b>36,859</b>	34,535	6.7
Zhejiang Province	<b>30,300</b>	26,779	13.1
Shandong Province	<b>22,351</b>	21,719	2.9
Hebei Province	<b>21,762</b>	19,495	11.6
Sichuan Province	<b>17,678</b>	18,702	(5.5)
Hubei Province	<b>16,024</b>	13,499	18.7
Beijing City	<b>15,608</b>	14,805	5.4
Anhui Province	<b>15,179</b>	12,698	19.5
Fujian Province	<b>14,655</b>	13,630	7.5
Other regions	<b>159,611</b>	141,075	13.1
Total	<b>388,020</b>	349,290	11.1

(4) *Business information on major insurances*

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

*Unit: in RMB million, except for percentages*  
For the Year Ended 31 December 2018

	<b>Gross written premiums</b>	<b>Amount of insurance</b>	<b>Net claims</b>	<b>Liability balance of reserve</b>	<b>Underwriting profits</b>	<b>Combined ratio (%)</b>
Motor vehicle insurance	258,904	65,572,496	146,973	183,193	3,894	98.4
Accidental injury and health insurance	40,444	752,838,610	29,942	17,960	184	99.5
Agricultural insurance	26,718	2,196,323	15,668	11,573	954	95.8
Liability insurance	21,706	67,410,247	8,079	19,159	912	93.9
Commercial property insurance	13,413	29,445,025	4,871	13,019	(764)	109.6
Credit insurance	11,575	1,012,488	3,429	10,673	185	96.9
Cargo insurance	3,864	11,575,495	1,525	2,516	262	90.7
Other P&C insurance	12,145	44,841,813	4,173	17,688	(323)	105.0
Total	388,769	974,892,497	214,660	275,781	5,304	98.5

(5) *Financial Analysis*

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

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

	<b>2018</b>	2017	(% of change)
Net earned premiums	<b>344,124</b>	309,076	11.3
Investment income	<b>11,992</b>	13,214	(9.2)
Other income	<b>2,477</b>	2,022	22.5
Total income	<b>369,152</b>	333,870	10.6
Net claims and policyholders' benefits	<b>213,303</b>	192,520	10.8
Handling charges and commissions	<b>74,036</b>	59,725	24.0
Finance costs	<b>2,074</b>	1,998	3.8
Other operating and administrative expenses	<b>63,685</b>	59,932	6.3
Total benefits, claims and expenses	<b>352,884</b>	314,626	12.2
Profit before tax	<b>23,428</b>	27,161	(13.7)
Income tax	<b>7,942</b>	7,353	8.0
Net profit	<b>15,486</b>	19,808	(21.8)

*Net earned premiums*

Benefiting from the development in the businesses of motor vehicle insurance, accidental injury and health insurance, credit insurance, liability insurance and agricultural insurance, net earned premiums of PICC P&C increased by 11.3% to RMB344,124 million in 2018 from RMB309,076 million in 2017.

*Investment income*

Investment income of PICC P&C decreased by 9.2% to RMB11,992 million in 2018 from RMB13,214 million in 2017, primarily affected by the fluctuations in capital market.

### *Net claims and policyholders' benefits*

Net claims and policyholders' benefits for PICC P&C increased by 10.8% to RMB213,303 million in 2018 from RMB192,520 million in 2017, mainly due to the impact of snowstorms, heavy rains, typhoons, windstorms and other major disasters, resulting increase in the number of claims for large amounts of agricultural insurance and commercial property insurance. The loss ratio decreased by 0.3 percentage points to 62.0% in 2018 from 62.3% in 2017. In 2018, PICC P&C actively adjusted its business structure through accurate risk identification and differentiated expense allocation, and continuously improved the quality of underwriting; by steadily promoting the construction of public platforms such as component prices, full compensation, anti-fraud, and third-party service resources, it improved the standardization of claimed components, working hours, and personal injury data, and strengthened the recovery of claims, and deepened the management of claims constantly in respect of car damage, personal injury costs, and audit of recovery. Through the expansion of online claim service functions, the establishment of online compensation mechanisms for negotiation and other initiatives, it continuously improved the efficiency of claims, and the loss ratio of motor vehicle insurance decreased continuously.

### *Handling charges and commissions*

Handling charges and commissions of PICC P&C increased by 24.0% to RMB74,036 million in 2018 from RMB59,725 million in 2017. The increase in handling charges and commissions were mainly due to steady increase in business scale, increased investment in quality business and more intense market competition.

### *Finance costs*

Finance costs of PICC P&C increased by 3.8% to RMB2,074 million in 2018 from RMB1,998 million in 2017. The increase in finance costs was mainly due to the increase in interest expenses relating to financial assets sold under agreements to repurchase.

### *Net profit*

As a result of the foregoing reasons, the net profit of PICC P&C decreased by 21.8% to RMB15,486 million in 2018 from RMB19,808 million in 2017.

## **2. PICC Hong Kong**

The Group mainly conducts overseas business through PICC Hong Kong. As of 31 December 2018, PICC Hong Kong's total assets amounted to RMB2.51 billion, and the net assets equivalent to RMB0.56 billion. In 2018, the insurance income amounted to RMB1.06 billion, the combined ratio was 105.0%, and the net profit amounted to RMB13 million.

## (2) Life and Health Insurance

### 1. PICC Life

In 2018, China's economy maintained a stable and positive operation, supply-side structural reforms were further implemented, financial regulation was tightened continuously, and the Life insurance industry is facing greater downward pressure. Faced with complicated economic and financial situation and the pressure that the Life insurance industry's "unsatisfactory at the beginning", PICC Life was determined to "change the way, optimize the structure, and change the momentum", and firmly adheres to the principle of "stable growth, focus on value and strong foundation", implemented the "3411 Project" of the Group, focused on the value in regular payment business, continuously consolidated the foundation for the transformation to high-quality development, and strictly adheres to the bottom line of no systemic risks. In 2018, the first-year regular premium of PICC Life amounted to RMB16,836 million, the proportion of regular payment (including renewal) significantly increased by 17.4% to 60.0%, the ten-year or more regular premiums amounted to RMB4,490 million, representing an increase of 3.5% as compared to the previous year, and value of new business amounted to RMB5,735 million, representing an increase of 0.8% as compared to the previous year. The value creation capability continues to improve.

#### (1) Analysis by Product

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

*Unit: in RMB million, except for percentages*

**For the Year Ended 31 December**

	2018		2017	
	Amount	(% of total)	Amount	(% of total)
Life insurance	<b>75,992</b>	<b>81.1</b>	88,383	83.2
General life insurance	<b>29,412</b>	<b>31.4</b>	68,078	64.1
Participating life insurance	<b>46,469</b>	<b>49.6</b>	20,199	19.0
Universal life insurance	<b>111</b>	<b>0.1</b>	106	0.1
Health insurance	<b>15,762</b>	<b>16.8</b>	15,827	14.9
Accident insurance	<b>1,960</b>	<b>2.1</b>	2,028	1.9
Total	<b>93,714</b>	<b>100.0</b>	106,238	100.0

The original premiums income of life insurance decreased by 14.0% to RMB75,992 million in 2018 from RMB88,383 million in 2017, mainly due to PICC Life actively reduced the scale of existing short and medium-term business and optimized the business structure in accordance with the strategy for transforming to high-quality development.

The original premiums income of health insurance decreased by 0.4% to RMB15,762 million in 2018 from RMB15,827 million in 2017, mainly due to PICC Life actively responded to the requirements that insurance should for protection purposes, and suspended the sales of group supplementary medical products. At the same time, it benefited from the increase of health care demand in the market and the growth of individual health insurance business.

The original premiums income of accident insurance decreased by 3.3% to RMB1,960 million in 2018 from RMB2,028 million in 2017, mainly due to it voluntarily gave up some short-term accident insurance business with poor efficiency so as to strengthen the management of business risk and the management of premiums receivable.

In terms of TWPs, in 2018, the TWPs of general life insurance, participating life insurance, and universal life insurance amounted to RMB29,412 million, RMB47,062 million and RMB5,507 million, respectively. TWPs of health insurance and accident insurance amounted to RMB15,768 million and RMB1,961 million, respectively.

(2) Analysis by Channel

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

*Unit: in RMB million, except for percentages*

	2018			2017	
	Amount	(% of total)	(% of change)	Amount	(% of total)
<b>Bancassurance</b>	<b>47,203</b>	<b>50.3</b>	<b>(10.6)</b>	52,785	49.7
First-year business of					
long-term insurance	34,498	36.8	(22.1)	44,313	41.7
Single premiums	28,345	30.2	(25.9)	38,273	36.0
First-year regular					
premiums	6,152	6.6	1.9	6,040	5.7
Renewal business	12,586	13.4	50.4	8,366	7.9
Short-term insurance	120	0.1	13.2	106	0.1
<b>Individual Insurance</b>	<b>39,122</b>	<b>41.8</b>	<b>(8.6)</b>	42,796	40.2
First-year business of					
long-term insurance	11,860	12.7	(53.4)	25,452	23.9
Single premiums	1,398	1.5	(87.7)	11,401	10.7
First-year regular					
premiums	10,462	11.2	(25.5)	14,051	13.2
Renewal business	26,395	28.2	61.2	16,379	15.4
Short-term insurance	867	0.9	(10.2)	965	0.9
<b>Group Insurance</b>	<b>7,389</b>	<b>7.9</b>	<b>(30.7)</b>	10,656	10.1
First-year business of					
long-term insurance	5,018	5.4	(42.1)	8,670	8.2
Single premiums	4,793	5.1	(43.4)	8,467	8.0
First-year regular					
premiums	222	0.3	9.4	203	0.2
Renewal business	408	0.4	85.5	220	0.2
Short-term insurance	1,966	2.1	11.3	1,766	1.7
<b>Total</b>	<b>93,714</b>	<b>100.0</b>	<b>(11.8)</b>	106,238	100.0

The original premiums income of bancassurance decreased by 10.6% to RMB47,203 million in 2018 from RMB52,785 million in 2017, mainly due to the bancassurance focused on the transformation of regular premiums, continuously optimized the business structure, and reduced the scale of existing short and medium-term business significantly.



The original premiums income of individual insurance decreased by 8.6% to RMB39,122 million in 2018 from RMB42,796 million in 2017, mainly due to the individual insurance focused on the value of regular premiums, reduced the single premiums significantly, and at the same time, the sales of participating/annuity insurance products declined due to the general downward of the Life insurance industry.

The original premiums income of group insurance decreased by 30.7% to RMB7,389 million in 2018 from RMB10,656 million in 2017, mainly due to PICC Life actively responded to the requirements that insurance should for protection purposes, and the group insurance suspended the sales of group supplementary medical products.

In terms of TWPs, the TWPs from the bancassurance channel, individual insurance agent channel and group insurance sales channel amounted to RMB49,045 million, RMB42,678 million and RMB7,987 million, respectively, for 2018. As at 31 December 2018, the number of insurance agents for PICC Life was 245,567. The first-year TWPs per capita from sales agent amounted to RMB2,679 and the number of new life insurance policies per capita was 1.20 per month.

### (3) *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 segment for the reporting periods indicated:

<b>Items</b>	<b>For the Year Ended 31 December</b>	
	<b>2018</b>	<b>2017</b>
13-month premium persistency ratio <sup>(1)</sup> (%)	<b>93.9</b>	93.8
25-month premium persistency ratio <sup>(2)</sup> (%)	<b>91.8</b>	88.7

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

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

(4) *Analysis by Region*

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

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

	<b>2018</b>	2017	(% of change)
Sichuan Province	<b>7,044</b>	7,011	0.5
Zhejiang Province	<b>5,265</b>	5,047	4.3
Jiangsu Province	<b>5,157</b>	5,238	(1.5)
Hunan Province	<b>5,046</b>	5,548	(9.0)
Henan Province	<b>5,027</b>	5,298	(5.1)
Hebei Province	<b>4,964</b>	5,597	(11.3)
Shaanxi Province	<b>4,306</b>	4,801	(10.3)
Hubei Province	<b>4,148</b>	4,579	(9.4)
Shandong Province	<b>4,108</b>	4,690	(12.4)
Guangdong Province	<b>4,097</b>	4,789	(14.4)
Other regions	<b>44,552</b>	53,640	(16.9)
<b>Total</b>	<b>93,714</b>	106,238	(11.8)

(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 periods indicated:

*Unit: in RMB million, except for percentages*  
**For the Year Ended 31 December 2018**

	<b>Type of insurance</b>	<b>Sales channels</b>	<b>Original Premiums Income</b>
PICC Life Xin Xi Endowment Insurance (Participating) (Type B)	Participating life insurance	Individual insurance/ Bancassurance	22,006
PICC Life Xin Fu Bao Annuity Insurance (Type B)	General life insurance	Individual insurance/ Bancassurance	9,015
PICC Life Zun Ying Ren Sheng Annuity Insurance (Participating)	Participating life insurance	Individual insurance/ Bancassurance	7,996
PICC Life Xin Sheng Endowment Insurance (Type B)	General life insurance	Individual insurance/ Bancassurance	6,219
PICC Life Xin Xiang Zhi Zun Annuity Insurance (Participating)	Participating life insurance	Individual insurance/ Bancassurance	5,449

(6) *Financial Analysis*

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

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

	<b>2018</b>	2017	(% of change)
Net earned premiums	<b>92,677</b>	105,428	(12.1)
Investment income	<b>12,355</b>	17,320	(28.7)
Other income	<b>728</b>	754	(3.4)
Total income	<b>106,208</b>	123,775	(14.2)
Net claims and policyholders' benefits	<b>90,170</b>	108,162	(16.6)
Handling charges and commissions	<b>7,953</b>	8,369	(5.0)
Finance costs	<b>2,978</b>	2,122	40.3
Other operating and administrative expenses	<b>8,281</b>	7,725	7.2
Total benefits, claims and expenses	<b>109,221</b>	126,563	(13.7)
Profit before tax	<b>723</b>	439	64.7
Income tax	<b>5</b>	(285)	(101.8)
Net profit	<b>728</b>	154	372.7

*Net earned premiums*

Net earned premiums for PICC Life decreased by 12.1% to RMB92,677 million in 2018 from RMB105,428 million in 2017, mainly due to PICC Life's deepening transformation, continued optimisation of business structure, the premium plan of reducing short and medium-term product, and at the same time, financial regulation was tightened continuously, and therefore the Life insurance industry faced greater downward pressure.

*Investment income*

Investment income of PICC Life decreased by 28.7% to RMB12,355 million in 2018 from RMB17,320 million in 2017, mainly due to the equity assets were affected by market fluctuation which had a significant impact on the overall income of assets.

### *Other income*

Other income of PICC Life decreased by 3.4% to RMB728 million in 2018 from RMB754 million in 2017, mainly due to adjustments in product structure, resulting in lower initial fee income of the policies.

### *Net claims and policyholders' benefits*

Net claims and policyholders' benefits for PICC Life decreased by 16.6% to RMB90,170 million in 2018 from RMB108,162 million in 2017, mainly due to the continuous achievements made by PICC Life during its transformation to high-quality development, adjustment in business structure, and decreases in maturity benefits.

### *Handling charges and commissions*

Handling charges and commissions of PICC Life decreased by 5.0% to RMB7,953 million in 2018 from RMB8,369 million in 2017, mainly due to the decrease in premium income of bank agent and the corresponding reduction in handling charge expenses.

### *Finance costs*

Finance costs of PICC Life increased by 40.3% to RMB2,978 million in 2018 from RMB2,122 million in 2017, mainly due to increase in interest from investments of RMB446 million, increase in interest expenses of securities sold under agreements to repurchase of RMB292 million, and increase in finance costs caused by the issuance of capital supplementary bonds of RMB117 million this year.

### *Net profit*

As a result of the foregoing reasons, the net profit of PICC Life increased by 372.7% to RMB728 million in 2018 from RMB154 million in 2017.

## 2. PICC Health

In 2018, PICC Health implemented the “3411 Project” in depth, adhered to the guiding ideology of “Speed up transformation and develop through innovation”, and promoted comprehensive and deep reforms in accordance with the requirements of “professionalism, efficiency, competency and flat structure”, implemented flat management, demonstrated its professionalism, realise innovativeness and offered special features, actively served the “Healthy China” strategy and the construction of a national multi-level medical security system, accelerated the transformation to high-quality development, showing a good situation with optimized business structure, improved profitability, enhanced professional capabilities, and solid foundation for development. First-year regular premium increased by 152.2%; the value of new business increased by 8.3% as compared to the same period in the previous year, which indicates a continuously enhancing value creation capabilities.

### (1) Analysis by Product

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

*Unit: in RMB million, except for percentages*

**For the Year Ended 31 December**

Health insurance products	2018		2017	
	Amount	(% of total)	Amount	(% of total)
Nursing care insurance	1,180	8.0	8,800	45.7
Medical insurance	10,833	73.2	8,538	44.3
Illness insurance	1,163	7.9	842	4.4
Accidental injury insurance	667	4.5	646	3.4
Participating endowment insurance	864	5.8	335	1.7
Disability losses insurance	91	0.6	89	0.5
<b>Total</b>	<b>14,798</b>	<b>100.0</b>	<b>19,250</b>	<b>100.0</b>

The original premiums income of nursing care insurance decreased by 86.6% to RMB1,180 million in 2018 from RMB8,800 million in 2017, mainly due to promotion of the adjustments in business structure, focusing on the development of long-term nursing care insurance with outstanding protection attributes, and termination of short and medium-term renewal business.

The original premiums income of medical insurance increased by 26.9% to RMB10,833 million in 2018 from RMB8,538 million in 2017, mainly due to its focus on the development of supplementary medical insurance business linked to basic medical insurance.

The original premiums income of illness insurance increased by 38.1% to RMB1,163 million in 2018 from RMB842 million in 2017, mainly due to the promotion of products with outstanding protection attributes to make the industry protection-oriented.

The original premiums income of accidental injury insurance increased by 3.3% to RMB667 million in 2018 from RMB646 million in 2017.

The original premiums income of participating endowment insurance increased by 157.9% to RMB864 million in 2018 from RMB335 million in 2017, mainly due to the continued development of the long-term regular premiums business in recent years, new policy and renewals.

The original premiums income of disability losses insurance increased by 2.2% to RMB91 million in 2018 from RMB89 million in 2017.

In terms of TWPs, in 2018, the TWPs of nursing care insurance, medical insurance, illness insurance, accidental injury insurance, participating endowment insurance, disability losses insurance amounted to RMB1,565 million, RMB10,984 million, RMB1,163 million, RMB667 million, RMB864 million and RMB91 million, respectively. In addition, the PICC Health has also actively developed government commission processing business, and the size of commissioned basic medical insurance fund was RMB24,183 million.

(2) Analysis by Channel

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

*Unit: in RMB million, except for percentages*

	2018			2017	
	Amount	(% of total)	(% of change)	Amount	(% of total)
<b>Bancassurance</b>	<b>665</b>	<b>4.5</b>	<b>(87.5)</b>	5,305	27.6
First-year business of					
long-term insurance	345	2.4	(93.1)	5,003	26.0
Single premiums	142	1.0	(97.1)	4,856	25.2
First-year regular					
premiums	203	1.4	38.1	147	0.8
Renewal business	300	2.0	6.8	281	1.5
Short-term insurance	20	0.1	(4.8)	21	0.1
<b>Individual Insurance</b>	<b>3,764</b>	<b>25.4</b>	<b>(14.0)</b>	4,376	22.7
First-year business of					
long-term insurance	1,886	12.7	(45.6)	3,468	18.0
Single premiums	30	0.2	(98.9)	2,797	14.5
First-year regular					
premiums	1,856	12.5	176.6	671	3.5
Renewal business	1,356	9.2	73.0	784	4.1
Short-term insurance	522	3.5	321.0	124	0.6
<b>Group Insurance</b>	<b>10,369</b>	<b>70.1</b>	<b>8.4</b>	9,569	49.7
First-year business of					
long-term insurance	28	0.2	(71.4)	98	0.5
Single premiums	11	0.1	(88.2)	93	0.5
First-year regular					
premiums	17	0.1	240.0	5	0.0
Renewal business	17	0.1	88.9	9	0.0
Short-term insurance	10,324	69.8	9.1	9,462	49.2
<b>Total</b>	<b>14,798</b>	<b>100.0</b>	<b>(23.1)</b>	19,250	100.0

The original premiums income of bancassurance decreased by 87.5% to RMB665 million in 2018 from RMB5,305 million in 2017, mainly due to that the Company promoted the adjustments in business structure, suspended the sale of short and medium-term business, and fully transformed to the regular premiums business.



The original premiums income of individual insurance decreased by 14.0% to RMB3,764 million in 2018 from RMB4,376 million in 2017, mainly due to the Company promoted adjustments in business structure, suspended the sale of short and medium-term business, increased efforts in the development of the regular premiums business, and strengthened the management of renewal business.

The original premiums income of group insurance increased by 8.4% to RMB10,369 million in 2018 from RMB9,569 million in 2017, mainly due to that the Company strengthened the sales capacity building in the commercial group insurance business, explored resources in existing customer deeply, and focused on the development of enterprise employee welfare plans in the benefit-oriented industry; actively explored diversified development pattern of business commissioned by the government, and actively expanded the long-term nursing care insurance and poverty alleviation insurance through consolidating the traditional business commissioned by the government, so as to achieve steady growth in business scale.

In terms of TWPs, in 2018, the TWPs from the bancassurance channel, individual insurance sales channel, and group insurance agent channel amounted to RMB698 million, RMB4,029 million and RMB10,606 million respectively. As of 31 December 2018, the number of sales agents for the PICC Health was 24,372. The first-year TWPs of new insurance policies amounted to RMB1,542 per sales agent per month and the new insurance policies were 0.55 per sales agent per month.

### (3) *Persistency Ratios of Premiums*

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

<b>Items</b>	<b>For the Year Ended 31 December</b>	
	<b>2018</b>	<b>2017</b>
13-month premium persistency ratio <sup>(1)</sup> (%)	<b>86.8</b>	84.7
25-month premium persistency ratio <sup>(2)</sup> (%)	<b>80.1</b>	76.9

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

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

(4) *Analysis by Region*

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

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

	<b>2018</b>	2017	(% of change)
Guangdong Province	<b>3,037</b>	1,432	112.1
Henan Province	<b>1,783</b>	1,006	77.2
Liaoning Province	<b>1,217</b>	3,435	(64.6)
Jiangxi Province	<b>1,118</b>	1,060	5.5
Yunan Province	<b>826</b>	1,113	(25.8)
Jiangsu Province	<b>799</b>	1,220	(34.5)
Shanxi Province	<b>760</b>	1,154	(34.1)
Anhui Province	<b>744</b>	990	(24.8)
Xinjiang Province	<b>658</b>	678	(2.9)
Shaanxi Province	<b>551</b>	867	(36.4)
Other regions	<b>3,305</b>	6,295	(47.5)
<b>Total</b>	<b>14,798</b>	19,250	(23.1)

(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 periods indicated:

*Unit: in RMB million, except for percentages*  
**For the Year Ended 31 December 2018**

	<b>Type of insurance</b>	<b>Sales channels</b>	<b>Original Premiums Income</b>
He Xie Sheng Shi large amount supplementary group medical insurance for urban employees	Medical insurance	Group Insurance channel	3,563
Group critical illness medical insurance for urban and rural residents (Type A)	Medical insurance	Group Insurance channel	3,162
Jiang Kang Jin Fu You Xiang Bao individual medical insurance (2018)	Medical insurance	Individual Insurance channel	1,286
Group medical insurance for urban and rural medical assistance	Medical insurance	Group Insurance channel	948
Social security supplementary group medical insurance for nursing care experts	Medical insurance	Group Insurance channel	699

(6) *Financial Analysis*

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

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

	<b>2018</b>	2017	(% of change)
Net earned premiums	<b>13,797</b>	17,997	(23.3)
Investment income	<b>1,278</b>	2,008	(36.4)
Other income	<b>133</b>	121	9.9
Total income	<b>15,359</b>	20,219	(24.0)
Net claims and policyholders’ benefits	<b>11,913</b>	17,182	(30.7)
Handling charges and commissions	<b>662</b>	796	(16.8)
Finance costs	<b>476</b>	543	(12.3)
Other operating and administrative expenses	<b>2,302</b>	1,689	36.3
Total benefits, claims and expenses	<b>15,348</b>	20,212	(24.1)
Profit before tax	<b>21</b>	7	200.0
Income tax	–	–	–
Net profit	<b>21</b>	7	200.0

### *Net earned premiums*

Net earned premiums of PICC Health decreased by 23.3% to RMB13,797 million in 2018 from RMB17,997 million in 2017, mainly due to promotion of adjustments in business structure to return to protection-oriented, and suspension of the sale of short and medium-term renewal products.

### *Investment income*

Investment income of PICC Health decreased by 36.4% to RMB1,278 million in 2018 from RMB2,008 million in 2017, mainly due to lower investments funds in line with the liquidity arrangement under the transformation of business development, and the equity assets were affected by the fluctuations in capital market.

### *Other income*

Other income of PICC Health increased by 9.9% to RMB133 million in 2018 from RMB121 million in 2017, mainly due to the increase in income from health management services and government commissioned processing business.

### *Net claims and policyholders' benefits*

Net claims and policyholders' benefits of PICC Health decreased by 30.7% to RMB11,913 million in 2018 from RMB17,182 million in 2017, mainly due to suspension of the sale of medium and short-term renewal products, resulting in the reduction of insurance liability reserves.

### *Handling charges and commissions*

Handling charges and commissions of PICC Health decreased by 16.8% to RMB662 million in 2018 from RMB796 million in 2017, mainly due to adjustments in business structure, suspension of the sale of medium and short-term renewal products, and the corresponding reduction in handling charge expenses.

### *Finance costs*

Finance costs of PICC Health decreased by 12.3% to RMB476 million in 2018 from RMB543 million in 2017, mainly due to the decrease in interest expenses relating to securities sold under agreements to repurchase.

### *Net profit*

As a result of the foregoing reasons, the net profit of PICC Health increased by 200.0% to RMB21 million in 2018 from RMB7 million in 2017.

### (3) Asset management business

In 2018, the Group's asset management segment overcame certain adverse factors, such as decline of bond yield and significant fluctuation in stock market and frequent occurrence of credit risk. It actively seized the opportunity when bond yield peaked and increased allocation in bonds. On the basis of developing traditional debt and equity products, it actively promoted the innovations of financial products such as inclusive finance and agriculture and SME support, and coordinated the development of major insurance business which helped to maintain a stable investment return and effectively reduced investment risk. The insurance asset management products of the asset management segment had a registered scale of RMB58,300 million, ranked third in the industry. Among them, the registered debt amounted to RMB48,800 million and the registered equity amounted to RMB4,500 million and the approved scale for asset-backed products amounted to RMB5,000 million. As of 31 December 2018, the scale of third-party assets management products of the asset management segment amounted to RMB278 billion.

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

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

	<i>Unit: in RMB million, except for percentages</i>		
	<b>For the Year Ended 31 December</b>		
	<b>2018</b>	2017	(% of change)
Investment income	<b>584</b>	452	29.2
Other income	<b>1,610</b>	1,618	(0.5)
Total income	<b>2,194</b>	2,070	6.0
Finance costs	<b>7</b>	4	75.0
Other operating and administrative expenses	<b>1,338</b>	1,301	2.8
Total expenses	<b>1,345</b>	1,306	3.0
Profit before tax	<b>852</b>	763	11.7
Income tax	<b>(214)</b>	(199)	7.5
Net profit	<b>638</b>	564	13.1

### *Investment income*

Investment income from the asset management segment increased by 29.2% to RMB584 million in 2018 from RMB452 million in 2017, mainly due to that the Company strengthened its investments in research capabilities and better grasped the opportunities in the fixed income market.

### *Other income*

Other income of the asset management segment decreased by 0.5% to RMB1,610 million in 2018 from RMB1,618 million in 2017, mainly due to the decrease in non-operating income.

### *Finance costs*

Finance costs for the asset management segment increased by 75.0% to RMB7 million in 2018 from RMB4 million in 2017, primarily due to the increase in interest expenses of securities sold under agreements to repurchase.

### *Net profit*

As a result of the foregoing reasons, the net profit of the asset management segment increased by 13.1% to RMB638 million in 2018 from RMB564 million in 2017.

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

In 2018, the global economic environment was complicated, and the Chinese economy showed a momentum of stability with progress, while in the second half, the effect of “counter-cyclical” adjustment in monetary policy and fiscal policy emerged gradually, yields of bond continued to fall, and A-share market fell sharply. The Company seized the window for allocation at the peak of interest rate in the beginning of the year to increase allocation in long-duration bonds and non-standard debt products and reasonably controlled the proportion of equities and equity funds which effectively reduced investment risk.

## 1. Investment Portfolio

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

*Unit: in RMB million, except for percentages*

	As of 31 December 2018		As of 31 December 2017	
	Carrying amount	(% of total)	Carrying amount	(% of total)
<b>Total investment assets</b>	<b>895,462</b>	<b>100</b>	853,400	100
<b>By investment object</b>				
Cash and cash equivalents	61,601	6.9	72,819	8.5
Fixed-income investments	594,890	66.4	553,673	64.9
Term deposits	98,653	11.0	70,706	8.3
Treasury bonds	29,191	3.3	18,493	2.2
Financial bonds	102,779	11.5	105,595	12.4
Corporate bonds	157,766	17.6	150,273	17.6
Long-term debt investment scheme	104,813	11.7	105,290	12.3
Other fixed-income investments <sup>(1)</sup>	101,688	11.4	103,316	12.1
Fund and equity securities investments at fair value	97,105	10.8	92,869	10.9
Fund	61,944	6.9	54,045	6.3
Equity securities	35,161	3.9	38,824	4.6
Other investments	141,866	15.8	134,039	15.7
Investment in associates and joint ventures	107,492	12.0	97,740	11.5
Others <sup>(2)</sup>	34,374	3.8	36,299	4.2
<b>By the purpose for which it was held</b>				
Financial assets at fair value through profit or loss	20,551	2.3	23,757	2.8
Held-to-maturity investments	128,177	14.3	122,477	14.4
Available-for-sale financial assets	284,363	31.8	282,040	33.0
Long-term equity investments	107,492	12.0	97,740	11.5
Loans and others <sup>(3)</sup>	354,879	39.6	327,386	38.4



- (1) Other fixed-income investments primarily consist of subordinated debts, wealth management products, capital guarantee deposits, policy loans, trust products and asset management products.
- (2) Others primarily consist of investment properties, equity investment scheme, reinsurance arrangements classified as investment contracts, unlisted equity investments and derivative financial assets.
- (3) Loans and others primarily consist of monetary funds, term deposits, financial assets purchased under resale agreements, policy loans, and capital guarantee deposits, investments classified as loans and receivables, and investment real estate.

#### *1. Classified by investment object*

In 2018, the Group actively seized the opportunity when bond yield peaked in the first half of the year and increased allocation in fixed income assets and long-duration assets to stabilize the position yield. At the same time, it increased allocation in non-standard products. The proportion of equity assets remained stable.

As of the end of 2018, the Group's bond investment accounted for 32.4%, representing an increase of 0.2 percentage as compared with that as of the end of the previous year. The liabilities under corporate bonds and non-policy bank financial bonds or their issuers are rated at AA/A-1 and above, of which, those rated at AAA accounted for 91.4%. The industries associated with credit bond currently held by the Group are diversified, involving various fields such as urban investment, transportation, and public utilities. Relevant entity's ability to repay debt is generally strong, the credit risk is controllable as a whole, and there is no credit risk event. In the years of credit bond investment, the Group has always been paying close attention to the prevention and control of credit risks, strictly followed relevant regulatory requirements of the CBIRC, established investment management and risk control mechanisms in line with market practices and investment needs for insurance funds, and continued to optimize the same in practice. At the same time, the Group will strengthen the tracking, evaluation, research and identification of the stock credit products in investment portfolio, improve the comprehensiveness and accuracy of credit risk prevention and control with big data and artificial intelligence technology actively, improve relevant systems and operational procedures, handle the credit products that may be subject to risks in time, and control the credit risk dynamically on a forward-looking basis.

In general, the overall credit risk of the Group's current positions of non-standard asset is controllable, assets with an external credit rating of AA+ and above account for 98.3%, and of which, those with credit rating of AAA account for 97.9%. At present, the non-standard assets invested by the Company cover most of the provincial administrative regions in the country. The industries cover transportation, municipal, energy, environmental protection, commercial real estate, land reserve, shantytown renovation, water conservancy facilities, and affordable housing construction. These industries played an positive role in developing and supporting the implementation of major national strategies. The Group has adopted effective credit enhancement measures to stabilize and enhance the credit security of non-standard assets. The plans for the debt investments funded by the Group have effective credit enhancement measures in place, such as guarantees, full asset mortgages/pledges and others, which provide a sound guarantee for the repayment of the principal and investment income. The commercial bank wealth management products invested by the Group are mainly issued by large state-owned commercial banks or national joint-stock commercial banks with good credit qualifications. The trust plan invested by the Group mainly provides financing for large state-owned non-bank financial institutions and large state-owned enterprises.

## *2. Classified by investment purpose*

From the perspective of investment purposes, the Group's investment assets are mainly distributed in three categories, available-for-sale financial assets, held-to-maturity investments, loans and others. Financial assets at fair value through profit or loss decreased by 13.5% as compared with those as at the end of last year, mainly due to reduced investment in bonds held for trading. The held-to-maturity investment increased by 4.7% as compared with those as at the end of last year, mainly due to the increase in bond allocation at the beginning of the year when the interest rate reached its high level. Available-for-sale financial assets increased by 0.8% as compared with those as at the end of last year, mainly due to the Company's increased investment in configuration bonds.

## 2. Investment income

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

Items	For the Year Ended 31 December	
	2018	2017
Cash and cash equivalents	913	1,066
Fixed-income investments	29,603	27,111
Interest income	28,977	27,117
Profits and losses of disposal of financial instruments	564	99
Profits and losses of fair value changes	62	(105)
Impairment	–	–
Fund and equity securities investments at fair value	(2,000)	7,335
Dividends income	3,626	3,303
Profits and losses of disposal of financial instruments	(2,447)	4,724
Profits and losses of fair value changes	(755)	195
Impairment	(2,424)	(887)
Other investments	12,814	12,840
Investment income in associates and joint ventures	12,540	12,674
Other profits and losses	274	166
Total investment income	41,330	48,352
Net investment income <sup>(1)</sup>	46,910	45,324
Total investment yield <sup>(2)</sup> (%)	4.8	5.9
Net investment yield <sup>(3)</sup> (%)	5.5	5.5

(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 = (total investment income – interest expenses on securities sold under agreements to repurchase)/(the total investment assets as of the beginning of the period – the amount of financial assets sold under agreement to repurchase as of the beginning of the period + the total investment assets as of the end of the period – the amount of financial assets sold under agreement to repurchase as of the end of the period) x 2

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

The total investment income of the Group decreased by 14.5% to RMB41,330 million in 2018 from RMB48,352 million in 2017; the net investment income increased by 3.5% to RMB46,910 million in 2018 from RMB45,324 million in 2017; the total investment yield decreased by 1.1% to 4.8% in 2018 from 5.9% in 2017; the net investment yield was 5.5%, remained stable with last year.

### III. SPECIFIC ANALYSIS

#### (1) Liquidity Analysis

##### 1. *Liquidity Analysis*

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

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 to meet liquidity requirements. In addition, the Group could also obtain additional liquidity from the arrangements of securities sold under agreement to repurchase, interbank borrowings and other financing methods.

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

##### 2. *Statement of Cash Flows*

The Group has established a cash flow monitoring mechanism, regularly conducts cash flow rolling analysis and forecasting, and actively develops management plans and response measures, so as to effectively prevent liquidity risks.

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

	<b>2018</b>	2017	(% of change)
Net cash flows from operating activities	<b>(16,803)</b>	(625)	2,588.5
Net cash flows from investing activities	<b>(14,607)</b>	21,870	—
Net cash flows from financing activities	<b>20,064</b>	5,041	298.0

The Group's net cash flows from operating activities changed to a net outflow of RMB16,803 million in 2018 from a net outflow of RMB625 million in 2017, mainly due to the following: (1) in order to implement the regulatory requirements, the Life insurance sector actively reduced the scale of medium and short-term renewal business while making appropriate adjustments in business structure, resulting in decrease in cash inflows from Life insurance business; (2) the slowdown in the growth rate of premiums income of property insurance due to the decline in the growth rate of new car sales and the deepening of the reform of premium rate for commercial motor vehicle insurance; (3) increase in cash outflows due to increased market competition and higher sales expenses; and (4) affected by the disaster, the increase in claims expenses led to an increase in cash outflows.

The Group's net cash flows from investing activities changed to a net outflow of RMB14,607 million in 2018 from a net inflow of RMB21,870 million in 2017, mainly due to the expansion of investment caused by business development.

The Group's net cash flows from financing activities increased by 298.0% to a net inflow of RMB20,064 million in 2018 from a net inflow of RMB 5,041 million in 2017, mainly due to the the A-share listing and issuance of bonds by the Group to raise fund.

## (2) Solvency

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

*Unit: in RMB million, except for percentages*

	As of 31 December 2018	As of 31 December 2017	(% of change)
<b>PICC Group</b>			
Actual capital	292,677	251,983	16.1
Core capital	230,672	198,075	16.5
Minimum capital	94,616	84,323	12.2
Comprehensive solvency margin ratio (%)	309	299	Increase of 10 pt
Core solvency margin ratio (%)	244	235	Increase of 9 pt
<b>PICC P&amp;C</b>			
Actual capital	162,860	154,590	5.3
Core capital	135,172	127,326	6.2
Minimum capital	59,136	55,552	6.5
Comprehensive solvency margin ratio (%)	275	278	Decrease of 3 pt
Core solvency margin ratio (%)	229	229	–
<b>PICC Life</b>			
Actual capital	73,242	54,010	35.6
Core capital	60,577	47,192	28.4
Minimum capital	30,069	24,631	22.1
Comprehensive solvency margin ratio (%)	244	219	Increase of 25 pt
Core solvency margin ratio (%)	201	192	Increase of 9 pt
<b>PICC Health</b>			
Actual capital	10,355	10,930	(5.3)
Core capital	6,680	7,099	(5.9)
Minimum capital	3,678	2,763	33.1
Comprehensive solvency margin ratio (%)	282	396	Decrease of 114 pt
Core solvency margin ratio (%)	182	257	Decrease of 75 pt

As of 31 December 2018, the comprehensive solvency margin ratio of the Group was 309%, representing an increase of 10 percentage points as compared to that as of 31 December 2017, and its core solvency margin ratio was 244%, representing an increase of 9 percentage points as compared to that as of 31 December 2017.

As of 31 December 2018, the comprehensive solvency margin ratio of PICC P&C was 275%, representing an decrease of 3 percentage points as compared to that as of 31 December 2017, and its core solvency margin ratio was 229%, remained stable with last year; the comprehensive solvency margin ratio of PICC Life was 244%, representing an increase of 25 percentage points as compared to that as of 31 December 2017, and its core solvency margin ratio was 201%, representing an increase of 9 percentage points as compared to that as of 31 December 2017; the comprehensive solvency margin ratio of PICC Health was 282%, representing an decrease of 114 percentage points as compared to that as of 31 December 2017, and its core solvency margin ratio was 182%, representing a decrease of 75 percentage points as compared to that as of 31 December 2017.

## **PROSPECTS**

### **(1) Market Environment**

In this year of the 70th anniversary of the PRC, the fundamentals for insurance business development remains favourable generally. China will adhere to the general tone of making progress while maintaining stability and deepen supply-side reform in accordance with the requirement of high quality development. It is expected that China's economy will continue to run within a reasonable range which will provide a positive external environment for the development of the industry. Social and livelihood policies for shoring up weakness will be expedited, and in particular, the central government's financial subsidies for agricultural and critical illness insurances will be increased. The deepening and advancing of the role of insurance in serving social governance will give rise to new policy-related opportunities for the industry's development. People's consumption structure is at a stage of transformation and upgrading with profound changes taking place, and as a result, the strong demand for health and endowment insurance products will grow further and create new space for business development. The implementation of urbanization and regional development strategies will also narrow the development disparity between the urban and rural areas and between the eastern and the central and western regions. The immense county area and the central and western regions will be an important source of incremental premium income. As the State has pushed forward an all-round opening up and building the "Belt and Road" with joint efforts, it is positive for the insurance industry to make good use of the two markets and two types of resources and explore new growth points.

## **(2) Development strategy and operation plan**

In 2019, the Group will adhere to new development concepts, the overall keynote of seeking progress while maintaining stability and serving the real economy, and coordinate efforts in stabilising growth and earnings, promoting reform, lowering cost and preventing risks in tandem with its “3411 Project” and in accordance with the requirement of high quality development. It will actively push forward business model reform, strengthen corporate governance structure, put more effort into market-oriented reform and actively cut cost and increase profits and enhance the quality of its human capital. The Group will also strengthen the Party’s leadership, accelerate quality, efficiency and momentum reforms, and solidly propel the Group’s transforming to a high quality development. PICC P&C will unswervingly deepen “two integrations”, pursue dis-intermediary, lower costs, improve services and strengthen customer stickiness. It will thoroughly accomplish key tasks of fostering a sound marketing culture, building up the marketing team, strengthening the development of company controlled direct marketing channel and maintaining its cost-leading position. It will consolidate the development of motor vehicle insurance and policy-based business while putting more effort in the development of commercial non-vehicle insurance, pursuing success in the “central city attacking battle” and “county market defending battle”, consolidating advantages and maintaining leading market position. PICC Health will insist on deepening comprehensive reform, strengthen professional capability, drive the flattening of organisational structure, optimize resource allocation, emphasize on product innovation, enhance expense control of medical insurance, optimize and achieve excellence in commercial health insurance, and promote the outstanding features, business size and value creation of health management services. PICC Life will persistently strengthen the building of the individual insurance sales team, reinforce policy, senior management and back office foundation, upgrade product mix, enhance embedded value of businesses, strengthen internal control and accountability and ensure steady business development. The investment segment will actively develop wealth management business while providing good services to its principal business. PICC AMC will strengthen cooperation with the entrusted parties to make appropriate allocation to major asset classes, playing a major role in stabilising investment income of the Group while actively accelerate public fund and third party asset management business. PICC Investment Holding will expedite its transformation and development, properly carry out assets operation business, strengthen active management, proactively expand the scales of direct investment entrusted business and financial product business. PICC Capital will seize investment opportunities amid economic restructuring and increase development and allocation of non-standard products to satisfy the Group’s need of insurance asset allocation. The emerging segments will strengthen the building up of professional capability in their respective sectors, create boutique companies and further integrate into the overall development of the Group. PICC Financial Services will play a bigger role in advancing the Group’s internet transformation and fin-tech application. PICC Reinsurance will thoroughly explore the Group’s resources in outward reinsurance, accelerate development of third party market business and develop reinsurance business in respect of life and health insurance. PICC Pension will establish sound market-oriented operation regime, create endogenous vitality in development, consolidate the foundation for sustainable development, grasp opportunities in the occupational annuities market, increase the scale of entrusted annuities and enhance investment management capability. PICC Hong Kong will explore the Hong Kong market and act as a platform for business in Southeast Asia in accordance with the development requirement of being a professional, mid-sized boutique company with special characteristics.



## EMBEDDED VALUE

### 1. Result Summary

Embedded Value of PICC Life and PICC Health as at 31 December 2018 and 31 December 2017 with 10% as the risk discount rate are summarized below (in RMB million):

	PICC Life		PICC Health	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Adjusted Net Worth	<b>44,257</b>	39,467	<b>4,968</b>	5,897
Value of In-Force Business before CoC	<b>33,394</b>	28,469	<b>4,231</b>	2,165
Cost of Required Capital	<b>(7,019)</b>	(6,027)	<b>(510)</b>	(231)
Value of In-Force Business after CoC	<b>26,375</b>	22,442	<b>3,722</b>	1,934
Embedded Value	<b>70,632</b>	61,909	<b>8,689</b>	7,831

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

Value of One Year's New Business for the 12 months up to 31 December 2018 and 31 December 2017 of PICC Life and PICC Health with 10% as the risk discount rate are summarized below (in RMB million):

	PICC Life		PICC Health	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Value of One Year's New Business before CoC	<b>7,554</b>	7,655	<b>706</b>	536
Cost of Required Capital	<b>(1,819)</b>	(1,967)	<b>(198)</b>	(68)
Value of One Year's New Business after CoC	<b>5,735</b>	5,687	<b>507</b>	468

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

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

	PICC Life		PICC Health	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Bancassurance Channel	<b>430</b>	403	<b>25</b>	25
Individual insurance agent Channel	<b>4,916</b>	4,844	<b>404</b>	403
Group insurance sales Channel	<b>388</b>	440	<b>78</b>	41
Reinsurance	<b>0</b>	0	<b>0</b>	0
Total	<b>5,735</b>	5,687	<b>507</b>	468

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

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

## 2. Key Assumptions

For the results as at 31 December 2018 disclosed above, the assumption on risk discount rate is 10% and the assumption on the rate of investment return is 5.25% p.a. used by PICC Life and PICC Health. Corporate income tax is currently levied at 25% on taxable profits. The assumptions on mortality rates, morbidity rates, lapse rates, expenses and commissions are based on the operational experience of PICC Life and PICC Health, as well as expectations on future experience and etc.

## 3. Sensitivity Tests

Sensitivity tests are based on a range of alternative assumptions. In each of the tests, only the assumption referred to is changed, while other assumptions remain unchanged. For the investment return assumption scenarios, the expected participating policyholder dividend will also change.

The results of sensitivity tests for PICC Life at 31 December 2018 are summarized below (in RMB million):

Scenarios	Risk Discount Rate at 10% <i>(Note)</i>	
	Value of In-Force Business after CoC	Value of One Year's New Business after CoC
Base Scenario	26,375	5,735
Risk Discount Rate at 9%	30,191	6,813
Risk Discount Rate at 11%	23,194	4,827
Rate of investment return increased by 50 bps	33,515	7,471
Rate of investment return decreased by 50 bps	19,434	4,035
Expenses increased by 10%	25,587	5,451
Expenses decreased by 10%	27,163	6,018
Lapse rates increased by 10%	25,935	5,551
Lapse rates decreased by 10%	26,839	5,926
Mortality increased by 10%	26,089	5,655
Mortality reduced by 10%	26,664	5,815
Morbidity increased by 10%	25,776	5,494
Morbidity reduced by 10%	26,980	5,978
Short-term business claim ratio increased by 10%	26,316	5,594
Short-term business claim ratio decreased by 10%	26,434	5,875
Participating Ratio (80/20)	25,193	5,443

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

The results of sensitivity tests for PICC Health at 31 December 2018 are summarized below (in RMB million):

<b>Scenarios</b>	<b>Risk Discount Rate</b>	
	<b>Value of In-Force Business after CoC</b>	<b>Value of One Year's New Business after CoC</b>
Base Scenario	3,722	507
Risk Discount Rate at 9%	3,999	611
Risk Discount Rate at 11%	3,475	413
Rate of investment return increased by 50 bps	4,101	615
Rate of investment return decreased by 50 bps	3,342	401
Expenses increased by 10%	3,718	325
Expenses decreased by 10%	3,728	689
Lapse rates increased by 10%	3,652	553
Lapse rates decreased by 10%	3,794	456
Mortality increased by 10%	3,710	506
Mortality reduced by 10%	3,730	509
Morbidity increased by 10%	3,712	39
Morbidity reduced by 10%	3,819	979
Short-term business claim ratio increased by 5%	3,225	258
Short-term business claim ratio decreased by 5%	4,216	755
Participating Ratio (80/20)	3,706	496

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

#### 4. Movement Analysis

This section shows the analysis of Embedded Value movement of PICC Life and PICC Health from 31 December 2017 to 31 December 2018 based on 10% risk discount rate (in RMB million):

No	Description	Risk Discount Rate at 10% (Note)	
		PICC Life	PICC Health
1	Embedded Value as at 31 December 2017	<b>61,909</b>	<b>7,831</b>
2	New Business Contribution	6,093	531
3	Expected Return	4,691	601
4	Investment Return Variance	(2,977)	(262)
5	Other Experience Variances	(631)	133
6	Model and Assumption Modification	634	91
7	Capital Change and Market Value Adjustment	1,980	7
8	Others	(1,067)	(243)
9	Embedded Value as at 31 December 2018	<b>70,632</b>	<b>8,689</b>

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

Explanations to above items 2 to 8:

2. The contribution of new business sold in 2018 to the embedded value at 31 December 2018;
3. The expected return in 2018 arising from the in-force business and adjusted net worth as at 31 December 2017;
4. Change in embedded value arising from variances between the actual investment return and the related investment return assumption in 2018;
5. Change in embedded value arising from variances between the actual experiences and assumptions other than the related investment return in 2018;
6. The impact on embedded value due to model enhancement and the changes in assumptions during 2018;
7. The impact on embedded value due to dividend distributed to shareholders, capital changes and the changes in market value of held-to-maturity financial assets caused by interest rate fluctuations during 2018;
8. The impact on embedded value due to the changes in the projection factors of the minimum required capital for various risks from 31 December 2017 to 31 December 2018.

## **CORPORATE GOVERNANCE**

The Company consistently abides by the Company Law of the People's Republic of China, the Insurance Law of the People's Republic of China and relevant laws, diligently carries out the requirements of relevant laws and regulations published by regulators, the Articles of Association and other rules, strictly sticks to the principle of sound corporate governance, dedicates to continuously enhance the level of corporate governance, ensures the solid development of the Company and endeavors to improve the interests of shareholders.

During the year of 2018, the Company complied with the corporate governance provisions of listed companies of Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited, continuously refined the structure of corporate governance. The General Meeting of Shareholders, the Board of Directors, the Supervisory Committee and senior management independently performed their rights and responsibilities in accordance with the Articles of Association and complied with laws and regulations.

## **PURCHASE, DISPOSAL OR REDEMPTION OF LISTED SECURITIES**

Except for the initial public offering of 1,800,000,000 A shares on the Shanghai Stock Exchange at RMB 3.34 per share on 16 November 2018, the Company and its subsidiaries did not purchase, dispose of or redeem any listed securities of the Company or its subsidiaries during the year of 2018.

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

The Board proposed the distribution of a final dividend of RMB0.457 per 10 shares (tax inclusive) for the year ended 31 December 2018, amounting to a total of approximately RMB2,021 million. The above proposal will be put forward to a general meeting for consideration and approval. The specific arrangements regarding the final dividend and its distribution (including arrangement of withholding and payment of income tax for shareholders) and the time and arrangement of the closure of register of members of H Shares will be disclosed separately in the circular for the general meeting. If approved at the shareholders' general meeting, the Company shall distribute the dividend within two months after the date of the shareholders' general meeting. The Company shall announce separately the expected dividend payment date.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee of the Board has reviewed, in the presence of the external auditor of the Company, the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018, including the accounting principles and practices.

## **PUBLICATION OF THE ANNUAL REPORT**

The 2018 Annual Report of the Company will be published on the website of the Company (www.picc.com) and the disclosure website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) in due course.

On behalf of the Board  
**The People's Insurance Company (Group) of China Limited**  
**Miao Jianmin**  
*Chairman*

Beijing, the PRC, 22 March 2019

*As at the date of this announcement, the executive directors of the Company are Mr. Miao Jianmin, Mr. Bai Tao, Mr. Xie Yiqun and Mr. Tang Zhigang, the non-executive directors are Mr. Wang Qingjian, Mr. Xiao Xuefeng, Ms. Hua Rixin, Ms. Cheng Yuqin and Mr. Wang Zhibin, and the independent non-executive directors are Mr. Shiu Sin Por, Mr. Ko Wing Man, Mr. Luk Kin Yu, Peter, Mr. Lin Yixiang and Mr. Chen Wuzhao.*