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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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The Board of Directors (the “**Board**”) of The People’s Insurance Company (Group) of China Limited (the “**Company**”) announces the following unaudited interim consolidated financial results of the Company and its subsidiaries (the “**Group**” or “**PICC Group**”) for the six months ended 30 June 2020 together with the comparative figures for the previous year, which should be read in conjunction with the following management discussion and analysis:

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

*Note:* Unless otherwise specified, the currencies in this announcement are all in RMB.

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Amounts in millions of Renminbi, unless otherwise stated)

	<i>Notes</i>	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Gross written premiums	4	<b>336,841</b>	322,875
Less: premiums ceded to reinsurers	4	<u>(24,951)</u>	<u>(20,232)</u>
Net written premiums	4	<b>311,890</b>	302,643
Change in unearned premium reserves		<u>(32,369)</u>	<u>(40,091)</u>
Net earned premiums		<b>279,521</b>	262,552
Reinsurance commission income		<b>6,170</b>	5,626
Investment income	5	<b>20,774</b>	18,370
Other income		<u>1,464</u>	<u>1,530</u>
<b>TOTAL INCOME</b>		<u><b>307,929</b></u>	<u>288,078</u>
Life insurance death and other benefits paid		<b>48,200</b>	53,085
Claims incurred		<b>143,572</b>	132,324
Changes in long-term life insurance contract liabilities		<b>20,821</b>	13,896
Policyholder dividends		<u>2,198</u>	<u>1,396</u>
Claims and policyholders' benefits		<b>214,791</b>	200,701
Less: claims and policyholders' benefits ceded to reinsurers		<u>(10,882)</u>	<u>(8,266)</u>
Net claims and policyholders' benefits		<u><b>203,909</b></u>	<u>192,435</u>
Handling charges and commissions		<b>35,074</b>	33,715
Finance costs		<b>2,647</b>	3,143
Exchange gains		<b>(190)</b>	–
Other operating and administrative expenses		<u>50,515</u>	<u>45,054</u>
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>		<u><b>291,955</b></u>	<u>274,347</u>

	<i>Notes</i>	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Share of profits or losses of associates and joint ventures		<u>5,436</u>	<u>5,578</u>
<b>PROFIT BEFORE TAX</b>	6	<b>21,410</b>	19,309
Income tax (expense)/credit	7	<u>(3,704)</u>	<u>2,313</u>
<b>PROFIT FOR THE PERIOD</b>		<b><u>17,706</u></b>	<b><u>21,622</u></b>
Attributable to:			
Owners of the Company		<b>12,606</b>	15,478
Non-controlling interests		<u>5,100</u>	<u>6,144</u>
		<b><u>17,706</u></b>	<b><u>21,622</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
– Basic ( <i>in RMB Yuan</i> )	9	<b><u>0.29</u></b>	<b><u>0.35</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***FOR THE SIX MONTHS ENDED 30 JUNE 2020**(Amounts in millions of Renminbi, unless otherwise stated)*

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b><u>17,706</u></b>	<u>21,622</u>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Fair value gains	5,865	12,706
– Reclassification of gains to profit on disposals	(4,614)	(2,013)
– Impairment losses	2,137	1,082
Portion of fair value changes attributable to participating policyholders	(401)	–
Income tax effect	<u>(766)</u>	<u>(2,409)</u>
	<b><u>2,221</u></b>	<u>9,366</u>
Share of other comprehensive income of associates and joint ventures	89	525
Exchange differences on translating foreign operations	<u>30</u>	<u>8</u>
<b>NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>	<b><u>2,340</u></b>	<u>9,899</u>
Items that will not be reclassified to profit or loss:		
Gains on revaluation of properties and right-of-use assets upon transfer to investment properties	134	102
Income tax effect	<u>(34)</u>	<u>(26)</u>
	<b><u>100</u></b>	<u>76</u>
Actuarial losses on pension benefit obligation	(80)	(11)
Share of other comprehensive income/(expense) of associates and joint ventures	<u>5</u>	<u>(7)</u>

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
<b>NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>	<u>25</u>	<u>58</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<u>2,365</u>	<u>9,957</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>20,071</u></u>	<u><u>31,579</u></u>
Attributable to:		
– Owners of the Company	14,218	22,874
– Non-controlling interests	<u>5,853</u>	<u>8,705</u>
	<u><u>20,071</u></u>	<u><u>31,579</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2020

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

	<i>Notes</i>	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents		<b>81,954</b>	76,984
Debt securities		<b>386,718</b>	333,587
Equity securities, mutual funds and trust schemes		<b>157,633</b>	150,744
Insurance receivables, net	<i>10</i>	<b>97,983</b>	55,809
Term deposits		<b>92,480</b>	87,009
Reinsurance assets		<b>37,401</b>	29,509
Restricted statutory deposits		<b>12,994</b>	12,994
Investments classified as loans and receivables		<b>177,657</b>	182,858
Investments in associates and joint ventures	<i>11</i>	<b>119,619</b>	117,083
Investment properties		<b>12,259</b>	12,445
Property and equipment		<b>28,553</b>	26,340
Right-of-use assets		<b>7,274</b>	7,681
Intangible assets		<b>2,524</b>	2,729
Deferred tax assets		<b>14,940</b>	8,552
Other assets		<b>36,632</b>	28,905
		<hr/> <b>1,266,621</b>	<hr/> <b>1,133,229</b>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Securities sold under agreements to repurchase		<b>78,749</b>	58,263
Payables to reinsurers		<b>29,803</b>	19,046
Income tax payable		<b>5,812</b>	220
Short-term bank borrowing		<b>149</b>	–
Bonds payable		<b>56,862</b>	48,780
Lease liabilities		<b>2,882</b>	3,051
Insurance contract liabilities		<b>699,059</b>	618,959
Investment contract liabilities for policyholders		<b>37,694</b>	40,030
Policyholder dividends payable		<b>4,784</b>	3,909
Pension benefit obligation		<b>2,946</b>	2,927
Deferred tax liabilities		<b>2,491</b>	1,486
Other liabilities		<b>86,289</b>	89,258
		<hr/> <b>1,007,520</b>	<hr/> <b>885,929</b>
<b>TOTAL LIABILITIES</b>			

	<i>Notes</i>	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
<b>EQUITY</b>			
Issued capital	<i>12</i>	<b>44,224</b>	44,224
Reserves		<b><u>148,343</u></b>	<u>139,228</u>
Equity attributable to owners of the Company		<b>192,567</b>	183,452
Non-controlling interests		<b><u>66,534</u></b>	<u>63,848</u>
<b>TOTAL EQUITY</b>		<b><u>259,101</u></b>	<u>247,300</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u><u>1,266,621</u></u></b>	<u><u>1,133,229</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company														Non-controlling interests	Total
	Issued capital (note 12)	Share premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve **	Agriculture catastrophic loss reserve **	Asset revaluation reserve **	Share of other comprehensive income of associates and joint ventures **	Portion of fair value changes attributable to policyholders **	Foreign currency translation reserve **	Surplus reserve * **	Other reserves **	Actuarial losses on pension benefit obligation **	Retained profits **	Subtotal		
Balance at 1 January 2020	44,224	23,973	9,650	11,884	1,235	3,015	217	-	14	12,551	(15,153)	(1,152)	92,994	183,452	63,848	247,300
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	12,606	12,606	5,100	17,706
Other comprehensive income/ (expense)	-	-	1,761	-	-	69	72	(233)	23	-	-	(80)	-	1,612	753	2,365
Total comprehensive income/ (expense)	-	-	1,761	-	-	69	72	(233)	23	-	-	(80)	12,606	14,218	5,853	20,071
Dividends paid to shareholders (note 8)	-	-	-	-	-	-	-	-	-	-	-	-	(5,130)	(5,130)	-	(5,130)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,181)	(3,181)
Capital invested by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	9
Others	-	-	-	-	-	-	27	-	-	-	-	-	-	27	5	32
Balance at 30 June 2020 (Unaudited)	44,224	23,973	11,411	11,884	1,235	3,084	316	(233)	37	12,551	(15,153)	(1,232)	100,470	192,567	66,534	259,101

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

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



Attributable to owners of the Company

	Available-for-sale financial		Share of other comprehensive		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	Non-controlling interests	Total			
	Share premium account	asset revaluation reserve	General risk reserve	Agriculture catastrophic loss reserve									Asset revaluation reserve	Surplus reserve *	Other reserves
Issued capital	**	**	**	**	**	**	**	**	**	**	Subtotal				
Balance at 31 December 2018 (Audited)	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
Impact of change in accounting policy in associates (note 11)	-	-	-	-	-	-	120	-	-	-	-	(1,483)	(1,363)	(560)	(1,923)
Balance at 1 January 2019 (Restated)	<u>44,224</u>	<u>23,973</u>	<u>(1,832)</u>	<u>9,874</u>	<u>1,705</u>	<u>2,892</u>	<u>115</u>	<u>(8)</u>	<u>12,041</u>	<u>(15,153)</u>	<u>(1,071)</u>	<u>74,930</u>	<u>151,690</u>	<u>52,688</u>	<u>204,378</u>
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	15,478	15,478	6,144	21,622
Other comprehensive income/(expense)	-	-	6,961	-	-	52	388	6	-	-	(11)	-	7,396	2,561	9,957
Total comprehensive income/(expense)	-	-	6,961	-	-	52	388	6	-	-	(11)	15,478	22,874	8,705	31,579
Dividends paid to shareholders (note 8)	-	-	-	-	-	-	-	-	-	-	-	(2,021)	(2,021)	-	(2,021)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,923)	(1,923)
Others	-	-	-	-	-	-	(86)	-	-	-	-	-	(86)	(18)	(104)
Balance at 30 June 2019 (Unaudited)	<u>44,224</u>	<u>23,973</u>	<u>5,129</u>	<u>9,874</u>	<u>1,705</u>	<u>2,944</u>	<u>417</u>	<u>(2)</u>	<u>12,041</u>	<u>(15,153)</u>	<u>(1,082)</u>	<u>88,387</u>	<u>172,457</u>	<u>59,452</u>	<u>231,909</u>

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

\*\* Consolidated reserves of RMB128,233 million in the condensed consolidated statement of financial position as at 30 June 2019 comprise these reserve accounts.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***FOR THE SIX MONTHS ENDED 30 JUNE 2020**(Amounts in millions of Renminbi, unless otherwise stated)*

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Net cash flows from operating activities	<b>19,631</b>	11,246
Net cash flows (used in)/from investing activities	<b>(40,802)</b>	12,093
Net cash flows from/(used in) financing activities	<b>26,094</b>	(5,562)
Net increase in cash and cash equivalents	<b>4,923</b>	17,777
Cash and cash equivalents at beginning of the period	<b>76,984</b>	61,601
Effects of exchange rate changes on cash and cash equivalents	<b>47</b>	14
Cash and cash equivalents at end of the period	<b>81,954</b>	79,392

## **NOTES:**

### **1. CORPORATE INFORMATION**

The People's Insurance Company (Group) of China Limited (the "Company") was established on 22 August 1996 in the People's Republic of China (the "PRC") and its registered office is located at 1-13/F, No. 88, West Chang'an Street, Xicheng District, Beijing 100031, PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established on 20 October 1949 by the PRC government. The Company is listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. The controlling shareholder of the Company is the Ministry of Finance ("MOF") of the PRC.

The Company is an investment holding company. During the six months ended 30 June 2020, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty insurance, life and health insurance, asset management and other businesses. The Company and its subsidiaries are collectively referred to as the "Group".

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

#### **2.1 BASIS OF PREPARATION**

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2019.

The condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

## 2.2 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on 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.

### Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>
Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>

In addition, the Group has early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions".

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the above-mentioned other amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

## Segment revenue and results for the six months ended 30 June 2019:

(Unaudited)	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
Net earned premiums	180,466	70,096	9,589	–	–	2,416	(15)	262,552
Reinsurance commission income	5,718	249	409	–	–	118	(868)	5,626
Investment income	8,717	7,750	775	320	5,035	308	(4,535)	18,370
Other income	<u>773</u>	<u>341</u>	<u>95</u>	<u>887</u>	<u>39</u>	<u>378</u>	<u>(983)</u>	<u>1,530</u>
<b>TOTAL INCOME</b>								
– SEGMENT INCOME	<u>195,674</u>	<u>78,436</u>	<u>10,868</u>	<u>1,207</u>	<u>5,074</u>	<u>3,220</u>	<u>(6,401)</u>	<u>288,078</u>
– External income	197,021	78,356	10,839	851	409	602	–	288,078
– Inter-segment income	<u>(1,347)</u>	<u>80</u>	<u>29</u>	<u>356</u>	<u>4,665</u>	<u>2,618</u>	<u>(6,401)</u>	<u>–</u>
Net claims and policyholders' benefits	<u>116,764</u>	<u>66,055</u>	<u>8,318</u>	<u>–</u>	<u>–</u>	<u>1,661</u>	<u>(363)</u>	<u>192,435</u>
Handling charges and commissions	27,614	6,245	369	–	–	–	(513)	33,715
Finance costs	993	1,392	232	8	511	18	(11)	3,143
Exchange (gains)/losses	(1)	5	(1)	2	(2)	(3)	–	–
Other operating and administrative expenses	<u>38,037</u>	<u>4,098</u>	<u>1,768</u>	<u>579</u>	<u>385</u>	<u>1,591</u>	<u>(1,404)</u>	<u>45,054</u>
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>	<u>183,407</u>	<u>77,795</u>	<u>10,686</u>	<u>589</u>	<u>894</u>	<u>3,267</u>	<u>(2,291)</u>	<u>274,347</u>
Share of profits or losses of associates and joint ventures	<u>3,725</u>	<u>1,784</u>	<u>7</u>	<u>(3)</u>	<u>370</u>	<u>(30)</u>	<u>(275)</u>	<u>5,578</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	15,992	2,425	189	615	4,550	(77)	(4,385)	19,309
Income tax credit/(expense)	<u>1,642</u>	<u>654</u>	<u>75</u>	<u>(133)</u>	<u>164</u>	<u>(10)</u>	<u>(79)</u>	<u>2,313</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>								
– SEGMENT RESULTS	<u><u>17,634</u></u>	<u><u>3,079</u></u>	<u><u>264</u></u>	<u><u>482</u></u>	<u><u>4,714</u></u>	<u><u>(87)</u></u>	<u><u>(4,464)</u></u>	<u><u>21,622</u></u>

**Segment assets and liabilities as at 30 June 2020 and 31 December 2019, and other segment information for the six months ended 30 June 2020 and 2019 are as follows:**

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
<b>30 June 2020 (Unaudited)</b>								
Segment assets	<u>695,095</u>	<u>469,043</u>	<u>54,285</u>	<u>11,802</u>	<u>129,510</u>	<u>22,878</u>	<u>(115,992)</u>	<u>1,266,621</u>
Segment liabilities	<u>512,267</u>	<u>421,845</u>	<u>47,861</u>	<u>3,016</u>	<u>28,714</u>	<u>9,685</u>	<u>(15,868)</u>	<u>1,007,520</u>
<b>Six months ended 30 June 2020 (Unaudited)</b>								
Other segment information:								
Capital expenditures	3,134	129	44	203	13	80	(381)	3,222
Depreciation and amortisation	1,707	290	113	49	75	26	(100)	2,160
Interest income	<u>7,050</u>	<u>7,025</u>	<u>711</u>	<u>73</u>	<u>361</u>	<u>251</u>	<u>78</u>	<u>15,549</u>
<b>31 December 2019 (Audited)</b>								
Segment assets	<u>603,359</u>	<u>441,078</u>	<u>41,677</u>	<u>11,033</u>	<u>122,684</u>	<u>17,903</u>	<u>(104,505)</u>	<u>1,133,229</u>
Segment liabilities	<u>425,856</u>	<u>398,918</u>	<u>35,327</u>	<u>2,558</u>	<u>23,163</u>	<u>9,413</u>	<u>(9,306)</u>	<u>885,929</u>
<b>Six months ended 30 June 2019 (Unaudited)</b>								
Other segment information:								
Capital expenditures	1,578	559	182	19	58	12	64	2,472
Depreciation and amortisation	1,535	226	88	47	77	17	(80)	1,910
Interest income	<u>7,015</u>	<u>6,810</u>	<u>605</u>	<u>107</u>	<u>324</u>	<u>275</u>	<u>45</u>	<u>15,181</u>

The headquarters, non-life and life segments hold equity interests of 0.85%, 5.91%, and 6.14% (31 December 2019: 0.85%, 5.91%, and 6.14%), respectively, in the Industrial Bank Co., Ltd. (“Industrial Bank”), an associate of the Group. These interests are accounted for as available-for-sale financial assets in headquarters and non-life segments, while accounted for as investment in associate in life segment. On consolidation, these interests in aggregate are accounted for as an associate and the impacts of relevant adjustments to the condensed consolidated financial statements are allocated to the respective segments according to their respective equity interest holding.

#### 4. GROSS AND NET WRITTEN PREMIUMS

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
<b>Gross written premiums</b>		
Long-term life insurance premiums	77,360	74,353
Short-term health insurance premiums	12,049	11,697
Non-life insurance premiums	<u>247,432</u>	<u>236,825</u>
<b>Total</b>	<u>336,841</u>	<u>322,875</u>
<b>Premiums ceded to reinsurers</b>		
Long-term life insurance premiums	(2,424)	(1,828)
Short-term health insurance premiums	(60)	(206)
Non-life insurance premiums	<u>(22,467)</u>	<u>(18,198)</u>
<b>Total</b>	<u>(24,951)</u>	<u>(20,232)</u>
Net written premiums	<u><u>311,890</u></u>	<u><u>302,643</u></u>

#### 5. INVESTMENT INCOME

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Dividend, interest and rental income (a)	18,025	16,923
Realised gains (b)	4,939	2,036
Fair value gains (c)	58	493
Impairment losses (d)	<u>(2,248)</u>	<u>(1,082)</u>
<b>Total</b>	<u><u>20,774</u></u>	<u><u>18,370</u></u>



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

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Dividend income		
Equity securities, mutual funds and trust schemes		
– Available-for-sale	2,160	1,360
– At fair value through profit or loss	78	127
Subtotal	<u>2,238</u>	<u>1,487</u>
Interest income		
Current and term deposits	2,284	2,653
Debt securities		
– Held-to-maturity	3,471	3,137
– Available-for-sale	3,919	4,181
– At fair value through profit or loss	376	148
Loans and receivables	5,499	5,062
Subtotal	<u>15,549</u>	<u>15,181</u>
Operating lease income from investment properties	<u>238</u>	<u>255</u>
<b>Total</b>	<b><u>18,025</u></b>	<b><u>16,923</u></b>

(b) **Realised gains**

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Debt securities		
– Available-for-sale	266	220
– At fair value through profit or loss	49	15
Equity securities, mutual funds and trust schemes		
– Available-for-sale	4,347	1,797
– At fair value through profit or loss	38	4
Disposal of an associate	239	–
<b>Total</b>	<b><u>4,939</u></b>	<b><u>2,036</u></b>

(c) Fair value gains

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Debt securities		
– At fair value through profit or loss	(94)	(8)
Equity securities, mutual funds and trust schemes		
– At fair value through profit or loss	203	535
Investment properties	(51)	(34)
<b>Total</b>	<b>58</b>	<b>493</b>

(d) Impairment losses

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Available-for-sale	(2,137)	(1,082)
Investments classified as loans and receivables	(111)	–
<b>Total</b>	<b>(2,248)</b>	<b>(1,082)</b>

6. PROFIT BEFORE TAX

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

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Employee costs ( <i>note</i> )	25,841	24,654
Depreciation of property and equipment ( <i>note</i> )	1,177	1,170
Depreciation of right-of-use assets ( <i>note</i> )	708	531
Amortisation of intangible assets ( <i>note</i> )	275	209
Recognition of impairment losses on insurance receivables ( <i>note 10</i> )	606	541
Reversal of impairment losses on other assets	(23)	(30)

*Note:* Certain employee costs, depreciation and amortisation are recorded as claim handling expenses and are not included in other operating and administrative expenses.

## 7. INCOME TAX EXPENSE/(CREDIT)

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Current tax	<b>9,878</b>	6,932
Adjustments in respect of prior years	<b>8</b>	(4,690)
Deferred tax	<b>(6,182)</b>	(4,555)
<b>Total</b>	<b><u>3,704</u></b>	<b><u>(2,313)</u></b>

In accordance with the relevant PRC income tax rules and regulations, the Company and its subsidiaries that are registered in the PRC are subject to corporate income tax at the statutory rate of 25% (six months ended 30 June 2019: 25%) on their respective taxable income. Income taxes on taxable income elsewhere were calculated at the rates of tax prevailing in countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

In May 2019, Ministry of Finance and State Taxation Administration issued the “Announcement on the Tax Deduction Policy for Commission Expenses of Insurance Enterprises” (Announcement of MOF and State Taxation Administration [2019] No.72, the “New Policy”). According to the New Policy, the commission expenses paid by an insurance enterprise are deductible to the extent of 18% of its gross written premium, and the excess, if any, can be carried forward to the subsequent years. The New Policy is also applicable to 2018 annual income tax filing. The Group recognised the impact on income tax expense of RMB4,705 million for the year ended 31 December 2018 arising from the New Policy in the six-month period ended 30 June 2019, and therefore resulting in a tax credit for six months ended 30 June 2019.

## 8. DIVIDENDS

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Dividends recognised as distribution during the period:		
Year 2018 Final-RMB4.57 cents per share	–	2,021
Year 2019 Final-RMB11.60 cents per share	<b><u>5,130</u></b>	<u>–</u>

As at 21 August 2020, an interim dividend in respect of the six months ended 30 June 2020 of RMB3.60 cents per share has been proposed by the Board of Directors and is subject to approval by the shareholders at the forthcoming general meeting.

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2020 and the six months ended 30 June 2019 is based on the profit attributable to owners of the Company and the number of ordinary shares in issue during the periods.

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
Profit attributable to owners of the Company for the period	<u>12,606</u>	<u>15,478</u>
Weighted average number of ordinary shares in issue (in million shares)	<u>44,224</u>	<u>44,224</u>
Basic earnings per share (in RMB Yuan)	<u><u>0.29</u></u>	<u><u>0.35</u></u>

No diluted earnings per share has been presented for the six months ended 30 June 2020 and 2019 as the Group had no potential ordinary shares in issue during the periods.

## 10. INSURANCE RECEIVABLES, NET

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Premiums receivable and agents' balances	<b>84,179</b>	42,851
Receivables from reinsurers	<u>17,788</u>	<u>16,345</u>
Subtotal	<u><b>101,967</b></u>	<u>59,196</u>
Less: impairment provision on		
– Premiums receivable and agents' balances	<b>(3,742)</b>	(3,217)
– Receivables from reinsurers	<u>(242)</u>	<u>(170)</u>
<b>Total</b>	<u><u><b>97,983</b></u></u>	<u><u>55,809</u></u>

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

	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
At the beginning of the period	3,387	3,208
Recognition of impairment losses ( <i>note 6</i> )	606	541
Amount written off as uncollectible	<u>(9)</u>	<u>(3)</u>
At the end of the period	<u><b>3,984</b></u>	<u>3,746</u>

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

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Not yet due and within 3 months	81,587	48,416
3 to 6 months	10,046	3,265
6 to 12 months	4,750	3,288
1 to 2 years	1,461	674
Over 2 years	<u>139</u>	<u>166</u>
<b>Total</b>	<u><b>97,983</b></u>	<u>55,809</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.

## 11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in the associates and joint ventures as at 30 June 2020 and 31 December 2019 are as follows:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Associates		
Cost of investment in associates	<b>67,397</b>	67,744
Share of post-acquisition profits and other comprehensive income (note)	<b>49,074</b>	46,090
Subtotal	<b>116,471</b>	113,834
Joint ventures		
Cost of investment in joint ventures	<b>3,086</b>	3,086
Share of post-acquisition profits and other comprehensive income	<b>62</b>	163
Subtotal	<b>3,148</b>	3,249
<b>Total</b>	<b>119,619</b>	117,083

*Note:* The Group's material associates, Industrial Bank and Hua Xia Bank Co., Limited (the "Hua Xia Bank") applied PRC new financial instrument accounting standards (which is equivalent to IFRS 9 Financial Instruments) retrospectively from 1 January 2019, with the practical expedients permitted under the standard. This adoption has decreased the carrying amount of investments in associates and joint ventures by RMB1,923 million on 1 January 2019.

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

As permitted by International Accounting Standard 28 "Investments in Associates and Joint Ventures", for the six months ended 30 June 2020, the Group accounts for the share of profit of Industrial Bank, an associate of the Group, from 1 October 2019 to 31 March 2020.

## 12. ISSUED CAPITAL

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Issued and fully paid ordinary shares of RMB1 each <i>(in million shares)</i>		
A shares	<b>35,498</b>	35,498
H shares	<b>8,726</b>	8,726
	<b><u>44,224</u></b>	<u>44,224</u>
Issued capital <i>(in RMB million)</i>		
A shares	<b>35,498</b>	35,498
H shares	<b>8,726</b>	8,726
	<b><u>44,224</u></b>	<u>44,224</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group focused on risk protection and wealth management, constructed a new business model of “insurance + technology + services”, continuously accelerated its transformation to high-quality development. In terms of P&C insurance, the Group promoted the transformation of business model across the line, for example, to alter the valuation of motor vehicle insurance from taking the “value of vehicles” into account to the comprehensive valuation mechanism of taking “vehicles + people + environment + scenario” into consideration. It strengthened product and service innovation, accelerated the ecological layout of value added services, innovated and developed non-motor vehicle insurance businesses, and continued to optimise its business structure. In terms of life and health insurance, based on its high-quality team composition, the Group optimised product system and improved the long-term mechanism of value growth, accelerated innovation of professional products by centering on “health insurance + health management + science and technology empowerment”, and solidly promoted the commercialisation of health management services. In terms of asset management, in consideration of the overall asset liability matching, the Group seized opportunities in short-term and strengthened matching in long-term, strengthened the investment and research capabilities as well as the construction of market-oriented system and mechanism, and expanded the wealth management market.

The Group engages in three main businesses, namely P&C insurance business, life and health insurance business and asset management business. The Group’s businesses are composed of four main operating segments: the P&C insurance business consists of P&C insurance segment of the Group and includes PICC 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 75.00% equity interests, respectively; the life and health insurance business consists of 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 80.00% equity interest directly and indirectly, and the health insurance segment includes PICC Health Insurance Company Limited (“**PICC Health**”), in which the Company holds 95.45% equity interest directly and indirectly; and the asset management business consists of 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**”), which are all wholly owned by the Company. The Company also holds 100.00% equity interest in PICC Financial Services Company Limited (“**PICC Financial Services**”), directly and indirectly holds 100.00% equity interest in PICC Reinsurance Company Limited (“**PICC Reinsurance**”) and holds 100.00% equity interest in PICC Pension Company Limited (“**PICC Pension**”).



## I. BUSINESS OVERVIEW OF THE COMPANY

In face of the impact caused by the novel coronavirus pneumonia epidemic in the first half of 2020, the Group maintained a steady and positive progress in development, promoted the implementation of the “3411 Project”, made every effort to fight against the epidemic, assisted in the prevention and control of the epidemic, supported the resumption of work and production and bore its responsibility as a financial central enterprise. Its business development has stabilised and rebounded with an optimised structure, stabilised profit and steadily expanded asset scale, indicating the effectiveness of business model reform. As of 30 June 2020, the market share of PICC P&C in the P&C insurance market was 34.0%, the market share of PICC Life in the life and health insurance market was 3.4% and the market share of PICC Health in the life and health insurance market was 1.1%. In terms of the total written premiums (“TWPs”), for the six months ended 30 June 2020, the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB245,639 million, RMB70,024 million, RMB22,535 million and RMB107 million, respectively.

### 1. The Group accelerated the implementation of digital strategies on P&C insurance and comprehensively upgraded online service support to maintain a steady growth in operating efficiency

In the first half of 2020, PICC P&C actively responded to the impact caused by the novel coronavirus pneumonia epidemic by accelerating the implementation of digital strategies to develop a zero contact online service platform and comprehensively upgrade its online service support. It recorded the gross written premiums of RMB246,304 million, representing a year-on-year growth of 4.4%, profit before tax reached RMB15,817 million, representing a year-on-year growth of 4.3%. Excluding the impact of changes to handling charges tax policy over the same period last year, its net profit recorded a year-on-year increase of 4.7%. With its outstanding position in the industry and continuous growth of overall strength, Moody’s Investor Service, Inc. continued to affirm the highest rating of A1 in Mainland China on PICC P&C’s insurance financial strength.

### 2. The overall results of life and health insurance maintained a stable and healthy growth, the value of half year’s new business increased steadily

In the first half of 2020, PICC Life has made progress in transformation to high-quality development. Its ability to create value continued to improve and reached a net profit of RMB3,805 million, representing a year-on-year growth of 23.6%, and the value of half year’s new business amounted to RMB4,076 million, representing a year-on-year increase of 19.3%. PICC Health achieved a value of half year’s new business amounted to RMB483 million, representing a year-on-year increase of 41.6%. The TWPs from internet insurance business reached RMB6,004 million, representing a year-on-year increase of 98.5%, the number of new customers increased by 9.04 million in the first half of the year and the total number of customers reached over 35 million.

## (I) Key Operating Data

*Unit: RMB million*

	<b>For the six months ended 30 June</b>		
	<b>2020</b>	2019	(% of change)
Original premiums income			
PICC P&C	<b>245,639</b>	235,335	4.4
PICC Life	<b>67,234</b>	70,832	(5.1)
PICC Health	<b>22,173</b>	15,215	45.7
Combined ratio of PICC P&C (%)	<b>97.3</b>	97.6	Decrease of 0.3 pt
Value of half year's new business of PICC Life	<b>4,076</b>	3,416 <sup>(1)</sup>	19.3
Value of half year's new business of PICC Health	<b>483</b>	341	41.6
Total investment yield (annualised) (%)	<b>5.5</b>	5.4	Increase of 0.1 pt

- (1) The value of half year's new business for the 6 months up to 30 June 2019 of PICC Life is recalculated using assumptions as at 31 December 2019.

*Unit: RMB million*

	<b>30 June</b>	31 December	
	<b>2020</b>	2019	(% of change)
Market share <sup>(1)</sup> (%)			
PICC P&C	<b>34.0</b>	33.2	Increase of 0.8 pt
PICC Life	<b>3.4</b>	3.3	Increase of 0.1 pt
PICC Health	<b>1.1</b>	0.8	Increase of 0.3 pt
Embedded Value of PICC Life	<b>100,966</b>	89,086	13.3
Embedded Value of PICC Health	<b>12,464</b>	11,432	9.0

- (1) The market share was independently calculated based on 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.

	<b>30 June</b>	31 December	
	<b>2020</b>	2019	(% of change)
Comprehensive solvency margin ratio (%)			
PICC Group	<b>325</b>	300	Increase of 25 pt
PICC P&C	<b>306</b>	282	Increase of 24 pt
PICC Life	<b>264</b>	244	Increase of 20 pt
PICC Health	<b>234</b>	201	Increase of 33 pt
Core solvency margin ratio (%)			
PICC Group	<b>271</b>	252	Increase of 19 pt
PICC P&C	<b>262</b>	252	Increase of 10 pt
PICC Life	<b>235</b>	211	Increase of 24 pt
PICC Health	<b>184</b>	140	Increase of 44 pt

## (II) Key Financial Indicators

	<i>Unit: RMB million</i>		
	<b>For the six months ended 30 June</b>		
	<b>2020</b>	2019	(% of change)
Gross written premiums	<b>336,841</b>	322,875	4.3
PICC P&C	<b>246,304</b>	236,036	4.4
PICC Life	<b>67,238</b>	70,833	(5.1)
PICC Health	<b>22,173</b>	15,215	45.7
Profit before tax	<b>21,410</b>	19,309	10.9
Net profit	<b>17,706</b>	21,622	(18.1)
Net profit attributable to owners of the Company	<b>12,606</b>	15,478	(18.6)
Earnings per share <sup>(1)</sup> (RMB/share)	<b>0.29</b>	0.35	(18.6)
Weighted average return on equity (unannualised) (%)	<b>6.7</b>	9.5	Decrease of 2.8 pt

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

Unit: RMB million

	<b>30 June 2020</b>	31 December 2019	(% of change)
Total assets	<b>1,266,621</b>	1,133,229	11.8
Total liabilities	<b>1,007,520</b>	885,929	13.7
Total equity	<b>259,101</b>	247,300	4.8
Net assets per share <sup>(1)</sup> (RMB)	<b>4.35</b>	4.15	5.0
Gearing ratio <sup>(2)</sup> (%)	<b>79.5</b>	78.2	Increase of 1.3 pt

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

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

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

Unit: RMB million

	Net profit attributable to owners of the Company		Equity attributable to owners of the Company	
	For the six months ended <b>30 June 2020</b>	For the six months ended 30 June 2019	<b>30 June 2020</b>	31 December 2019
Under the China Accounting Standards for Business Enterprises	<b>12,602</b>	15,517	<b>192,244</b>	183,133
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic Risk Reserve of Agricultural Insurance (Note 1)	<b>33</b>	(29)	<b>435</b>	403
Impact of above adjustment on deferred income tax	<b>(8)</b>	7	<b>(110)</b>	(102)
Reclassification of insurance contracts to investment contracts (Note 2)	<b>(21)</b>	(17)	<b>(2)</b>	18
Under the International Financial Reporting Standards	<b>12,606</b>	15,478	<b>192,567</b>	183,452

Explanation for major adjustments:

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

## II. BUSINESS ANALYSIS

### (I) P&C Insurance Business

#### 1. *PICC P&C*

In face of the severe challenges brought by the novel coronavirus pneumonia epidemic, as well as the complicated and ever-changing domestic and external environment in the first half of 2020, PICC P&C strived to normalise its service for epidemic prevention and control, and implemented the “stability on the six fronts and security in the six areas” policy. The Group mainly focused on the transformation to high-quality development to promote the “3411 Project” and solidly advance “ten key tasks” and coordinated efforts in stabilising growth, promoting reform, raising values, strengthening protection, lowering cost and preventing risks. While actively participated in joint prevention and control of the epidemic, the Group innovated business development models, further promoted online service and transformed business model by fostering the integration of policy insurance business and commercial insurance business. Meanwhile, the Group innovated product supply and upgraded insurance protection services. It also worked on optimising its business structure as to reduce costs and increase efficiency, and improved its governance structure and risk control system as to strictly adhere to the bottom line of avoiding systematic risks and strived for improvement in transformation to high-quality development. For the six months ended 30 June 2020, PICC P&C received gross written premiums (“GWPs”) of RMB246,304 million, representing a year-on-year increase of 4.4%; underwriting profits reached RMB5,339 million, representing a year-on-year increase of 23.0%; combined ratio reached 97.3%, representing a year-on-year decrease of 0.3 percentage point. Among all, the claim ratio was 65.3%, representing a year-on-year increase of 0.6 percentage point; the expense ratio was 32.0%, representing a year-on-year decrease of 0.9 percentage point.

(1) *Analysis by Product*

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

*Unit: RMB million*

	<b>For the six months ended 30 June</b>		
	<b>2020</b>	2019	(% of change)
Motor vehicle insurance	<b>131,019</b>	127,487	2.8
Accidental injury and health insurance	<b>49,691</b>	40,937	21.4
Agricultural insurance	<b>25,695</b>	22,031	16.6
Liability insurance	<b>15,934</b>	15,645	1.8
Credit insurance	<b>4,318</b>	10,437	(58.6)
Commercial property insurance	<b>9,411</b>	9,388	0.2
Cargo insurance	<b>2,020</b>	2,140	(5.6)
Other PICC P&C insurances	<b>8,216</b>	7,971	3.1
<b>Total</b>	<b>246,304</b>	236,036	4.4

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

In the first half of 2020, PICC P&C actively responded to the challenges brought by internal and external environment by accelerating the implementation of digital strategies to actively develop a zero contact online service model and comprehensively upgrade its online service support capabilities. It actively made business structure adjustments and paid efforts resolve and prevent business risks. Income of insurance increased steadily, in which the GWPs reached RMB246,304 million, representing a year-on-year growth of 4.4%.

GWPs for motor vehicle insurance increased by 2.8% from RMB127,487 million for the six months ended 30 June 2019 to RMB131,019 million for the same period in 2020. The continuous decrease in automobile production and sales, as well as the novel coronavirus pneumonia epidemic in the first half of 2020 have brought great impact to the motor vehicle insurance business. In view of this, PICC P&C actively expanded the new automobile business, which resulted in a year-on-year increase in market share of new automobile business. Meanwhile, it deeply explored the existing market, continued to vigorously strengthen the construction of insurance renewal service team and promoted the integration and development of various channels, recorded a year-on-year increase in renewal rate and a steady increase in the overall business scale.

GWPs for accidental injury and health insurance increased by 21.4% from RMB40,937 million for the six months ended 30 June 2019 to RMB49,691 million for the same period in 2020. PICC P&C continued to make efforts in serving “Healthy China” and the national strategies of poverty alleviation to realise significant growth in social medical insurance business such as critical illness insurance, basic medical insurance and poverty alleviation medical assistance insurance. For commercial accident health insurance, while actively expanding the traditional market to realise the relatively rapid growth of traditional insurance types such as motor vehicle accident insurance for drivers and passengers, PICC P&C also strengthened the innovation and promotion of new Million Medical Care products such as “Health For All” and “Micro Health Insurance”, as well as new product such as “Work Resumption Insurance” for statutory infectious diseases, all of which showed a rapid developing trend.

GWPs for agricultural insurance increased by 16.6% from RMB22,031 million for the six months ended 30 June 2019 to RMB25,695 million for the same period in 2020. PICC P&C made great efforts in serving the strategy of rural vitalisation and the battle of poverty alleviation, on the premise of deepening the supply side structural reform of agriculture, effectively drove the agricultural insurance to further raise bids, expand the scope and increase products, enhanced the capability of agricultural insurance service to better meet the growing demand for risk protection in the field of “agriculture, farmers and rural areas”, further consolidated and enhanced the leading position of the Company in the agricultural insurance market and effectively encouraged the rapid development of agricultural insurance business.

GWPs for liability insurance increased by 1.8% from RMB15,645 million for the six months ended 30 June 2019 to RMB15,934 million for the same period in 2020. With the negative impact of novel coronavirus pneumonia epidemic, traditional business such as employer liability insurance, carrier liability insurance, school liability insurance and motor vehicle related liability insurance recorded weak growth, and new businesses including litigation liability insurance and internet-related insurance also recorded a relatively significant decline. Along with the resumption of work, production and school, the liability insurance business of PICC P&C showed a trend of rebound.

GWPs for credit insurance decreased by 58.6% from RMB10,437 million for the six months ended 30 June 2019 to RMB4,318 million for the same period in 2020. PICC P&C continued to enhance business risk management and control, actively adjusted business structure, gradually reduced risk exposure, and recorded a year-on-year decrease in business scale.

GWPs for commercial property insurance increased by 0.2% from RMB9,388 million for the six months ended 30 June 2019 to RMB9,411 million for the same period in 2020. Affected by the novel coronavirus pneumonia epidemic and slowdown of domestic economic growth, commercial property insurance business recorded a slowdown in growth. Meanwhile, PICC P&C actively implemented underwriting risk management and control, took the initiative to adjust business structure, and recorded a slight increase in GWPs for commercial property insurance.

GWPs for cargo insurance decreased by 5.6% from RMB2,140 million for the six months ended 30 June 2019 to RMB2,020 million for the same period in 2020. The novel coronavirus pneumonia epidemic has led to a significant decrease in cargo volumes and thus a shrinking market of cargo insurance. PICC P&C recorded a decrease in GWPs for cargo insurance as well.

GWPs attributable to other PICC P&C insurances increased by 3.1% from RMB7,971 million for the six months ended 30 June 2019 to RMB8,216 million for the same period in 2020. While continuously served the supply side structural reform and the economic development of “new technology, new business, new method”, PICC P&C adhered to prioritise efficiency, further optimised business structure, and strengthened risk process management and control to achieve steady growth in special insurance, construction insurance and hull insurance businesses.



(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: RMB million*

	<b>For the six months ended 30 June</b>				
	<b>2020</b>		<b>2019</b>		
	<b>Amount</b>	<b>(% of total)</b>	<b>(% of change)</b>	Amount	(% of total)
Insurance agents	<b>144,858</b>	<b>59.0</b>	<b>(0.3)</b>	145,287	61.7
Among which:					
Individual insurance agents	<b>76,848</b>	<b>31.3</b>	<b>13.1</b>	67,937	28.8
Ancillary insurance agents	<b>20,569</b>	<b>8.4</b>	<b>(17.4)</b>	24,887	10.6
Professional insurance agents	<b>47,441</b>	<b>19.3</b>	<b>(9.6)</b>	52,463	22.3
Direct sales	<b>82,175</b>	<b>33.4</b>	<b>15.8</b>	70,966	30.2
Insurance brokerage	<b>18,606</b>	<b>7.6</b>	<b>(2.5)</b>	19,082	8.1
<b>Total</b>	<b>245,639</b>	<b>100.0</b>	<b>4.4</b>	235,335	100.0

In the first half of 2020, PICC P&C continued to strengthen the construction of its own channels, improved the ability of direct sales and direct control, enhanced channel coordination and promoted the integration and development of its business. The original premiums income from direct sales channels increased by 15.8% from RMB70,966 million for the six months ended 30 June 2019 to RMB82,175 million for the same period in 2020. The original premiums income from insurance brokerage channels decreased by 2.5% from RMB19,082 million in the six months ended 30 June 2019 to RMB18,606 million for the same period in 2020.

(3) *Analysis by Region*

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

*Unit: RMB million*

**For the six months ended 30 June**

	<b>2020</b>	2019	(% of change)
Jiangsu Province	<b>22,869</b>	21,081	8.5
Guangdong Province	<b>22,383</b>	24,189	(7.5)
Zhejiang Province	<b>17,272</b>	15,272	13.1
Shandong Province	<b>15,782</b>	14,268	10.6
Hebei Province	<b>15,146</b>	13,859	9.3
Sichuan Province	<b>11,641</b>	10,746	8.3
Hunan Province	<b>10,934</b>	9,249	18.2
Hubei Province	<b>10,903</b>	11,522	(5.4)
Anhui Province	<b>10,209</b>	9,092	12.3
Fujian Province	<b>9,516</b>	9,319	2.1
Other regions	<b>98,984</b>	96,738	2.3
<b>Total</b>	<b>245,639</b>	235,335	4.4

(4) *Business Information on Major Insurances*

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

*Unit: RMB million*

**For the six months ended 30 June 2020**

	Gross written premiums	Amount of insurance	Net claims	Liability balance of reserve	Underwriting profits	Combined ratio (%)
Motor vehicle insurance	131,019	42,131,075	62,288	200,390	6,631	94.8
Accidental injury and health insurance	49,691	358,865,402	20,509	48,453	(465)	101.6
Agricultural insurance	25,695	1,608,828	6,829	25,878	203	98.0
Liability insurance	15,934	87,982,522	4,645	26,835	329	96.6
Credit insurance	4,318	943,180	9,459	19,763	(2,948)	138.6
Commercial property insurance	9,411	20,343,727	2,299	14,833	608	86.8
Cargo insurance	2,020	6,995,832	523	2,534	226	83.2
Other PICC P&C insurances	8,216	28,127,138	1,669	19,799	755	79.4
<b>Total</b>	<b>246,304</b>	<b>546,997,704</b>	<b>108,221</b>	<b>358,485</b>	<b>5,339</b>	<b>97.3</b>

(5) *Financial Analysis*

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

*Unit: RMB million*

	<b>For the six months ended 30 June</b>		
	<b>2020</b>	2019	(% of change)
Net earned premiums	<b>194,484</b>	180,188	7.9
Investment income	<b>7,581</b>	7,931	(4.4)
Other income	<b>662</b>	773	(14.4)
Total income	<b>208,837</b>	194,671	7.3
Net claims and policyholders' benefits	<b>126,885</b>	116,654	8.8
Handling charges and commissions	<b>27,099</b>	27,602	(1.8)
Finance costs	<b>616</b>	991	(37.8)
Other operating and administrative expenses	<b>41,994</b>	37,982	10.6
Total benefits, claims and expenses	<b>196,445</b>	183,226	7.2
Profit before tax	<b>15,817</b>	15,169	4.3
Less: Income tax expense/ (credit)	<b>2,638</b>	(1,652)	–
Net profit	<b>13,179</b>	16,821	(21.7)

*Net earned premiums*

Net earned premiums of PICC P&C increased by 7.9% from RMB180,188 million for the six months ended 30 June 2019 to RMB194,484 million for the same period in 2020. It was benefited from the development in the businesses of motor vehicle insurance, accidental injury and health insurance and agricultural insurance.

*Investment income*

Investment income of the PICC P&C decreased by 4.4% from RMB7,931 million for the six months ended 30 June 2019 to RMB7,581 million for the same period in 2020. It was associated with the impairment resulted from the risk of some equity projects being fully accrued.

### *Net claims and policyholders' benefits*

Net claims and policyholders' benefits of PICC P&C increased by 8.8% from RMB116,654 million for the six months ended 30 June 2019 to RMB126,885 million for the same period in 2020, and the loss ratio increased by 0.6 percentage point from 64.7% for the six months ended 30 June 2019 to 65.3% for the same period of 2020. It was mainly due to an increase in payment of policyholders' benefits caused by business growth and change of business structure. Meanwhile, the claim ratio of commercial property insurance increased due to the novel coronavirus pneumonia epidemic and major natural hazards such as rainstorms and floods. The novel coronavirus pneumonia epidemic has put heavy downward pressure on the economy, resulting in an increase in the level of social credit risk, the overdue rate of business, as well as the claim ratio of credit insurance. PICC P&C already optimised its post-loan collection and process management and control of its credit insurance business, further improved its risk mitigation, prevention and control abilities, and its capabilities to reduce losses and increase profits.

### *Handling charges and commissions*

The regulatory reforms in the P&C insurance have been further implemented, market rationality has been continuously increased and reforms in premium rate for commercial motor vehicle insurance have been continuously deepened. PICC P&C fully implemented "practice complying with filling", actively underwent adjustment in business structure, strengthened the construction of its own channels and improved the ability of direct sales and direct control. The handling charge rate decreased by 0.7 percentage point from 11.7% for the six months ended 30 June 2019 to 11.0% for the same period in 2020, while the handling charges and commissions decreased by 1.8% from RMB27,602 million for the six months ended 30 June 2019 to RMB27,099 million for the same period in 2020.

### *Finance costs*

Finance costs of PICC P&C decreased by 37.8% from RMB991 million for the six months ended 30 June 2019 to RMB616 million for the same period in 2020. The decrease was mainly due to the decrease in interest expenses relating to securities sold under agreements to repurchase and bonds payable.

### *Income tax expense*

The income tax expense of PICC P&C changed from RMB-1,652 million for the six months ended 30 June 2019 to RMB2,638 million for the same period in 2020. It was a one-off impact caused by the application of the new taxation rules on handling charges in 2019.

### *Net profit*

As a result of the foregoing reasons, the net profit of the PICC P&C decreased by 21.7% from RMB16,821 million for the six months ended 30 June 2019 to RMB13,179 million for the same period in 2020.

## **2. *PICC Hong Kong***

As of 30 June 2020, PICC Hong Kong's total assets amounted to RMB3,143 million, and net assets were RMB623 million. In the first half of 2020, the GWPs amounted to RMB648 million, the combined ratio was 99.0%, and the net profit amounted to RMB23 million.

## **(II) Life and Health Insurance**

### **1. *PICC Life***

In face of complicated external environment and the impact of the novel coronavirus pneumonia epidemic in the first half of 2020, PICC Life has fully implemented the "3411 Project", and determined to promote "transformation from extensive mode to intensive mode, transformation from scale driven to value driven and business transformation from bank insurance to individual insurance". It actively pushed forward business model reform, explored "insurance + technology + services" model, promoted online and offline integration and development, strived to normalise epidemic prevention and control and the resumption of work and production, and propelled the transformation to high-quality development. For the six months ended 30 June 2020, first-year original premiums income of PICC Life reached RMB14,951 million, representing a year-on-year increase of 2.1%; the ten-year or more regular TWPs amounted to RMB3,945 million, representing a year-on-year increase of 14.5%; renewal original premiums income amounted to RMB33,223 million, representing a year-on-year increase of 12.8%; and the proportion of regular payment (including renewal) increased by 9.4 percentage points and reached 71.7%. For the six months ended 30 June 2020, the value of half year's new business of PICC Life amounted to RMB4,076 million, representing a year-on-year increase of 19.3%. 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: RMB million*

	<b>For the six months ended 30 June</b>				
	<b>2020</b>			<b>2019</b>	
	<b>Amount</b>	<b>(% of total)</b>	<b>(% of change)</b>	<b>Amount</b>	<b>(% of total)</b>
Life insurance	<b>54,501</b>	<b>81.1</b>	<b>(8.9)</b>	59,852	84.5
General life insurance	<b>18,641</b>	<b>27.7</b>	<b>(0.2)</b>	18,677	26.4
Participating life insurance	<b>35,807</b>	<b>53.3</b>	<b>(12.9)</b>	41,122	58.1
Universal life insurance	<b>53</b>	<b>0.1</b>	<b>(1.9)</b>	54	0.1
Health insurance	<b>11,869</b>	<b>17.7</b>	<b>18.8</b>	9,992	14.1
Accident insurance	<b>864</b>	<b>1.3</b>	<b>(12.6)</b>	988	1.4
<b>Total</b>	<b>67,234</b>	<b>100.0</b>	<b>(5.1)</b>	70,832	100.0

In the first half of 2020, PICC Life actively responded to the challenges brought by the novel coronavirus pneumonia epidemic, accelerated the construction of online business system, vigorously enhanced the team of effective workforce, and increased the development of protection regular premiums insurance business. Under the condition of continuous optimisation of business structure and reduction of single premiums business scale, the original insurance premiums income amounted RMB67,234 million, representing a year-on-year decrease of 5.1%, and the gross premiums income remained basically stable.

The original premiums income from life insurance decreased by 8.9% from RMB59,852 million for the six months ended 30 June 2019 to RMB54,501 million for the same period in 2020. PICC Life has made steady progress in the transformation towards quality enhancement and reduced the scale of existing short and medium-term business actively. Meanwhile, due to the adverse impact of the novel coronavirus pneumonia epidemic, the growth of regular premiums business was below expectation with a year-on-year decrease of business scale.

The original premiums income of health insurance increased by 18.8% from RMB9,992 million for the six months ended 30 June 2019 to RMB11,869 million for the same period in 2020. PICC Life actively responded to the requirements that insurance should meet for protection purposes, stepped up the effort to develop and promote critical illness insurance products. Meanwhile, with the impact of the novel coronavirus pneumonia epidemic, there was a further increase of the demand of health insurance in the market and the individual health insurance business maintained growth.

The original premiums income from accident insurance decreased by 12.6% from RMB988 million for the six months ended 30 June 2019 to RMB864 million for the same period in 2020. PICC Life insisted on strengthening the management and control of business risk and the management of premiums receivable, optimised the business structure actively, and improved operation efficiency.

In terms of TWPs, for the six months ended 30 June 2020, the TWPs of general life insurance, participating life insurance, and universal life insurance amounted to RMB18,641 million, RMB36,170 million and RMB2,477 million, respectively. TWPs of health insurance and accident insurance amounted to RMB11,872 million and RMB864 million, respectively.

(2) *Analysis by Channel*

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

*Unit: RMB million*

	For the six months ended 30 June				
	2020			2019	
	Amount	(% of total)	(% of change)	Amount	(% of total)
<b>Bancassurance</b>	28,310	42.1	(21.8)	36,189	51.1
First-year business of long-term insurance	17,748	26.4	(31.7)	25,999	36.7
Single premiums	11,364	16.9	(43.6)	20,158	28.5
First-year regular premiums	6,383	9.5	9.3	5,841	8.2
Renewal business	10,512	15.6	3.9	10,113	14.3
Short-term insurance	50	0.1	(35.1)	77	0.1
<b>Individual insurance</b>	35,717	53.1	15.6	30,900	43.6
First-year business of long-term insurance	13,299	19.8	16.8	11,383	16.1
Single premiums	4,851	7.2	58.2	3,067	4.3
First-year regular premiums	8,448	12.6	1.6	8,316	11.7
Renewal business	21,975	32.7	14.9	19,119	27.0
Short-term insurance	442	0.7	11.1	398	0.6
<b>Group insurance</b>	3,208	4.8	(14.3)	3,743	5.3
First-year business of long-term insurance	1,254	1.9	(49.1)	2,465	3.5
Single premiums	1,135	1.7	(43.5)	2,010	2.8
First-year regular premiums	120	0.2	(73.6)	455	0.6
Renewal business	580	0.9	184.3	204	0.3
Short-term insurance	1,373	2.0	27.8	1,074	1.5
<b>Total</b>	<b>67,234</b>	<b>100.0</b>	<b>(5.1)</b>	<b>70,832</b>	<b>100.0</b>



In the first half of 2020, PICC Life has made steady progress in the transformation towards high quality development and continuously reduced the scale of low-value single premium business, such as short and medium-term business in bancassurance channel. It continuously optimised business institution, and enhanced its contribution to bancassurance channel value. The original premiums income of bancassurance channel decreased by 21.8% from RMB36,189 million for the six months ended 30 June 2019 to RMB28,310 million for the same period in 2020.

PICC Life continued to promote “Comprehensive individual life insurance” strategy. In November 2019, process empowerment of our teams completed. “Comprehensive individual life insurance” was repositioned and composed of individual insurance channel and service marketing channel, with the direct sales teams merged into the individual insurance channel, and the bancassurance planner teams merged into the service marketing channel. With the continuous strengthening of sales force team-building and basic construction, the quality of individual insurance agents team continued to improve, and individual business sales ability was enhanced. The monthly average effective workforce in the first half of the year reached 124,872, representing a year-on-year increase of 32.8%. The original premiums income of individual insurance channel increased by 15.6% from RMB30,900 million for the six months ended 30 June 2019 to RMB35,717 million for the same period in 2020.

PICC Life spontaneously suspended the sales of group supplementary medical products. The original premiums income of group insurance decreased by 14.3% from RMB3,743 million for the six months ended 30 June 2019 to RMB3,208 million for the same period in 2020.

In terms of TWPs, the TWPs from the bancassurance channel, individual insurance channel and group insurance channel amounted to RMB28,816 million, RMB37,620 million and RMB3,588 million, respectively, for the six months ended 30 June 2020. As at 30 June 2020, the number of sales agents for “Comprehensive individual life insurance” was 512,304. The first-year TWPs per capita from sales agent per month amounted to RMB2,968 and the average number of new life insurance policies per capita was 0.84 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>Item</b>	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
13-month premium persistency ratio <sup>(1)</sup> (%)	<b>91.3</b>	93.0
25-month premium persistency ratio <sup>(2)</sup> (%)	<b>90.5</b>	92.2

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

	<i>Unit: RMB million</i>		
	<b>For the six months ended 30 June</b>		
	<b>2020</b>	2019	(% of change)
Zhejiang Province	<b>8,140</b>	6,156	32.2
Sichuan Province	<b>5,253</b>	5,131	2.4
Hunan Province	<b>3,759</b>	3,862	(2.7)
Jiangsu Province	<b>3,203</b>	3,764	(14.9)
Hubei Province	<b>2,980</b>	3,224	(7.6)
Henan Province	<b>2,841</b>	3,570	(20.4)
Shaanxi Province	<b>2,714</b>	3,123	(13.1)
Hebei Province	<b>2,709</b>	3,669	(26.2)
Heilongjiang Province	<b>2,365</b>	2,344	0.9
Jilin Province	<b>2,354</b>	2,437	(3.4)
Other regions	<b>30,916</b>	33,552	(7.9)
<b>Total</b>	<b>67,234</b>	70,832	(5.1)

(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: RMB million*

**For the six months ended 30 June 2020**

	<b>Type of insurance</b>	<b>Sales channels</b>	<b>Original premiums income</b>
PICC Life Xin An Endowment Insurance (Participating) (Type C)	Participating life insurance	Bancassurance	11,154
PICC Life Ru Yi Bao Endowment Insurance (Participating)	Participating life insurance	Individual insurance/ Bancassurance	10,275
PICC Life Zun Ying Ren Sheng Annuity Insurance (Participating)	Participating life insurance	Individual insurance/ Bancassurance	4,842
PICC Life Ju Cai Bao Retirement Annuity Insurance (Participating)	Participating life insurance	Individual insurance	4,745
PICC Life Le Xiang Sheng Huo Annuity Insurance	General life insurance	Individual insurance/ Bancassurance	4,265

(6) *Financial Analysis*

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

*Unit: RMB million*

	<b>For the six months ended 30 June</b>		
	<b>2020</b>	2019	(% of change)
Net earned premiums	<b>65,972</b>	70,096	(5.9)
Investment income	<b>10,210</b>	7,750	31.7
Other income	<b>387</b>	341	13.5
Total income	<b>76,786</b>	78,436	(2.1)
Net claims and policyholders' benefits	<b>61,167</b>	66,055	(7.4)
Handling charges and commissions	<b>7,827</b>	6,245	25.3
Finance costs	<b>1,316</b>	1,392	(5.5)
Other operating and administrative expenses	<b>4,582</b>	4,098	11.8
Total benefits, claims and expenses	<b>74,861</b>	77,795	(3.8)
Profit before tax	<b>3,847</b>	2,425	58.6
Less: Income tax expense/ (credit)	<b>42</b>	(654)	–
Net profit	<b>3,805</b>	3,079	23.6

*Net earned premiums*

Net earned premiums of PICC Life decreased by 5.9% from RMB70,096 million for the six months ended 30 June 2019 to RMB65,972 million for the same period in 2020. The Group took the initiative to reduce the scale of existing short and medium-term business. Meanwhile, due to the adverse impact of the novel coronavirus pneumonia epidemic, the growth of regular business was below expectation with a year-on-year decrease of business scale.

*Investment income*

Investment income of the PICC Life increased by 31.7% from RMB7,750 million for the six months ended 30 June 2019 to RMB10,210 million for the same period in 2020. This was primarily due to better utilisation of investment opportunities in the equity market.

### *Other income*

Other income of the PICC Life increased by 13.5% from RMB341 million for the six months ended 30 June 2019 to RMB387 million for the same period in 2020. This was primarily due to the year-on-year increase in business synergy income.

### *Net claims and policyholders' benefits*

Net claims and policyholders' benefits of PICC Life decreased by 7.4% from RMB66,055 million for the six months ended 30 June 2019 to RMB61,167 million for the same period in 2020. This was mainly due to the significant effect of adjustment in business structure of PICC Life and the year-on-year decrease in insurance claims expenses and maturity benefits.

### *Handling charges and commissions*

The handling charges and commissions of PICC Life increased by 25.3% from RMB6,245 million for the six months ended 2019 to RMB7,827 million for the same period in 2020. It was mainly because PICC Life took the initiative to reduce the scale of existing short and medium-term business and increase the proportion of regular premiums business. Meanwhile, while continuously optimising its business structure and increasing product cost, PICC Life deeply promoted "Comprehensive individual life insurance" strategy, focused on valuable regular premiums and effective workforce, and made effort on sales team building.

### *Finance costs*

Finance costs of PICC Life decreased by 5.5% from RMB1,392 million for the six months ended 30 June 2019 to RMB1,316 million for the same period in 2020. The decrease was mainly due to the decrease in interest expenses relating to securities sold under agreements to repurchase.

### *Income tax expense*

The income tax expense of PICC Life changed from RMB-654 million for the six months ended 30 June 2019 to RMB42 million for the same period in 2020. It was a one-off impact caused by the application of the new taxation rules on handling charges in 2019.

### *Net profit*

As a result of the foregoing reasons, the net profit of PICC Life increased by 23.6% from RMB3,079 million for the six months ended 30 June 2019 to RMB3,805 million for the same period in 2020.

## 2. *PICC Health*

In the first half of 2020, PICC Health thoroughly implemented the “3411 Project”, followed the guidance of “professionalism, efficiency, competency and flat structure”, promoted comprehensive in-depth reforms, established “health insurance + health management + technology empowerment” business mode, created a professional health insurance business system with PICC characteristics, and accelerated the transformation to high-quality development under serving the “Healthy China” strategy and the construction of the national multi-level medical security system. The income of first-year regular premiums increased by 31.4% year-on-year, and the value of half year’s new business increased by 41.6% year-on-year. The business structure was further optimised and the value creation capability was further improved, consolidating the foundation of development continuously.

### (1) *Analysis by Product*

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

*Unit: RMB million*

	For the six months ended 30 June				
	2020			2019	
<b>Health insurance products</b>	<b>Amount</b>	<b>(% of total)</b>	<b>(% of change)</b>	Amount	(% of total)
Medical insurance	14,116	63.7	19.4	11,825	77.8
Participating endowment insurance	5,306	23.9	325.8	1,246	8.2
Illness insurance	1,448	6.5	79.4	807	5.3
Nursing care insurance	931	4.2	1.5	917	6.0
Accidental injury insurance	302	1.4	(14.9)	355	2.3
Disability losses insurance	70	0.3	7.7	65	0.4
<b>Total</b>	<b>22,173</b>	<b>100.0</b>	<b>45.7</b>	15,215	100.0

In the first half of 2020, PICC Health focused on three key aspects of “reconstruction”, “improvement” and “activation” under the new business model of “health insurance + health management + technology empowerment” to emphasise on coordination and proper implementation of epidemic prevention and control measures as well as reform and development. Thus, PICC Health recorded an original premiums income of RMB22,173 million, representing a 45.7% increase compared to the corresponding period last year.

The original premiums income of medical insurance increased by 19.4% from RMB11,825 million for the six months ended 30 June 2019 to RMB14,116 million for the same period in 2020. PICC Health actively served the construction of a multi-level medical protection system, and premiums of internet medical insurance products have increased significantly.

The original premiums income of participating endowment insurance increased by 325.8% from RMB1,246 million for the six months ended 30 June 2019 to RMB5,306 million for the same period in 2020. PICC Health strengthened its cooperation with certain banks, contributing to a rapid growth in new single premiums.

The original premiums income of illness insurance increased by 79.4% from RMB807 million for the six months ended 30 June 2019 to RMB1,448 million for the same period in 2020. PICC Health proactively developed critical illness insurance products with outstanding protection attributes, and the premiums of critical illness insurance products sold on the internet platform increased rapidly.

The original premiums income of nursing care insurance increased by 1.5% from RMB917 million for the six months ended 30 June 2019 to RMB931 million for the same period in 2020.

The original premiums income from accidental injury insurance decreased by 14.9% from RMB355 million for the six months ended 30 June 2019 to RMB302 million for the same period in 2020. PICC Health has increased the quality control of short-term accidental insurance business. Meanwhile, due to the adverse impact of the novel coronavirus pneumonia epidemic, the premiums income of accident insurance has declined.

The original premiums income of disability losses insurance increased by 7.7% from RMB65 million for the six months ended 30 June 2019 to RMB70 million for the same period in 2020.

In terms of TWPs, for the six months ended 30 June 2020, the TWPs of medical insurance, participating endowment insurance, illness insurance, nursing care insurance, accidental injury insurance and disability losses insurance amounted to RMB14,273 million, RMB5,306 million, RMB1,448 million, RMB1,136 million, RMB302 million and RMB70 million, respectively.

(2) *Analysis by Channel*

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

*Unit: RMB million*

	For the six months ended 30 June				
	2020			2019	
	Amount	(% of total)	(% of change)	Amount	(% of total)
<b>Bancassurance</b>	<b>4,488</b>	<b>20.2</b>	<b>515.6</b>	729	4.8
First-year business of					
long-term insurance	<b>4,124</b>	<b>18.6</b>	<b>748.6</b>	486	3.2
Single premiums	<b>3,913</b>	<b>17.6</b>	<b>1,273.0</b>	285	1.9
First-year regular					
premiums	<b>211</b>	<b>1.0</b>	<b>5.0</b>	201	1.3
Renewal business	<b>357</b>	<b>1.6</b>	<b>53.9</b>	232	1.5
Short-term insurance	<b>7</b>	<b>-</b>	<b>(36.4)</b>	11	0.1
<b>Individual insurance</b>	<b>7,865</b>	<b>35.5</b>	<b>70.6</b>	4,610	30.3
First-year business of					
long-term insurance	<b>4,141</b>	<b>18.7</b>	<b>33.5</b>	3,103	20.4
Single premiums	<b>35</b>	<b>0.2</b>	<b>52.2</b>	23	0.2
First-year regular					
premiums	<b>4,106</b>	<b>18.5</b>	<b>33.3</b>	3,080	20.2
Renewal business	<b>3,334</b>	<b>15.0</b>	<b>178.1</b>	1,199	7.9
Short-term insurance	<b>390</b>	<b>1.8</b>	<b>26.6</b>	308	2.0
<b>Group insurance</b>	<b>9,820</b>	<b>44.3</b>	<b>(0.6)</b>	9,876	64.9
First-year business of					
long-term insurance	<b>14</b>	<b>0.1</b>	<b>(57.6)</b>	33	0.2
Single premiums	<b>5</b>	<b>-</b>	<b>(78.3)</b>	23	0.1
First-year regular					
premiums	<b>9</b>	<b>0.1</b>	<b>(10.0)</b>	10	0.1
Renewal business	<b>19</b>	<b>0.1</b>	<b>46.2</b>	13	0.1
Short-term insurance	<b>9,787</b>	<b>44.1</b>	<b>(0.4)</b>	9,830	64.6
<b>Total</b>	<b>22,173</b>	<b>100.0</b>	<b>45.7</b>	15,215	100.0



In the first half of 2020, PICC Health further strengthened its cooperation on the bank channel with the “four banks and one post”. While fighting the battle of epidemic prevention and control, it has been growing its new insurance policy business rapidly. The original premiums income of bancassurance channel increased by 515.6% from RMB729 million for the six months ended 30 June 2019 to RMB4,488 million for the same period in 2020.

In the first half of 2020, PICC Health focused on the high-end transformation for individual insurance agent business, reconstructed the management system for individual insurance sales, promoted the transformation and upgrading of the sales force, and strived to expand the business scale of regular premiums. In respect of the internet insurance business, PICC Health continued to explore and deepen cooperation with high quality internet platforms, enhance product innovation and facilitate sound development of business with the empowerment of technology. The original premiums income of individual insurance channel increased by 70.6% from RMB4,610 million for the six months ended 30 June 2019 to RMB7,865 million for the same period in 2020.

In the first half of 2020, PICC Health grasped the opportunity of resumption of work and production in commercial group insurance business and emphasised quality and efficiency improvement of short-term insurance business, while taking various measures to promote the high-quality development and transformation of group insurance business. For government commissioned businesses, the diversified development pattern of business covering critical illness insurance, long-term nursing care insurance and poverty alleviation insurance has been consolidated, and the project expansion capacity has been continuously improved. The original premiums income from group insurance channel decreased by 0.6% from RMB9,876 million for the six months ended 30 June 2019 to RMB9,820 million for the same period in 2020.

In terms of TWPs, for the six months ended 30 June 2020, the TWPs from the bancassurance channel, individual insurance channel and group insurance channel amounted to RMB4,505 million, RMB8,174 million and RMB9,856 million, respectively. As of 30 June 2020, the number of individual insurance sales agents for PICC Health was 20,771. The first-year TWPs of new insurance policies amounted to RMB3,020 per sales agent per month and new insurance policies were 0.90 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 PICC Health for the reporting periods indicated:

<b>Item</b>	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	<b>2019</b>
13-month premium persistency ratio <sup>(1)</sup> (%)	<b>86.7</b>	86.1
25-month premium persistency ratio <sup>(2)</sup> (%)	<b>81.1</b>	81.9

- (1) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs for the 13th month after the long-term regular premium individual policies newly issued in the preceding year were issued and came into effect, 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 for the 25th month after the long-term regular premium individual policies newly issued in the penultimate year were issued and came into effect, 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: RMB million*

	<b>For the six months ended 30 June</b>		
	<b>2020</b>	<b>2019</b>	<b>(% of change)</b>
Guangdong Province	<b>8,557</b>	4,294	99.3
Henan Province	<b>2,333</b>	1,387	68.2
Jiangxi Province	<b>1,888</b>	1,309	44.2
Liaoning Province	<b>1,301</b>	1,252	3.9
Yunnan Province	<b>962</b>	985	(2.3)
Shandong Province	<b>818</b>	648	26.2
Anhui Province	<b>791</b>	739	7.0
Tianjin City	<b>690</b>	403	71.2
Shanxi Province	<b>686</b>	669	2.5
Sichuan Province	<b>680</b>	259	162.5
Other regions	<b>3,467</b>	3,270	6.0
<b>Total</b>	<b>22,173</b>	15,215	45.7

(5) *Top Five Products*

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

*Unit: RMB million*

**For the six months ended 30 June 2020**

	<b>Type of insurance</b>	<b>Sales channels</b>	<b>Original premiums income</b>
Kang Li Ren Sheng endowment insurance (Participating)	Endowment insurance	Bancassurance channel, Individual insurance channel	5,130
PICC Health You Xiang Bao individual medical insurance	Medical insurance	Individual insurance channel	4,567
Group critical illness medical insurance for urban and rural residents (Type A)	Medical insurance	Group insurance channel	3,931
He Xie Sheng Shi large amount supplementary group medical insurance for urban employees	Medical insurance	Group insurance channel	3,350
Social security supplementary group medical insurance for nursing care experts	Medical insurance	Group insurance channel	651

(6) *Financial Analysis*

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

*Unit: RMB million*

	<b>For the six months ended 30 June</b>		
	<b>2020</b>	2019	(% of change)
Net earned premiums	<b>16,317</b>	9,589	70.2
Investment income	<b>1,023</b>	775	32.0
Other income	<b>117</b>	95	23.2
Total income	<b>17,977</b>	10,868	65.4
Net claims and policyholders' benefits	<b>14,338</b>	8,318	72.4
Handling charges and commissions	<b>505</b>	369	36.9
Finance costs	<b>210</b>	232	(9.5)
Other operating and administrative expenses	<b>2,808</b>	1,768	58.8
Total benefits, claims and expenses	<b>17,860</b>	10,686	67.1
Profit before tax	<b>119</b>	189	(37.0)
Less: Income tax expense/ (credit)	<b>11</b>	(75)	–
Net profit	<b>108</b>	264	(59.1)

*Net earned premiums*

Net earned premiums of PICC Health increased by 70.2% from RMB9,589 million for the six months ended 30 June 2019 to RMB16,317 million for the same period in 2020. The increase was mainly attributable to the growth of business scale of the participating endowment insurance and medical insurance.

*Investment income*

Investment income of the PICC Health increased by 32.0% from RMB775 million for the six months ended 30 June 2019 to RMB1,023 million for the same period in 2020. This was primarily due to better utilisation of investment opportunities in the equity market.

### *Other income*

Other income of PICC Health increased by 23.2% from RMB95 million for the six months ended 30 June 2019 to RMB117 million for the same period in 2020, mainly due to the increase in income from government commissioned processing business and health management services.

### *Net claims and policyholders' benefits*

Net claims and policyholders' benefits of PICC Health increased by 72.4% from RMB8,318 million for the six months ended 30 June 2019 to RMB14,338 million for the same period in 2020. It was mainly due to the growth of business scale and the increase in insurance liability reserves.

### *Handling charges and commissions*

The handling charges and commissions of PICC Health increased by 36.9% from RMB369 million for the six months ended 30 June 2019 to RMB505 million for the same period in 2020. The increase was mainly attributable to the growth of business scale of the participating endowment insurance and the increase in expenses of related handling charges.

### *Finance costs*

Finance costs of PICC Health decreased by 9.5% from RMB232 million for the six months ended 30 June 2019 to RMB210 million for the same period in 2020. The decrease was mainly due to the decrease in bonds interest expenses resulted from the maturity and redemption of certain capital supplementary bonds.

### *Net profit*

As a result of the foregoing reasons, the net profit of the PICC Health decreased by 59.1% from RMB264 million for the six months ended 30 June 2019 to RMB108 million for the same period in 2020.

### (III) Asset Management Business

In the first half of 2020, the asset management segment of the Group adhered to the idea of value investment, maintained investment strength, and built an investment portfolio that would achieve long-term stable returns from a cross-cyclical perspective. The insurance asset management products of the asset management segment had a registered scale of RMB31,270 million, ranked third in the industry. Among them, the registered scale of debt plan amounted to RMB27,270 million. As of 30 June 2020, the scale of third-party assets management of the asset management segment amounted to RMB358,121 million, and the scale of the Group's asset management products amounted to RMB1.8 trillion.

The investment income of the asset management segment of the Group does not include 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 of the Group has already been included in the investment income of the relevant segments.

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

	<i>Unit: RMB million</i>		
	<b>For the six months ended 30 June</b>		
	<b>2020</b>	2019	(% of change)
Investment income	<b>167</b>	320	(47.8)
Other income	<b>974</b>	887	9.8
<b>Total income</b>	<b>1,141</b>	1,207	(5.5)
Finance costs	<b>10</b>	8	25.0
Other operating and administrative expenses	<b>576</b>	579	(0.5)
<b>Total expenses</b>	<b>586</b>	589	(0.5)
Profit before tax	<b>558</b>	615	(9.3)
Less: Income tax expense/(credit)	<b>132</b>	133	(0.8)
<b>Net profit</b>	<b>426</b>	482	(11.6)

#### *Investment income*

Investment income of the asset management segment decreased by 47.8% from RMB320 million for the six months ended 30 June 2019 to RMB167 million for the same period in 2020, which was mainly due to the decrease in dividend income from asset management projects.

### *Other income*

Other income of the asset management segment increased by 9.8% from RMB887 million for the six months ended 30 June 2019 to RMB974 million for the same period in 2020, which was mainly attributable to the increase in assets management income.

### *Net profit*

As a result of the foregoing reasons, the net profit of the asset management segment decreased by 11.6% from RMB482 million for the six months ended 30 June 2019 to RMB426 million for the same period in 2020.

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

In the first half of 2020, the Group responded actively to the coronavirus epidemic and the complex domestic and overseas market environment which is ever-changing, seized investment opportunity and strictly controlled investment risks, and the investment return remained stable as a whole.

## 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:

	<b>30 June 2020</b>		<i>Unit: RMB million</i> 31 December 2019	
	<b>Amount</b>	<b>(% of total)</b>	Amount	(% of total)
<b>Investment assets</b>	<b>1,046,129</b>	<b>100.0</b>	978,212	100.0
<b>Classified by investment object</b>				
Cash and cash equivalents	<b>81,954</b>	<b>7.8</b>	76,984	7.9
Fixed-income investments	<b>674,664</b>	<b>64.5</b>	620,956	63.5
Term deposits	<b>92,480</b>	<b>8.8</b>	87,009	8.9
Treasury bonds	<b>94,740</b>	<b>9.1</b>	45,328	4.6
Financial bonds	<b>100,951</b>	<b>9.7</b>	108,354	11.1
Corporate bonds	<b>186,148</b>	<b>17.8</b>	163,772	16.7
Long-term debt investment schemes	<b>96,364</b>	<b>9.2</b>	100,282	10.3
Other fixed-income investments <sup>(1)</sup>	<b>103,981</b>	<b>9.9</b>	116,211	11.9
Fund and equity securities investments at fair value	<b>121,407</b>	<b>11.6</b>	115,373	11.8
Fund	<b>59,192</b>	<b>5.6</b>	61,832	6.3
Shares	<b>57,223</b>	<b>5.5</b>	48,968	5.0
Perpetual bond	<b>4,992</b>	<b>0.5</b>	4,573	0.5
Other investments	<b>168,104</b>	<b>16.1</b>	164,899	16.9
Investment in associates and joint ventures	<b>119,619</b>	<b>11.4</b>	117,083	12.0
Others <sup>(2)</sup>	<b>48,485</b>	<b>4.7</b>	47,816	4.9
<b>By the purpose for which it was held</b>				
Financial assets at fair value through profit or loss for the period	<b>36,235</b>	<b>3.5</b>	27,032	2.8
Held-to-maturity investment	<b>164,839</b>	<b>15.8</b>	140,398	14.4
Available-for-sale financial assets	<b>343,277</b>	<b>32.8</b>	316,901	32.4
Long-term equity investments	<b>119,619</b>	<b>11.4</b>	117,083	12.0
Loans and others <sup>(3)</sup>	<b>382,159</b>	<b>36.5</b>	376,798	38.5



- (1) Other fixed-income investments consist of Tier 2 capital instruments, wealth management products, restricted statutory deposits, policy loans, trust products and asset management products.
  - (2) Others consist of investment properties, equity investment schemes, reinsurance arrangements classified as investment contracts, unlisted equity investments and derivative financial assets.
  - (3) Loans and others primarily consist of monetary capital, term deposits, financial assets purchased under resale agreements, policy loans, restricted statutory deposits, investments classified as loans and receivables, and investment properties.
- (1) *Classified by investment object*

In terms of fixed-income investments, the Group strove to increase allocation in long-term bonds and long-duration assets when the yield peaked in the year, constantly increasing the allocation of non-standard products with high quality.

As of 30 June 2020, the bond investment accounted for 36.6%. The liabilities under corporate bonds and non-policy bank financial bonds or their issuers were rated at AA/A-1 and above, of which, those rated at AAA accounted for 99.1%. The industries associated with credit bond currently held by the Group are diversified, involving various fields such as bank, transportation, general and non-bank finance. Relevant counterparties' ability to repay debt is generally strong and the credit risk is controllable as a whole. In terms of bond investment, the Group has always been paying close attention to the prevention and control of credit risks. Based on regular risk inspections and development of long-term mechanism of credit risk management, the Group orderly carried out the revision and improvement of relevant systems and operating procedures to promote optimization of credit risk assessment, rating model and limit management mechanism. Meanwhile, the Group has strengthened the tracking, evaluation, research and identification of the existing credit products in investment portfolio, promoted post investment management and risk tracking monitoring in an orderly manner, actively enhanced the comprehensiveness and accuracy of credit risk prevention and control by methods such as risk grading and classification management, tracking and research, big data and AI early warning so as to timely dispose of and avoid credit types that might subject to risks, and prevented and controlled credit risks on a forward-looking basis.

The overall credit risk of the Group's investment in non-standard financial product asset is controllable, assets with an external credit rating of AAA account for 96.6%. At present, the non-standard assets cover most of the provincial administrative regions in the country. The industries cover non-bank finance, architecture and decoration, transportation and public utilities, which play a positive role in serving the development of the real economy and supporting the implementation of major national strategies. The Group has effective credit enhancement measures in place, such as guarantees, repurchase, shortfall compensation, asset mortgages/pledges and others. As for the products without arrangements for credit extension, the qualification of entities to repay debt meets the relevant credit exemption condition of CBIRC, which provides a sound guarantee for the repayment of the principal and investment income. Major counterparties of investment in wealth management products of commercial banks of the Group are large state-owned commercial banks or joint-stock commercial banks with strong financial strength and good credit qualifications, as well as relatively low products risks.

In terms of equity investment, the Group adhered to the prudent and steady investment principle and its philosophy of value investment. The Company actively grasped opportunities of price fluctuations, and focused on optimising the position structure. The Group initiated the launch of two equity investment funds to support the construction of Greater Bay Area and Shanghai Science and Technology Innovation Center to actively serve the national and regional development strategy.

(2) *Classified by investment purpose*

From the perspective of investment purposes, the Group's investment assets are mainly distributed in available-for-sale financial assets, held-to-maturity investments, loans and others. Financial assets at fair value through profit or loss for the period increased by 34.0% as compared with those as at the end of last year, mainly due to the increase of allocation of short-term financing, medium-term notes and corporate bonds. The held-to-maturity investment increased by 17.4% as compared with those as at the end of last year, mainly due to the increase of treasury bonds and local government bonds. Available-for-sale financial assets increased by 8.3% as compared with those as at the end of last year, mainly due to the increase in equity position, market value and holding of available-for-sale bonds.

## 2. *Investment income*

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

<b>Item</b>	<i>Unit: RMB million</i>	
	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
Cash and cash equivalents	<b>316</b>	443
Fixed-income investments	<b>15,342</b>	14,923
Interest income	<b>15,232</b>	14,696
Gains and losses from disposal of financial instruments	<b>315</b>	235
Gains and losses on fair value changes	<b>(94)</b>	(8)
Impairment	<b>(111)</b>	–
Fund and equity securities investments at fair value	<b>4,689</b>	2,740
Dividends and bonus income	<b>2,238</b>	1,486
Gains and losses from disposal of financial instruments	<b>4,385</b>	1,801
Gains and losses on fair value changes	<b>203</b>	535
Impairment	<b>(2,137)</b>	(1,082)
Other investments	<b>5,863</b>	5,842
Investment income from associates and joint ventures	<b>5,437</b>	5,578
Other gains and losses	<b>426</b>	264
Total investment income	<b>26,210</b>	23,948
Net investment income <sup>(1)</sup>	<b>23,700</b>	22,501
Total investment yield (annualised) <sup>(2)</sup> (%)	<b>5.5</b>	5.4
Net investment yield (annualised) <sup>(3)</sup> (%)	<b>4.9</b>	5.1

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

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

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

The total investment income of the Group in the first half of 2020 increased by 9.4% from RMB23,948 million for the six months ended 30 June 2019 to RMB26,210 million for the same period in 2020. The net investment income increased by 5.3% from RMB22,501 million for the six months ended 30 June 2019 to RMB23,700 million for the same period in 2020. The total annualised investment yield increased by 0.1 percentage point from 5.4% for the six months ended 30 June 2019 to 5.5% for the same period in 2020. The net annualised investment yield decreased by 0.2 percentage point from 5.1% for the six months ended 30 June 2019 to 4.9% for the same period in 2020.

### **III. SPECIFIC ANALYSIS**

#### **(I) Liquidity Analysis**

##### ***1. Liquidity Analysis***

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

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

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

## 2. *Statement of Cash Flows*

The Group has established a cash flow monitoring mechanism, regularly conducted cash flow rolling analysis and forecasting, and actively and voluntarily developed management plans and response measures to effectively prevent liquidity risks.

*Unit: RMB million*

	<b>For the six months ended 30 June</b>		
	<b>2020</b>	2019	(% of change)
Net cash flows from operating activities	<b>19,631</b>	11,246	74.6%
Net cash flows from investing activities	<b>(40,802)</b>	12,093	–
Net cash flows from financing activities	<b>26,094</b>	(5,562)	–

The Group's net cash flows from operating activities changed from a net inflow of RMB11,246 million for the six months ended 30 June 2019 to a net inflow of RMB19,631 million for the same period in 2020, mainly due to the weak growth of the cash claim while recording a steady growth of business.

The Group's net cash flows from investing activities changed from a net inflow of RMB12,093 million for the six months ended 30 June 2019 to a net outflow of RMB40,802 million for the same period in 2020, mainly due to an increase in fixed-income asset investment such as bonds in due course and an increase of term deposits.

The Group's net cash flows from financing activities changed from a net outflow of RMB5,562 million for the six months ended 30 June 2019 to a net inflow of RMB26,094 million for the same period in 2020, mainly due to the issuance of RMB8,000 million new bonds and the increase of net cash from securities sold under agreements to repurchase.

## (II) Solvency

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

	30 June 2020	31 December 2019	Unit: RMB million (% of change)
<b>PICC Group</b>			
Actual capital	376,244	335,868	12.0
Core capital	314,306	282,063	11.4
Minimum capital	115,898	112,092	3.4
Comprehensive solvency margin ratio (%)	325	300	Increase of 25 pt
Core solvency margin ratio (%)	271	252	Increase of 19 pt
<b>PICC P&amp;C</b>			
Actual capital	191,984	181,721	5.6
Core capital	164,261	162,136	1.3
Minimum capital	62,758	64,414	(2.6)
Comprehensive solvency margin ratio (%)	306	282	Increase of 24 pt
Core solvency margin ratio (%)	262	252	Increase of 10 pt
<b>PICC Life</b>			
Actual capital	115,042	95,832	20.0
Core capital	102,350	83,125	23.1
Minimum capital	43,575	39,307	10.9
Comprehensive solvency margin ratio (%)	264	244	Increase of 20 pt
Core solvency margin ratio (%)	235	211	Increase of 24 pt
<b>PICC Health</b>			
Actual capital	16,770	11,661	43.8
Core capital	13,231	8,131	62.7
Minimum capital	7,181	5,810	23.6
Comprehensive solvency margin ratio (%)	234	201	Increase of 33 pt
Core solvency margin ratio (%)	184	140	Increase of 44 pt

As of 30 June 2020, the comprehensive solvency margin ratio of the Group was 325%, representing an increase of 25 percentage points as compared to that as of the end of 2019, and its core solvency margin ratio was 271%, representing an increase of 19 percentage points as compared to the end of 2019. While the business scale was expanding, the total profit and net asset achieved faster growth, the core solvency margin ratio increased year-on-year, reflecting the significant progress of the Company in the transformation to high-quality development.

As of 30 June 2020, the comprehensive solvency margin ratio of PICC P&C was 306%, representing an increase of 24 percentage points as compared to that as of the end of 2019, and its core solvency margin ratio was 262%, representing an increase of 10 percentage points as compared to that as of the end of 2019. The comprehensive solvency margin ratio of PICC Life was 264%, representing an increase of 20 percentage points as compared to that as of the end of 2019, and its core solvency margin ratio was 235%, representing an increase of 24 percentage points as compared to that as of the end of 2019. The comprehensive solvency margin ratio of PICC Health was 234%, representing an increase of 33 percentage points as compared to that as of the end of 2019, and its core solvency margin ratio was 184%, representing an increase of 44 percentage points as compared to that as of the end of 2019.

## PROSPECTS

Since the beginning of this year, in the face of the unprecedented impact brought by the novel coronavirus pneumonia epidemic, China's economic development has shown strong resilience and the economy has gradually recovered. Looking forward to the second half of the year, the implementation of the "stability on the six fronts and security in the six areas" policy will be accelerated, and the Chinese economy will return to normal growth and continue the momentum of recovery and continuous improvement.

From the perspective of industry development, the whole financial industry is facing multiple challenges such as sluggish growth and rising risks. The differentiation of major industry development has become more apparent. Nevertheless, there are still opportunities and drivers for turning challenges into opportunities. The implementation of automobile consumption stimulus policies and the gradual promotion of comprehensive reform of motor vehicle insurance will create a suitable environment for the development of motor vehicle insurance. The resumption of work and production has accelerated, and the increasing demand for commercial property insurance and liability insurance has been triggered by the epidemic, the government therefore paid more attention to the introduction of the insurance mechanism into the field of social governance such as emergency management of public health emergencies, which will benefit the development of non-motor vehicle insurance business to return to normal. The epidemic has enhanced the public's awareness of health management and risk protection, which will benefit the development of life and health insurance business in the long run, especially, the health insurance is expected to enjoy a continuously rapid development. The financial market is highly volatile, and the medium-and long-term funds are in short supply. There could be structural, phased and strategic allocation opportunities for insurance funds. The epidemic catalysed customers' internet behavior and habits, which accelerates the rapid development of digitalisation and enhances the online capabilities, as well as accumulates new momentum for business development in the post-epidemic era.

The Group will adhere to the objectives and missions set at the beginning of the year, the overall keynote of seeking progress while maintaining stability and the "3411 Project" that focuses on the transformation to high-quality development. At the same time, the Group will also seek new opportunities, achieve new breakthroughs, promote innovation and urge transformation. **First is to overcome difficulties**, to comprehensively carry out integrated reform of motor vehicle insurance, respond to various tasks, accelerate the reform of the non-motor vehicle insurance business model based on "insurance + technology + services", resolve on the "three changes" in life insurance, and solidly promote the commercialisation of health management services. Also, we have to strengthen

the investment and research capabilities as well as the construction of market-oriented system and mechanism, expand the wealth management market, and make every effort to achieve the goals and missions of the year. **Second is to focus on major projects**, to promote the construction of new IT architecture, new backbone network and core system according to schedule, focus on sales system, service platform, customer resource management and other key areas, push forward business collaboration and integration of resources, improve innovation-driven top-level design, and accelerate the application of new science and technology innovative results in order to speed up the implementation of the “3411 Project”. **Third is to comply with efficiency as priority**, to maintain the quality of front-end business, promote refined claims, strengthen the construction of independent channels, and strive to promote cost reduction, efficiency improvement and refined management. **Fourth is to adhere to the bottom risk line**, to further promote the construction of a comprehensive risk management system, increase the risk performance assessment, compact risk responsibilities on a level-by-level basis, focus on the prevention of credit risk and asset-liability matching risk, focus on key businesses and aspects with weak performance, as well as strengthen process management and control. In addition, the Group should also resolve outstanding risks and steadily carry out the “Year of Risk Control and Compliance” so as to continuously strengthen internal control and compliance.

## EMBEDDED VALUE

### 1. Result Summary

Embedded Value of PICC Life and PICC Health as at 30 June 2020 and 31 December 2019 with 10% as the risk discount rate are summarized below (in RMB million):

	PICC Life		PICC Health	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Adjusted Net Worth	<b>61,427</b>	55,324	<b>7,525</b>	5,898
Value of In-Force Business before CoC	<b>51,033</b>	42,853	<b>6,461</b>	6,810
Cost of Required Capital	<b>(11,495)</b>	(9,092)	<b>(1,523)</b>	(1,275)
Value of In-Force Business after CoC	<b>39,538</b>	33,761	<b>4,939</b>	5,534
Embedded Value	<b>100,966</b>	89,086	<b>12,464</b>	11,432

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



Value of Half Year's New Business for the 6 months up to 30 June 2020 and 30 June 2019 of PICC Life and PICC Health with 10% as the risk discount rate are summarized below (in RMB million):

	PICC Life		PICC Health	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Value of Half Year's New Business before CoC	<b>5,670</b>	4,950	<b>1,076</b>	597
Cost of Required Capital	<b>(1,594)</b>	(1,534)	<b>(593)</b>	(256)
Value of Half Year's New Business after CoC	<b>4,076</b>	3,416	<b>483</b>	341

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

2. In the table above, the value of half year's new business for the 6 months up to 30 June 2019 of PICC Life is recalculated using assumptions as at 31 December 2019.

Value of Half Year's New Business for the 6 months up to 30 June 2020 and 30 June 2019 of PICC Life and PICC Health by distribution channel are summarized below (in RMB million):

	PICC Life		PICC Health	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Bancassurance Channel	<b>153</b>	90	<b>136</b>	14
Individual insurance agent Channel	<b>3,809</b>	2,987	<b>412</b>	290
Group insurance sales Channel	<b>113</b>	339	<b>(66)</b>	38
Reinsurance	–	–	–	–
<b>Total</b>	<b>4,076</b>	3,416	<b>483</b>	341

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

2. In the table above, the value of half year's new business for the 6 months up to 30 June 2019 of PICC Life is recalculated using assumptions as at 31 December 2019.

The results disclosed above are based on 100% shareholding of PICC Life and PICC health.

## 2. Key Assumptions

For the results as at 30 June 2020 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 30 June 2020 are summarised below (in RMB million):

<b>Scenarios</b>	<b>Risk Discount Rate at 10%</b>	
	<b>Value of In-Force Business after CoC</b>	<b>Value of Half Year's New Business after CoC</b>
Base Scenario	39,538	4,076
Risk Discount Rate at 9%	45,292	4,914
Risk Discount Rate at 11%	34,730	3,364
Rate of investment return increased by 50 bps	50,230	5,447
Rate of investment return decreased by 50 bps	29,096	2,707
Expenses increased by 10%	38,358	3,848
Expenses decreased by 10%	40,718	4,303
Lapse rates increased by 10%	39,260	3,991
Lapse rates decreased by 10%	39,819	4,160
Mortality increased by 10%	39,100	4,009
Mortality reduced by 10%	39,980	4,142
Morbidity increased by 10%	38,274	3,824
Morbidity reduced by 10%	40,817	4,330
Short-term business claim ratio increased by 10%	39,414	3,983
Short-term business claim ratio decreased by 10%	39,663	4,168
Participating Ratio (80/20)	37,953	4,004

*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 30 June 2020 are summarized below (in RMB million):

<b>Scenarios</b>	<b>Risk Discount Rate at 10%</b>	
	<i>(Note)</i>	
	<b>Value of In-Force Business after CoC</b>	<b>Value of Half Year's New Business after CoC</b>
Base Scenario	4,939	483
Risk Discount Rate at 9%	5,488	653
Risk Discount Rate at 11%	4,461	330
Rate of investment return increased by 50 bps	5,737	695
Rate of investment return decreased by 50 bps	4,144	272
Expenses increased by 10%	4,630	294
Expenses decreased by 10%	5,247	672
Lapse rates increased by 10%	5,172	545
Lapse rates decreased by 10%	4,685	410
Mortality increased by 10%	4,912	476
Mortality reduced by 10%	4,965	489
Morbidity increased by 5%	4,061	174
Morbidity reduced by 5%	5,817	792
Short-term business claim ratio increased by 5%	4,186	156
Short-term business claim ratio decreased by 5%	5,691	809
Participating Ratio (80/20)	4,878	453

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

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in the first half of 2020, and has adopted the recommended best practices under appropriate circumstances.

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

The Board proposed the distribution of an interim dividend of RMB0.36 per 10 shares (tax inclusive) for the six months ended 30 June 2020, amounting to a total of approximately RMB1,592 million, representing approximately 12.63% of the net profit attributable to owners of the Company as contained in the 2020 interim consolidated financial statements of the Company. The above proposal will be put forward to a general meeting for consideration and approval. The specific arrangements regarding the declaration and distribution of interim dividend (including arrangement of withholding and payment of income tax for shareholders) and the time arrangement of the closure of register of members of H Shares will be disclosed separately in the circular for the general meeting. If approved at the general meeting, the interim dividend is expected to be paid around 18 December 2020.

## **NO MATERIAL CHANGES**

Save as disclosed in this announcement, after the publication of the annual report 2019, no material changes affecting the Company's performance need to be disclosed under paragraph 46 (3) of Appendix 16 to the Listing Rules.

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

In the first half of 2020, the Company and its subsidiaries did not purchase, dispose of or redeem any listed securities of the Company or its subsidiaries.

## **REVIEW OF INTERIM RESULTS**

The Audit Committee of the Board has, in the presence of the external auditor, reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020.

## **PUBLICATION OF THE INTERIM REPORT**

The 2020 Interim Report of the Company will be published on the website of the Company (www.picc.com) and the HKEXnews 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**

**Wang Tingke**

*Vice Chairman*

Beijing, the PRC, 21 August 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Wang Tingke and Mr. Xie Yiqun, the non-executive directors are Mr. Wang Qingjian, Mr. Xiao Xuefeng, 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.*