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 2021

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 2021 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 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Gross written premiums	*4*	**344,131**	336,841
Less: premiums ceded to reinsurers	*4*	**(28,347)**	(24,951)
Net written premiums	*4*	**315,784**	311,890
Change in unearned premium reserves		**(40,796)**	(32,369)
Net earned premiums		**274,988**	279,521
Reinsurance commission income		**6,758**	6,170
Investment income	*5*	**28,934**	20,774
Other income		**1,979**	1,464
TOTAL INCOME		**312,659**	307,929
Life insurance death and other benefits paid		**22,055**	48,200
Claims incurred		**153,863**	143,572
Changes in long-term life insurance contract liabilities		**50,409**	20,821
Policyholder dividends		**2,396**	2,198
Claims and policyholders' benefits		**228,723**	214,791
Less: claims and policyholders' benefits ceded to reinsurers		**(11,313)**	(10,882)
Net claims and policyholders' benefits		**217,410**	203,909
Handling charges and commissions		**27,574**	35,074
Finance costs		**2,851**	2,647
Exchange gains		**107**	(190)
Other operating and administrative expenses		**43,461**	50,515
TOTAL BENEFITS, CLAIMS AND EXPENSES		**291,403**	291,955
Share of profits or losses of associates and joint ventures		**6,428**	5,436

	Notes	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
PROFIT BEFORE TAX	*6*	**27,684**	21,410
Income tax expense	*7*	**(4,442)**	(3,704)
PROFIT FOR THE PERIOD		**23,242**	17,706
Attributable to:			
Owners of the Company		**16,855**	12,606
Non-controlling interests		**6,387**	5,100
		23,242	17,706
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic *(in RMB Yuan)*	*9*	**0.38**	0.29
– Diluted *(in RMB Yuan)*	*9*	**0.38**	0.29

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in millions of Renminbi, unless otherwise stated)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**30 June 2021 (Unaudited)**	31 December 2020 (Audited)
ASSETS			
Cash and cash equivalents		**49,694**	78,209
Debt securities		**445,366**	401,530
Equity securities, mutual funds and investment schemes		**209,890**	192,414
Insurance receivables, net	*10*	**103,851**	52,405
Reinsurance assets		**40,829**	35,178
Term deposits		**89,923**	89,016
Restricted statutory deposits		**12,994**	12,994
Investments classified as loans and receivables		**152,875**	171,307
Investments in associates and joint ventures	*11*	**128,814**	124,840
Investment properties		**13,181**	13,246
Property and equipment		**33,090**	34,028
Right-of-use assets		**8,197**	7,114
Intangible assets		**2,793**	3,105
Deferred tax assets		**12,790**	8,337
Other assets		**37,702**	32,341
TOTAL ASSETS		**1,341,989**	1,256,064
LIABILITIES			
Securities sold under agreements to repurchase		**26,112**	85,826
Payables to reinsurers		**32,450**	21,296
Income tax payable		**3,828**	373
Bonds payable		**57,055**	56,960
Lease liabilities		**3,226**	2,792
Insurance contract liabilities		**783,269**	674,272
Investment contract liabilities for policyholders		**41,317**	38,671
Policyholder dividends payable		**5,707**	4,225
Pension benefit obligation		**2,839**	2,833
Deferred tax liabilities		**1,657**	1,449
Other liabilities		**98,079**	93,811
TOTAL LIABILITIES		**1,055,539**	982,508
EQUITY			
Issued capital	*12*	**44,224**	44,224
Reserves		**167,779**	158,256
Equity attributable to owners of the Company		**212,003**	202,480
Non-controlling interests		**74,447**	71,076
TOTAL EQUITY		**286,450**	273,556
TOTAL EQUITY AND LIABILITIES		**1,341,989**	1,256,064

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company															
	Issued capital *(Note 12)*	Share premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve **	Catastrophic loss reserve **	Asset revaluation reserve **	Share of other comprehensive income of associates and joint ventures **	Portion of fair value changes attributable to policyholders **	Foreign currency translation reserve **	Surplus reserve * **	Other reserves **	Actuarial losses on pension benefit obligation **	Retained profits **	Subtotal	Non-controlling interests	Total
Balance at 1 January 2021	44,224	23,973	17,507	13,771	793	3,209	(638)	(1,344)	(67)	13,319	(15,153)	(1,209)	104,095	202,480	71,076	273,556
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	16,855	16,855	6,387	23,242
Other comprehensive income/(expense)	-	-	(2,174)	-	-	222	307	(339)	(21)	-	-	(78)	-	(2,083)	(439)	(2,522)
Total comprehensive income/(expense)	-	-	(2,174)	-	-	222	307	(339)	(21)	-	-	(78)	16,855	14,772	5,948	20,720
Appropriations to general risk reserve and surplus reserve	-	-	-	19	-	-	-	-	-	-	-	-	(19)	-	-	-
Dividends paid to shareholders *(Note 8)*	-	-	-	-	-	-	-	-	-	-	-	-	(5,307)	(5,307)	-	(5,307)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,587)	(2,587)
Others	-	-	-	-	-	-	58	-	-	-	-	-	-	58	10	68
Balance at 30 June 2021 (Unaudited)	44,224	23,973	15,333	13,790	793	3,431	(273)	(1,683)	(88)	13,319	(15,153)	(1,287)	115,624	212,003	74,447	286,450

* This reserve contains both statutory and discretionary surplus reserves.

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

	Attributable to owners of the Company															
	Issued capital *(Note 12)*	Share premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve **	Catastrophic loss reserve **	Asset revaluation reserve **	Share of other comprehensive income of associates and joint ventures **	Portion of fair value changes attributable to policyholders **	Foreign currency translation reserve **	Surplus reserve * **	Other reserves **	Actuarial losses on pension benefit obligation **	Retained profits **	Subtotal	Non-controlling interests	Total
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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Net cash flows from operating activities	**48,355**	19,631
Net cash flows (used in) investing activities	**(14,057)**	(40,802)
Net cash flows (used in)/from financing activities	**(62,758)**	26,094
Net (decrease)/increase in cash and cash equivalents	**(28,460)**	4,923
Cash and cash equivalents at beginning of the period	**78,209**	76,984
Effects of exchange rate changes on cash and cash equivalents	**(55)**	47
Cash and cash equivalents at end of the period	**49,694**	81,954

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 in October 1949 by the PRC government. The Company is listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. The controlling shareholder of the Company is the Ministry of Finance ("MOF") of the PRC.

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

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

2. BASIS OF PREPARATION

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

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

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

(1) Changes in accounting policy and disclosures

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

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

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

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

(2) New and revised standards not yet adopted

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

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

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

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective for annual periods beginning on or after a date to be determined

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

Segment revenue and results for the six months ended 30 June 2021:

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

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
TOTAL INCOME – SEGMENT INCOME	209,946	76,786	17,977	1,141	7,943	3,013	(8,877)	307,929
– External income	211,231	76,648	17,952	696	611	791	–	307,929
– Inter-segment income	(1,285)	138	25	445	7,332	2,222	(8,877)	–
Net claims and policyholders' benefits	127,094	61,167	14,338	–	–	1,742	(432)	203,909
Handling charges and commissions	27,117	7,827	505	–	–	–	(375)	35,074
Finance costs	616	1,316	210	10	503	1	(9)	2,647
Exchange losses	(141)	(31)	(1)	–	(7)	(10)	–	(190)
Other operating and administrative expenses	42,078	4,582	2,808	576	406	1,235	(1,170)	50,515
TOTAL BENEFITS, CLAIMS AND EXPENSES	196,764	74,861	17,860	586	902	2,968	(1,986)	291,955
Share of profits or losses of associates and joint ventures	3,424	1,922	2	3	437	(19)	(333)	5,436
PROFIT BEFORE TAX	16,606	3,847	119	558	7,478	26	(7,224)	21,410
Income tax expense	(2,670)	(42)	(11)	(132)	(762)	(26)	(61)	(3,704)
PROFIT FOR THE PERIOD – SEGMENT RESULTS	13,936	3,805	108	426	6,716	–	(7,285)	17,706

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

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

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

4 GROSS AND NET WRITTEN PREMIUMS

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

5. INVESTMENT INCOME

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

(a) Dividend, interest and rental income

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

(b) Realised gains

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

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

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

(d) **Impairment losses**

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

6. PROFIT BEFORE TAX

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

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Employee costs *(note)*	**25,167**	25,841
Depreciation of property and equipment *(note)*	**1,282**	1,177
Depreciation of right-of-use assets *(note)*	**740**	708
Amortisation of intangible assets *(note)*	**369**	275
Recognition of impairment losses on insurance receivables *(note 10)*	**627**	606
Changes of impairment on other assets	**195**	(23)

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

7. INCOME TAX EXPENSE

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

Certain operations of the Company's subsidiary in the Western region are entitled to tax benefits, and their eligible taxable income is subject to an income tax rate of 15%. Except for the above-mentioned subsidiary, the Company and its subsidiaries registered in the PRC are subject to corporate income tax ("CIT") at the statutory rate of 25% (2020: 25%) on their respective taxable income in accordance with the relevant PRC income tax rules and regulations. Income taxes on taxable income elsewhere were calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8. DIVIDENDS

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

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

9. EARNINGS PER SHARE

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

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

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

10. INSURANCE RECEIVABLES, NET

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

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

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
At the beginning of the period	**3,503**	3,387
Recognition of impairment losses *(note 6)*	**627**	606
Amount written off as uncollectible	**–**	(9)
At the end of the period	**4,130**	3,984

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

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

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

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

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

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

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

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

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

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

12. ISSUED CAPITAL

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

PERFORMANCE HIGHLIGHTS

1. Significant Increase in Profits and Continuous Increase in Capital

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

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

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

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

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

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

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

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

The Group safeguarded national major deployments, exclusively underwrote the first national Mars exploration mission, and chaired the underwriting of the launch of Fengyun 4 Satellite No.2. The Group served the rural revitalisation, comprehensively participated in the pilot work of full cost and income insurance, vigorously developed innovative agricultural insurance business, and cooperated with local governments to provide exclusive poverty alleviation life and health insurance services such as "Preferential Insurance" to the unstable out-of-poverty population. It covered 19 provinces (autonomous regions and municipalities), serving nearly 1.10 million people, with a cumulative premiums amount of RMB37,386 million. The Group served the intelligent transportation and upgraded the "linkage between police and insurance". It covered 332 prefecture-level cities in 31 provinces (autonomous regions and municipalities), serving a total of nearly 5.00 million people. The Group served the healthy endowment. It carried out the "Hui Min Bao" (惠民保) business in approximately 100 cities in the first half of 2021, actively served the construction of the national multi-level medical insurance system, and undertook a total of 1,413 policy social security projects. It covered 31 provinces (autonomous regions and municipalities), serving nearly 0.8 billion people. As one of the six pilot companies, PICC Life participated in pilots of exclusive commercial pension insurance products, where it issued the first exclusive commercial pension insurance policy in the industry and launched housing reverse mortgage endowment insurance business in 29 cities. The Group served green environmental protection, vigorously developed environmental pollution liability insurance, and innovated green industry-related insurance such as wind power, photovoltaic, energy-saving buildings and carbon trading. The Group served technological innovation, improved the technology insurance product system, vigorously developed the first set, first batch and first edition business, and actively expanded intellectual property insurance. It provided 1,194 enterprises with risk protection of RMB266.9 billion. It served social governance, actively promoted the "City Insurance" project, customised comprehensive services schemes such as "Urban Insurance" and "Social Security Insurance" to provide all-round solutions for social governance.

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

The Group prepaid an emergency compensation of RMB12.00 million for the serious traffic accident in Shenyang–Haikou Expressway. In face of serious emergencies such as the earthquake disaster in Yunnan and Qinghai, the gas explosion accident in Shiyan, Hubei, and the tornado disaster in Wuhan and Suzhou, the Group immediately initiated the emergency claim settlement mechanism, established rescue teams, actively communicated with the local governments, and assisted in various rescue and disaster relief work. It was available for paying claims at any moment, gave full play to stabilise the society, made every effort to safeguard normal production and life, and gave warmth with practical actions.

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

I. Business Overview of the Company

(I) Principal Businesses

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

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

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

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

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

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

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

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

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

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

(II) Key Operating Data

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

Unit: RMB million

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

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

Unit: RMB million

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

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

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

(III) Key Financial Indicators

Unit: RMB million

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

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

Unit: RMB million

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

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

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

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

Unit: RMB million

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

Explanation for major adjustments:

1. According to the Cai Jin [2013] No.129 Document, PICC P&C made provision for catastrophic risk reserve of agricultural insurance based on a certain proportion of the retained premiums of agricultural insurance; however, the provision for catastrophic risk reserve is not accounted under the International Financial Reporting Standards. Hence, there is a difference in the reserve between the two reporting standards.

2. At the end of 2014, PICC Life reviewed the result of major insurance risks test for insurance policies and reclassified contracts relating to certain insurance types from insurance contracts to investment contracts. However, under the International Financial Reporting Standards, once a contract is classified as an insurance contract, such classification shall remain so until the contract expires. This has led to difference in the measurement of the liabilities relating to such contracts under the two reporting standards.

II. PERFORMANCE ANALYSIS

(I) Insurance Business

P&C Insurance Business

I. PICC P&C

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

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

(1) Underwriting

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

- Motor vehicle insurance

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

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

- Accidental injury and health insurance

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

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

- Agricultural insurance

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

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

- Liability insurance

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

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

- Credit insurance

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

PICC P&C actively adjusted business structure, continued the clearing of existing business risks, constantly strengthened the collection and process management and control, insisted on prioritising efficiency and strictly controlled the quality of new business, resulting in an effective risk mitigation of financing credit insurance business. In the first half of 2021, it achieved a collection income of

RMB1,328 million and a claim ratio for the overall credit insurance of 61.5%, representing a year-on-year decrease of 58.5 percentage points; due to the decrease in business scale and the increase in expenses in risk management and control, the expense ratio was 28.1%, representing a year-on-year increase of 9.5 percentage points; the combined ratio was 89.6%, representing a year-on-year decrease of 49.0 percentage points. As the financing credit insurance business turned loss into profit and non-financing credit insurance business kept a relatively good underwriting profitability level, the overall credit insurance achieved underwriting profits of RMB304 million.

- Commercial property insurance

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

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

- Cargo insurance

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

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

- Other insurances

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

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

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

Unit: RMB million

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

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

① Analysis by Insurance Type

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

Unit: RMB million

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

② Analysis by Channel

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

Unit: RMB million

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

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

③ Analysis by Region

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

Unit: RMB million

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

(2) Financial Analysis

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

Unit: RMB million

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

Net earned premiums

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

Investment income

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

Net claims and policyholders' benefits

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

Handling charges and commissions

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

Finance costs

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

Income tax expense

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

Net profit

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

2. *PICC Hong Kong*

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

PICC Reinsurance

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

Life and Health Insurance

1. PICC Life

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

(1) Original premiums income

① Analysis by Product

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

Unit: RMB million

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

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

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

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

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

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

② Analysis by Channel

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

Unit: RMB million

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

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

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

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

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

③ Analysis by Region

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

Unit: RMB million

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

④ Persistency Ratios of Premiums

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

Item	For the six months ended 30 June	
	2021	2020
13-month premium persistency ratio[1]*(%)*	**82.0**	91.3
25-month premium persistency ratio[2]*(%)*	**88.7**	90.5

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

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

⑤ Top Five Products

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

Unit: RMB million

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

(2) Financial Analysis

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

Unit: RMB million

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

Net earned premiums

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

Investment income

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

Other income

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

Net claims and policyholders' benefits

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

Handling charges and commissions

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

Finance costs

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

Income tax expense

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

Net profit

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

2. PICC Health

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

(1) Original premiums income

① Analysis by Product

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

Unit: RMB million

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

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

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

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

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

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

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

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

② Analysis by Channel

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

Unit: RMB million

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

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

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

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

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

③ Analysis by Region

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

Unit: RMB million

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

④ Persistency Ratios of Premiums

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

	For the six months ended 30 June	
Items	**2021**	2020
13-month premium persistency ratio[(1)] *(%)*	**77.9**	86.7
25-month premium persistency ratio[(2)] *(%)*	**84.1**	81.1

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

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

⑤ Top Five Products

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

Unit: RMB million

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

(2) Financial Analysis

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

Unit: RMB million

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

Net earned premiums

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

Investment income

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

Other income

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

Net claims and policyholders' benefits

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

Handling charges and commissions

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

Finance costs

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

Net profit

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

(II) Asset Management Business

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

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

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

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

Unit: RMB million

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

Investment income

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

Other income

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

Net profit

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

(III) Investment Portfolio and Investment Income

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

1. Investment Portfolio

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

Unit: RMB million

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

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

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

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

(1) Classified by investment object

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

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

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

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

(2) Classified by investment purpose

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

2. *Investment income*

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

Unit: RMB million

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

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

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

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

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

III. SPECIFIC ANALYSIS

(I) Liquidity Analysis

1. Liquidity Analysis

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

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

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

2. *Statement of Cash Flows*

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

Unit: RMB million

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

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

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

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

(II) Solvency

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

Unit: RMB million

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

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

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

IV. EVENTS AFTER THE REPORTING PERIOD

(I) Issuance of Capital Supplementary Bonds

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

(II) Impact Brought by Torrential Rain in Henan

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

PROSPECTS

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

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

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

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

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

EMBEDDED VALUE

1. Result Summary

Embedded Value of PICC Life and PICC Health as at 30 June 2021 and 31 December 2020 with 10% as the risk discount rate are summarised below (in RMB million):

	PICC Life		PICC Health	
	30 June 2021	31 December 2020	**30 June 2021**	31 December 2020
Adjusted Net Worth	**73,853**	69,605	**7,342**	6,515
Value of In-Force Business before CoC	**47,268**	45,972	**9,636**	8,840
Cost of Required Capital	**(12,044)**	(13,279)	**(597)**	(407)
Value of In-Force Business after CoC	**35,225**	32,693	**9,039**	8,432
Embedded Value	**109,078**	102,297	**16,381**	14,947

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 2021 and 30 June 2020 of PICC Life and PICC Health with 10% as the risk discount rate are summarised below (in RMB million):

	PICC Life		PICC Health	
	30 June 2021	30 June 2020	**30 June 2021**	30 June 2020
Value of Half Year's New Business before CoC	**3,701**	5,012	**1,017**	988
Cost of Required Capital	**(1,289)**	(1,787)	**(306)**	(659)
Value of Half Year's New Business after CoC	**2,412**	3,224	**711**	329

Note:

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

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

Value of Half Year's New Business for the 6 months up to 30 June 2021 and 30 June 2020 of PICC Life and PICC Health by distribution channel are summarised below (in RMB million):

	PICC Life		PICC Health	
	30 June 2021	30 June 2020	**30 June 2021**	30 June 2020
Bancassurance Channel	**(2)**	(58)	**148**	110
Individual insurance agent Channel	**2,341**	3,175	**579**	272
Group insurance sales Channel	**73**	108	**(16)**	(53)
Total	**2,412**	3,224	**711**	329

Note:

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

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

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

2. Key Assumptions

For the results as at 30 June 2021 disclosed above, the assumption on risk discount rate is 10% and the assumption on the rate of investment return is 5% p.a. used by PICC Life and PICC Health. The corporate income tax rate is assumed to be 25% of the taxable income. 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 2021 are summarised below (in RMB million):

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

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

The results of sensitivity tests for PICC Health at 30 June 2021 are summarised below (in RMB million):

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

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

CORPORATE GOVERNANCE

On 16 March 2021, due to age and health reason, Mr. Luk Kin Yu, Peter resigned as an independent non-executive director, a member of the Audit Committee and a member of the Nomination and Remuneration Committee of the Board of the Company. Upon Mr. Luk Kin Yu, Peter's resignation, there were 13 members in the Board (including 4 independent non-executive directors), therefore the Company would not be able to comply with the requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") which requires at least one-third of the Board should comprise independent non-executive directors. On 15 June 2021, Mr. Xie Yiqun resigned as an executive director, the vice president and a member of the Strategy and Investment Committee of the Board of the Company due to age reason. As of 30 June 2021, there were 12 members in the Board of the Company (including 4 independent non-executive directors), the Company has complied with the requirement under the Listing Rules which requires at least one-third of the Board should comprise independent non-executive directors.

Save as disclosed above, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules in the first half of 2021, 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 RMB0.17 per 10 shares (tax inclusive) for the six months ended 30 June 2021, amounting to a total of approximately RMB752 million (tax inclusive), representing approximately 4.5% of the net profit attributable to owners of the Company as contained in the 2021 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 relevant general meeting. If approved at the general meeting, the interim dividend is expected to be paid around 9 December 2021.

NO MATERIAL CHANGES

Save as disclosed in this announcement, after the publication of the annual report 2020, 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 2021, 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 reviewed, in the presence of the external auditor, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

PUBLICATION OF THE INTERIM REPORT

The 2021 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.

By Order of the Board
The People's Insurance Company (Group) of China Limited
Luo Xi
Chairman

Beijing, the PRC, 20 August 2021

As at the date of this announcement, the executive directors of the Company are Mr. Luo Xi, Mr. Wang Tingke and Mr. Li Zhuyong; the non-executive directors are Mr. Wang Qingjian, Mr. Miao Fusheng, Mr. Wang Shaoqun and Mr. Wang Zhibin; and the independent non-executive directors are Mr. Shiu Sin Por, Mr. Ko Wing Man, Mr. Lin Yixiang and Mr. Chen Wuzhao.