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中国人民保险集团股份有限公司

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

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

(Stock Code: 1339)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Board of Directors (the "**Board**") of The People's Insurance Company (Group) of China Limited (the "**Company**") announces the following audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 together with the comparative figures for the previous year, which should be read in conjunction with the following management discussion and analysis:

FINANCIAL STATEMENTS AND MATERIAL NOTES

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**2021**	2020
Gross written premiums	*6*	**585,425**	563,608
Less: Premiums ceded to reinsurers	*6*	**(47,058)**	(44,436)
Net written premiums	*6*	**538,367**	519,172
Change in unearned premium reserves	*6*	**(8,476)**	1,409
Net earned premiums		**529,891**	520,581
Reinsurance commission income		**11,070**	11,921
Investment income	*7*	**49,497**	45,328
Other income		**4,148**	3,775
TOTAL INCOME		**594,606**	581,605
Life insurance death and other benefits paid		**41,213**	61,734
Claims incurred		**337,328**	300,967
Changes in long-term life insurance contract liabilities		**71,735**	44,310
Policyholder dividends		**3,693**	3,127
Claims and policyholders' benefits		**453,969**	410,138
Less: Claims and policyholders' benefits ceded to reinsurers		**(30,566)**	(27,301)
Net claims and policyholders' benefits		**423,403**	382,837
Handling charges and commissions		**50,939**	62,489
Finance costs		**5,549**	5,689
Exchange losses		**331**	816
Other operating and administrative expenses		**92,366**	109,577
TOTAL BENEFITS, CLAIMS AND EXPENSES		**572,588**	561,408
Share of profits or losses of associates and joint ventures		**13,571**	11,413
PROFIT BEFORE TAX	*8*	**35,589**	31,610
Income tax expense	*9*	**(5,219)**	(3,377)
PROFIT FOR THE YEAR		**30,370**	28,233
Attributable to:			
Owners of the Company		**21,476**	20,036
Non-controlling interests		**8,894**	8,197
		30,370	28,233
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic *(in RMB Yuan)*	*10*	**0.49**	0.45
– Diluted *(in RMB Yuan)*		**0.49**	0.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**2021**	2020
PROFIT FOR THE YEAR		**30,370**	28,233
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains		**11,263**	22,551
– Reclassification of gains to profit or loss on disposals		**(10,651)**	(10,747)
– Impairment losses		**545**	2,756
Portion of fair value changes attributable to participating policyholders		**(335)**	(2,317)
Income tax effect		**(6)**	(3,017)
		816	9,226
Share of other comprehensive income/(expense) of associates and joint ventures		**920**	(1,207)
Exchange differences arising on translating foreign operations		**(92)**	(105)
NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**1,644**	7,914
Items that will not be reclassified to profit or loss:			
Gains on revaluation of property and equipment and right-of-use assets upon transfer to investment properties		**768**	320
Income tax effect		**(119)**	(40)
		649	280
Actuarial losses on pension benefit obligation		**(174)**	(57)
Share of other comprehensive income of associates and joint ventures		**138**	3
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**613**	226
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**2,257**	8,140
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**32,627**	36,373
Attributable to:			
– Owners of the Company		**22,853**	25,721
– Non-controlling interests		**9,774**	10,652
		32,627	36,373

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**31 December 2021**	31 December 2020
ASSETS			
Cash and cash equivalents		**33,276**	78,209
Debt securities		**494,550**	401,530
Equity securities, mutual funds and investment schemes		**262,357**	192,414
Insurance receivables, net	*12*	**58,130**	52,405
Reinsurance assets		**40,263**	35,178
Term deposits		**94,341**	89,016
Restricted statutory deposits		**12,994**	12,994
Investments classified as loans and receivables		**144,603**	171,307
Investments in associates and joint ventures	*13*	**135,570**	124,840
Investment properties		**13,340**	13,246
Property and equipment		**33,357**	34,028
Right-of-use assets		**7,987**	7,114
Intangible assets		**3,471**	3,105
Goodwill		**198**	–
Deferred tax assets		**10,143**	8,337
Other assets		**32,277**	32,341
TOTAL ASSETS		**1,376,857**	1,256,064
LIABILITIES			
Securities sold under agreements to repurchase		**77,598**	85,826
Payables to reinsurers		**22,767**	21,296
Income tax payable		**1,083**	373
Bonds payable		**43,804**	56,960
Lease liabilities		**2,993**	2,792
Insurance contract liabilities		**773,098**	674,272
Investment contract liabilities for policyholders		**44,252**	38,671
Policyholder dividends payable		**5,480**	4,225
Pension benefit obligation		**2,872**	2,833
Deferred tax liabilities		**2,053**	1,449
Other liabilities		**103,964**	93,811
TOTAL LIABILITIES		**1,079,964**	982,508
EQUITY			
Issued capital	*14*	**44,224**	44,224
Reserves		**175,032**	158,256
Equity attributable to owners of the Company		**219,256**	202,480
Non-controlling interests		**77,637**	71,076
TOTAL EQUITY		**296,893**	273,556
TOTAL EQUITY AND LIABILITIES		**1,376,857**	1,256,064

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company															
	Issued capital *(note 14)*	Share Premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve **	Catastrophic loss reserve **	Asset revaluation reserve **	Share of other comprehensive income/(expense) of associates and joint ventures **	Portion of fair value change 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 year	-	-	-	-	-	-	-	-	-	-	-	-	21,476	21,476	8,894	30,370
Other comprehensive income/(expense) for the year	-	-	560	-	-	472	791	(192)	(80)	-	-	(174)	-	1,377	880	2,257
Total comprehensive income/(expense) for the year	-	-	560	-	-	472	791	(192)	(80)	-	-	(174)	21,476	22,853	9,774	32,627
Appropriations to general risk reserve and surplus reserve	-	-	-	1,980	-	-	-	-	-	868	-	-	(2,848)	-	-	-
Appropriation to catastrophic loss reserve	-	-	-	-	204	-	-	-	-	-	-	-	(204)	-	-	-
Utilisations of catastrophic loss reserve	-	-	-	-	(785)	-	-	-	-	-	-	-	785	-	-	-
Dividends paid to shareholders *(note 11)*	-	-	-	-	-	-	-	-	-	-	-	-	(6,059)	(6,059)	-	(6,059)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,209)	(3,209)
Others	-	-	-	-	-	-	(18)	-	-	-	-	-	-	(18)	(4)	(22)
Balance at 31 December 2021	44,224	23,973	18,067	15,751	212	3,681	135	(1,536)	(147)	14,187	(15,153)	(1,383)	117,245	219,256	77,637	296,893

* This reserve contains both statutory and discretionary surplus reserves.

** Consolidated reserves of RMB 175,032 million in the consolidated statement of financial position as at 31 December 2021 comprise these reserve accounts.

	Attributable to owners of the Company															
	Issued capital (note 14)	Share Premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve **	Catastrophic loss reserve **	Asset revaluation reserve **	Share of other comprehensive income/ (expense) of associates and joint ventures **	Portion of fair value change 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 year	-	-	-	-	-	-	-	-	-	-	-	-	20,036	20,036	8,197	28,233
Other comprehensive income/(expense) for the year	-	-	7,857	-	-	194	(884)	(1,344)	(81)	-	-	(57)	-	5,685	2,455	8,140
Total comprehensive income/(expense) for the year	-	-	7,857	-	-	194	(884)	(1,344)	(81)	-	-	(57)	20,036	25,721	10,652	36,373
Appropriations to general risk reserve and surplus reserve	-	-	-	1,887	-	-	-	-	-	768	-	-	(2,655)	-	-	-
Appropriation to catastrophic loss reserve	-	-	-	-	215	-	-	-	-	-	-	-	(215)	-	-	-
Utilisations of catastrophic loss reserve	-	-	-	-	(657)	-	-	-	-	-	-	-	657	-	-	-
Dividends paid to shareholders *(note 11)*	-	-	-	-	-	-	-	-	-	-	-	-	(6,722)	(6,722)	-	(6,722)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,438)	(3,438)
Capital invested by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	9
Others	-	-	-	-	-	-	29	-	-	-	-	-	-	29	5	34
Balance at 31 December 2020	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

* This reserve contains both statutory and discretionary surplus reserves.

** Consolidated reserves of RMB 158,256 million in the consolidated statement of financial position as at 31 December 2020 comprise these reserve accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**2021**	2020
OPERATING ACTIVITIES		**35,589**	31,610
Profit before tax			
Adjustments for:			
Investment income	*7*	**(49,497)**	(45,328)
Exchange losses		**331**	816
Share of profits or losses of associates and joint ventures		**(13,571)**	(11,413)
Depreciation of property and equipment	*8*	**2,522**	2,377
Depreciation of right-of-use assets	*8*	**1,474**	1,492
Amortisation of intangible assets	*8*	**770**	580
Disposal gains from investment properties, property and equipment, intangible assets and land use rights		**(330)**	(128)
Finance costs except for interests credited to policyholders		**4,031**	4,241
Recognition of impairment losses on receivables and other assets		**404**	150
Investment expenses		**295**	35
Operating cash flows before working capital changes		**(17,982)**	(15,568)
(Increase)/decrease in insurance receivables, net		**(5,822)**	3,255
Increase/(decrease) in investment contract liabilities for policyholders		**5,581**	(1,359)
Increase in insurance contract liabilities, net		**93,004**	47,327
Decrease/(increase) in other assets, net		**403**	(2,481)
Increase in other liabilities, net		**3,382**	6,796
Cash generated from operations		**78,566**	37,970
Income tax paid		**(5,835)**	(6,103)
Net cash generated from operating activities		**72,731**	31,867
INVESTING ACTIVITIES			
Interests received		**32,366**	32,479
Dividends received		**9,004**	7,686
Increase in policy loans		**(594)**	(787)
Purchases of investment properties, property and equipment, intangible assets and land use rights		**(3,655)**	(11,616)
Proceeds from disposals of investment properties, property and equipment, intangible assets and land use rights		**494**	202
Investments in associates and joint ventures		**(401)**	(957)
Purchases of investments		**(349,624)**	(306,836)
Proceeds from disposal of interest in an associate		**416**	594
Proceeds from disposals of investments		**235,487**	229,576
Payments for investment expenses		**(303)**	(144)
Rentals received		**575**	536
Increase in term deposits, net		**(5,320)**	(2,103)
Net cash used in investing activities		**(81,555)**	(51,370)

	Notes	2021	2020
FINANCING ACTIVITIES			
(Decrease)/increase in securities sold under agreements to repurchase, net		**(8,228)**	27,563
Issue of bonds payable		**2,000**	8,000
Proceeds from bank borrowings		**292**	592
Repayment of bank borrowings		**(247)**	–
Repayment of bonds payable		**(15,000)**	–
Interests paid		**(4,062)**	(3,588)
Dividends paid		**(9,268)**	(10,160)
Repayment of lease liabilities		**(1,171)**	(1,302)
Proceeds from capital invested by non-controlling shareholders		**–**	9
Cash paid related to non-controlling interests of consolidated structured entities, net		**(177)**	–
Net cash (used in)/generated from financing activities		**(35,861)**	21,114
Net (decrease)/increase in cash and cash equivalents		**(44,685)**	1,611
Cash and cash equivalents at beginning of the year		**78,209**	76,984
Effects of exchange rate changes on cash and cash equivalents		**(248)**	(386)
Cash and cash equivalents at end of the year		**33,276**	78,209
Analysis of balances of cash and cash equivalents			
Deposits with banks with original maturity of no more than three months and money at call and short notice		**21,786**	23,128
Securities purchased under resale agreements with original maturity of no more than three months		**11,490**	55,081
Cash and cash equivalents at end of the year		**33,276**	78,209

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 Avenue, XiCheng District, Beijing, the PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established in October 1949 by the PRC government. The Company is listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. The ultimate controlling party of the Company is the Ministry of Finance ("MOF") of the PRC.

The Company is an investment holding company. During the year ended 31 December 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 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. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations issued by the International Accounting Standards Board ("IASB") and the disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3. BASIS OF PREPARATION

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

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

4. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

Amendments to IFRSs that are mandatorily effective for the current year

In current year, the Group has applied, for the first time, the following amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's consolidated financial statements:

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

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

The application of the amendments to IFRSs in current year has had no material effect on the Group's financial performance and positions for the current and prior year and/or on the disclosures set out in the consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

5. 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.

The segment's net profit includes revenue less expenses that are directly attributable to the segment.

Segment's assets and liabilities mainly comprise operating assets and liabilities that are directly attributable to the segment. Segment's assets are recognised after deducting the related provisions, and such deductions are directly written off in the Group's consolidated balance sheet.

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.

In the segment reporting, net premiums and other income earned are included in the segment's revenue, and profit or loss is presented as the operating results of the segment.

The Group's revenue and profits for the period were mainly derived from the aforementioned business in Mainland China. As the revenue, net profit, assets and liabilities of operations outside Mainland China constitute less than 1% of the consolidated amounts in these financial statements, geographical segmental information is not presented.

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

Segment revenue and results for the year ended 31 December 2021

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
Net earned premiums	397,710	95,203	31,190	–	–	5,895	(107)	529,891
Reinsurance commission income	10,733	227	1,414	–	–	153	(1,457)	11,070
Investment income	20,706	22,353	2,582	656	11,097	2,873	(10,770)	49,497
Other income	1,764	761	337	2,067	7	1,128	(1,916)	4,148
TOTAL INCOME – SEGMENT INCOME	430,913	118,544	35,523	2,723	11,104	10,049	(14,250)	594,606
– External income	433,429	118,062	35,449	1,832	1,188	4,646	–	594,606
– Inter-segment income	(2,516)	482	74	891	9,916	5,403	(14,250)	–
Net claims and policyholders' benefits	293,098	98,087	27,899	–	–	4,156	163	423,403
Handling charges and commissions	37,706	9,034	4,199	–	–	–	–	50,939
Finance costs	1,534	2,481	430	31	996	97	(20)	5,549
Exchange losses/(gains)	266	26	1	(1)	27	12	–	331
Other operating and administrative expenses	77,747	8,903	2,809	1,623	924	3,831	(3,471)	92,366
TOTAL BENEFITS, CLAIMS AND EXPENSES	410,351	118,531	35,338	1,653	1,947	8,096	(3,328)	572,588
Share of profits or losses of associates and joint ventures	8,948	5,048	(2)	15	87	(9)	(516)	13,571
PROFIT/(LOSS) BEFORE TAX	29,510	5,061	183	1,085	9,244	1,944	(11,438)	35,589
Income tax (expense)/credit	(3,665)	(934)	77	(263)	(8)	(521)	95	(5,219)
PROFIT FOR THE YEAR – SEGMENT RESULTS	25,845	4,127	260	822	9,236	1,423	(11,343)	30,370

Segment revenue and results for the year ended 31 December 2020

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
Net earned premiums	393,790	94,288	27,806	–	–	4,850	(153)	520,581
Reinsurance commission income	11,467	437	1,533	–	–	154	(1,670)	11,921
Investment income	18,352	21,466	2,295	594	9,578	686	(7,643)	45,328
Other income	1,517	935	318	1,843	38	809	(1,685)	3,775
TOTAL INCOME – SEGMENT INCOME	425,126	117,126	31,952	2,437	9,616	6,499	(11,151)	581,605
– External income	427,398	117,333	31,935	1,454	1,258	2,227	–	581,605
– Inter-segment income	(2,272)	(207)	17	983	8,358	4,272	(11,151)	–
Net claims and policyholders' benefits	260,626	94,136	25,066	–	–	3,529	(520)	382,837
Handling charges and commissions	49,585	12,591	1,142	–	–	–	(829)	62,489
Finance costs	1,549	2,673	419	20	991	59	(22)	5,689
Exchange losses/(gains)	614	95	5	(2)	46	58	–	816
Other operating and administrative expenses	92,880	8,437	5,411	1,575	904	2,596	(2,226)	109,577
TOTAL BENEFITS, CLAIMS AND EXPENSES	405,254	117,932	32,043	1,593	1,941	6,242	(3,597)	561,408
Share of profits or losses of associates and joint ventures	7,429	3,942	18	78	347	(42)	(359)	11,413
PROFIT/(LOSS) BEFORE TAX	27,301	3,136	(73)	922	8,022	215	(7,913)	31,610
Income tax (expense)/credit	(3,815)	1,327	109	(232)	(454)	(91)	(221)	(3,377)
PROFIT FOR THE YEAR – SEGMENT RESULTS	23,486	4,463	36	690	7,568	124	(8,134)	28,233

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

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
31 December 2021								
Segment assets	**697,231**	**539,957**	**76,773**	**11,965**	**126,693**	**73,865**	**(149,627)**	**1,376,857**
Segment liabilities	**476,537**	**490,667**	**69,568**	**3,685**	**23,491**	**25,521**	**(9,505)**	**1,079,964**
Other segment information:								
Capital expenditures	**2,723**	**370**	**236**	**136**	**123**	**91**	**(24)**	**3,655**
Depreciation and amortisation	**3,564**	**729**	**245**	**161**	**176**	**109**	**(218)**	**4,766**
Interest income	**14,373**	**14,927**	**1,911**	**96**	**782**	**899**	**(434)**	**32,554**
31 December 2020								
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
Other segment information:								
Capital expenditures	9,902	365	316	1,294	42	230	(533)	11,616
Depreciation and amortisation	3,499	632	245	118	148	94	(287)	4,449
Interest income	14,479	14,439	1,560	137	740	516	255	32,126

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 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 consolidated financial statements are allocated to the respective segments according to their respective equity interest holding. Details of these interests are disclosed in note 13.

6. GROSS AND NET WRITTEN PREMIUMS

		2021	2020
(a)	**Gross written premiums**		
	Long-term life insurance premiums	**117,730**	112,669
	Short-term health insurance premiums	**15,467**	15,779
	Non-life insurance premiums	**452,228**	435,160
	TOTAL	**585,425**	563,608
(b)	**Premiums ceded to reinsurers**		
	Long-term life insurance premiums	**(6,304)**	(6,303)
	Short-term health insurance premiums	**(213)**	(228)
	Non-life insurance premiums	**(40,541)**	(37,905)
	TOTAL	**(47,058)**	(44,436)
	Net written premiums	**538,367**	519,172
(c)	**Change in unearned premium reserves**		
	Change in gross unearned premium reserves	**(9,894)**	(466)
	Less: Change in reinsurers' share of unearned premium reserves	**1,418**	1,875
	Net	**(8,476)**	1,409

7. INVESTMENT INCOME

	2021	2020
Dividend, interest and rental income *(a)*	**38,708**	37,318
Realised gains *(b)*	**11,267**	11,849
Fair value gains/(losses) *(c)*	**636**	(150)
Impairment losses *(d)*	**(1,114)**	(3,689)
TOTAL	**49,497**	45,328

(a) Dividend, interest and rental income

	2021	2020
Dividend income		
Equity securities, mutual funds and investment schemes		
– Available-for-sale	**5,348**	4,416
– At fair value through profit or loss	**228**	240
Subtotal	**5,576**	4,656
Interest income		
Current and term deposits	**4,717**	4,688
Debt securities		
– Held-to-maturity	**8,308**	7,424
– Available-for-sale	**9,247**	8,404
– At fair value through profit or loss	**996**	850
Investments classified as loans and receivables	**9,289**	10,760
Subtotal	**32,557**	32,126
Operating lease income from investment properties	**575**	536
TOTAL	**38,708**	37,318

(b) Realised gains

	2021	2020
Debt securities		
– Available-for-sale	**455**	349
– At fair value through profit or loss	**161**	(33)
Subtotal	**616**	316
Equity securities, mutual funds and investment schemes		
– Available-for-sale	**10,196**	10,528
– At fair value through profit or loss	**455**	766
Subtotal	**10,651**	11,294
Disposal of an associate	**–**	239
TOTAL	**11,267**	11,849

(c) Fair value gains/(losses)

	2021	2020
Debt securities		
– At fair value through profit or loss	**458**	(239)
Equity securities, mutual funds and investment schemes		
– At fair value through profit or loss	**321**	216
Investment properties	**(143)**	(127)
TOTAL	**636**	(150)

(d) Impairment losses

	2021	2020
Available-for-sale	**(545)**	(2,756)
Investments classified as loans and receivables	**(569)**	(933)
TOTAL	**(1,114)**	(3,689)

8. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting) the following items:

	2021	2020
Employee costs *(a)*	**55,013**	51,963
Depreciation of property and equipment	**2,522**	2,377
Depreciation of right-of-use assets	**1,474**	1,492
Amortisation of intangible assets	**770**	580
Recognition of impairment losses on insurance receivables (*note 12(a)*)	**98**	149
Recognition/(reversal) of impairment losses on other assets	**306**	(5)
Recognition of impairment losses on intangible assets	**–**	6
Auditors' remuneration	**35**	36

(a) Employee costs

	2021	2020
Employee costs (including directors' and supervisors' remuneration)		
– Salaries, allowances and performance related bonuses	**49,840**	48,550
– Pension scheme contributions	**5,173**	3,413
TOTAL	**55,013**	51,963

9. INCOME TAX EXPENSE

	2021	2020
Current tax	**6,531**	6,230
Adjustments in respect of prior years	**15**	26
Deferred tax	**(1,327)**	(2,879)
TOTAL	**5,219**	3,377

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.

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

	2021	2020
Profit before tax	**35,589**	31,610
Tax at the statutory tax rate	**8,897**	7,903
Adjustments in respect of prior years	**15**	26
Tax effect of share of profits or losses of associates and joint ventures	**(3,393)**	(2,853)
Income not subject to tax	**(2,636)**	(2,344)
Expenses not deductible for tax	**401**	221
Unrecognised deductible temporary differences and tax losses	**2,132**	519
Effects of different tax rates applied to subsidiaries	**(107)**	(102)
Others	**(90)**	7
Income tax expense for the year	**5,219**	3,377

10. EARNINGS PER SHARE

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

	2021	2020
Profit attributable to owners of the Company for the year	**21,476**	20,036
Weighted average number of ordinary shares in issue *(in million shares)*	**44,224**	44,224
Basic earnings per share *(in RMB Yuan)*	**0.49**	0.45

Diluted earnings per share is the same as basic earnings per share for the years of 2021 and 2020 as the Group had no potential ordinary shares in issue during the periods.

11. DIVIDENDS

	2021	2020
Dividends recognised as distributions:		
2019 Final, paid – RMB11.60 cents per share	**–**	5,130
2020 Interim, paid – RMB3.60 cents per share	**–**	1,592
2020 Final, paid – RMB12.00 cents per share	**5,307**	–
2021 Interim, paid – RMB1.70 cents per share	**752**	–

A final dividend in respect of the year ended 31 December 2020 of RMB12.00 cents per share was proposed by the Board of Directors at 23 March 2021 and approved by the shareholders at 8 June 2021 at the general meeting and paid on 29 July 2021.

An interim dividend in respect of the six months ended 30 June 2021 of RMB1.70 cents per share was proposed by the Board of Directors at 20 August 2021 and approved by the shareholders at 28 October 2021 at the general meeting and paid on 9 December 2021.

12. INSURANCE RECEIVABLES, NET

	31 December 2021	31 December 2020
Premiums receivable and agents' balances	**45,186**	40,167
Receivables from reinsurers	**16,521**	15,741
Subtotal	**61,707**	55,908
Less: Impairment provisions on		
– Premiums receivable and agents' balances	**(3,415)**	(3,340)
– Receivables from reinsurers	**(162)**	(163)
TOTAL	**58,130**	52,405

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

	2021	2020
At the beginning of the period	**3,503**	3,387
Recognition of impairment losses *(note 8)*	**98**	149
Amount written off as uncollectible	**(24)**	(33)
At the end of the period	**3,577**	3,503

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

	31 December 2021	31 December 2020
Not yet due and up to 3 months	**45,592**	43,215
More than 3 months to 6 months	**4,300**	2,624
More than 6 months to 12 months	**5,827**	5,177
More than 1 year to 2 years	**1,956**	1,286
More than 2 years	**455**	103
TOTAL	**58,130**	52,405

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(a) The Group's investments in associates and joint ventures as at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Associates		
Cost of investment in associates	**67,892**	68,346
Share of post–acquisition profits, other comprehensive income and other equity movement, less dividend received or receivable *(note)*	**64,396**	53,344
Subtotal	**132,288**	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 *(note)*	**196**	64
Subtotal	**3,282**	3,150
TOTAL	**135,570**	124,840

Movement of investments in associates and joint ventures is as follow;

Associates and joint ventures	1 January 2021	Additions	Disposals	Share of profit	Share of other comprehensive income	Share of other equity movement	Dividend received	Impairment	31 December 2021
Industrial Bank	67,827	–	–	9,638	812	–	(2,149)	–	76,128
Hua Xia Bank	36,968	–	–	3,505	271	–	(772)	–	39,972
Others	20,045	–	(454)	428	(25)	(22)	(502)	–	19,470
Total	124,840	–	(454)	13,571	1,058	(22)	(3,423)	–	135,570

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

As at 31 December 2021, the carrying amounts of associates, Hua Xia Bank and Industrial Bank, companies listed on the Shanghai Stock Exchange, exceeded their market values. Management performed impairment assessment accordingly considering such impairment indicator exist. Based on management's assessment results, there was no impairment as at 31 December 2021 (31 December 2020: none).

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

Associates	Place of registration	Principal activities/ Place of operation	Percentage of ownership interest and voting rights held by the Group			
			31 December 2021		31 December 2020	
			Direct	**Indirect**	Direct	Indirect
Industrial Bank	Fujian Province, PRC	Banking, PRC	**0.85%**	**12.05%**	0.85%	12.05%
Hua Xia Bank	Beijing, PRC	Banking, PRC	**–**	**16.66%**	–	16.66%

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

14. ISSUED CAPITAL

	31 December 2021	31 December 2020
Issued and fully paid ordinary shares of RMB 1 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

15. BALANCE SHEET OF THE COMPANY

Company	**31 December 2021**	31 December 2020
ASSETS		
Cash and bank balances	**777**	489
Financial assets at fair value through profit or loss	**391**	740
Financial assets purchased under resale agreements	**183**	280
Term deposits	**4,466**	4,462
Available-for-sale financial assets	**16,135**	12,126
Investments classified as loans and receivables	**6,904**	7,248
Long-term equity investment	**90,404**	91,042
Investment properties	**2,514**	2,542
Fixed assets	**2,787**	2,790
Intangible asset	**92**	85
Other assets	**454**	284
TOTAL ASSETS	**125,107**	122,088
LIABILITIES AND EQUTIY		
LIABILITIES		
Securities sold under agreements to repurchase	**773**	30
Salaries and staff welfare payables	**3,715**	3,593
Tax payable	**1**	12
Bonds payable	**17,992**	17,987
Other liabilities	**1,009**	1,031
TOTAL LIABILITIES	**23,490**	22,653
EQUITY		
Issued capital	**44,224**	44,224
Capital reserves	**35,578**	35,578
Other comprehensive income	**473**	908
Surplus reserves	**14,187**	13,319
Retained profits	**7,155**	5,406
TOTAL EQUITY	**101,617**	99,435
TOTAL EQUITY AND LIABILITIES	**125,107**	122,088

16. EVENT AFTER THE REPORTING PERIOD

On 21 January 2022, the establishment of PICC Information Technology Co., Ltd. was approved by CBIRC. PICC Information Technology Co., Ltd. was established by the Company with a registered capital of RMB 400 million and is fully controlled by the Company. The authorised business scope includes artificial intelligence basic software development, Internet of things technology services, software outsourcing services, artificial intelligence basic resources and technology platforms, etc.

On 22 March 2022, PICC Health, a subsidiary of the Company, announced that it proposed to issue the capital supplementary bonds of RMB3,000 million in the national inter-bank bond market.

On 25 March 2022, the Board of Directors of the Company proposed a final dividend of RMB14.7 cents per ordinary share for the year ended 31 December 2021, amounting to a total of approximately RMB 6,501 million. The above proposal is subject to the approval of shareholders' general meeting of the Company.

OPERATING HIGHLIGHTS

1. Steady Growth in Profits and Strong Capital

In 2021, the profit before tax amounted to RMB35,589 million, representing a year-on-year increase of 12.6%. Net profit amounted to RMB30,370 million, representing a year-on-year increase of 7.6%. Net profit attributable to owners of the Company amounted to RMB21,476 million, representing a year-on-year increase of 7.2%. As of 31 December 2021, the comprehensive solvency margin ratio was 301%, while the core solvency margin ratio was 264%.

2. Emphasis on Shareholders' Return and Continuous Increase in Cash Dividends

An additional interim dividend was paid to the shareholders, and the total cash dividend for the year of 2021 amounted to RMB1.64 per 10 shares[1], representing a year-on-year increase of 5.1%. The dividend payout ratio based on the net profit attributable to the parent company amounted to 33.8%.

3. More Balanced Development of P&C Insurance with Rapid Growth in Profitability

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 insurance business. In 2021, the market share of household-owned vehicle insurance recorded a year-on-year increase of 1.4 percentage points and the proportion of premium recorded a year-on-year increase of 1.0 percentage point, which is the best historical record. With significant leading advantage in the industry, the structure and quality of motor vehicle insurance business continued to promote. Meanwhile, PICC P&C strategically developed non-vehicle insurance business and achieved a gross written premiums (the "**GWPs**") of RMB194,258 million, representing a year-on-year increase of 16.0%. It accounted for 43.2%, representing a year-on-year increase of 4.5 percentage points, realising a more balanced overall business structure.

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1 On 25 March 2022, the Board of the Company proposed the distribution of a final dividend of RMB1.47 per 10 shares for the year of 2021. The profit distribution proposal will be implemented upon approval by the general meeting of the Company.

PICC P&C responded to the trend of comprehensive vehicle insurance reform, made proper responses to major catastrophes such as rainstorms and typhoons, and maintained steady business development. The combined ratio was 99.6%, which continuously outperformed the industry. The net profit amounted to RMB22,365 million, representing a year-on-year increase of 7.2%.

4. Steady Rise in the Life and Health Insurance Business Scale with Satisfactory Financial Indicators

As of 31 December 2021, the embedded value of the life and health insurance grew steadily to RMB127,607 million, representing an increase of 8.8% as compared to the end of last year. As the business scale is expanding steadily, the original premiums income in 2021 was RMB132,665 million, representing a year-on-year increase of 3.3%. Its profitability continued to increase, achieving a profit before tax of RMB5,244 million, representing a year-on-year increase of 71.2%.

In face of the complex industrial environment, PICC Life Insurance Company Limited ("**PICC Life**") recorded a positive growth in original premiums income, with a year-on-year increase in profit before tax of 61.4%. The operating cash flow performance was outstanding, in which the net cash inflows from operating activities was RMB45,771 million, representing a year-on-year increase of 363.4%. The operating results of PICC Health Insurance Company Limited ("**PICC Health**") hit a record high, which recorded a year-on-year increase of 622.2% in net profit. The premium scale ranked top among professional health insurance companies. The innovative health insurance products have earned reputation among customers. Among which, long term insurance products "Hao Yi Bao" (好醫保) series were upgraded and achieved original premiums income of RMB12,527 million, benefiting 50.73 million customers.

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

The Group safeguarded national pillar projects, exclusively underwrote the first national Mars exploration mission and "Deep Sea Warrior" (深海勇士), a manned submersible, chaired the underwriting of the launch of Fengyun 4 Satellite No.2, and actively safeguarded the 2022 Beijing Winter Olympics/ Winter Paralympics. The Group served the rural revitalisation, comprehensively participated in the pilot work of full cost and income insurance, vigorously developed innovative agricultural insurance business. The "Rural Insurance" achieved an original premiums income of RMB26,460 million, representing a year-on-year increase of 12.0%. In addition, the Group provided inclusive insurance and security to low-income groups, with services covering 20 provinces (autonomous regions and municipalities) nationwide, serving 1.643 million people with a cumulative premiums amount of RMB54,299 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 more than 5 million people. The Group served the healthy endowment. It carried out the "Hui Min Bao" (惠民保) business in over 140 cities in 2021, actively served the construction of the national multi-level medical insurance system. As one of the six pilot insurance companies designated by the China Banking and Insurance Regulatory Commission ("**CBIRC**") to participate in exclusive commercial pension insurance products, PICC Life issued the first exclusive commercial pension insurance policy in the industry, expanded the first new business group project within the industry, ranked first in the industry in terms of the total number of insurance policies, and ranked second in the industry in terms of premiums scale. The Group served green environmental protection, vigorously developed environmental pollution liability insurance, and innovated green industry-related insurance adapting to sectors such as wind power, photovoltaic, energy-saving buildings and carbon trading. The Group served technological innovation, improved the technology insurance product system, and established the first national intellectual property insurance centre. It provided 6,341 enterprises with intellectual property risk protection in an amount of nearly RMB3,000 million in 2021. It served social governance, actively promoted the "City Insurance" project, customised comprehensive services schemes such as "Urban Insurance" and "Community Security Insurance" to provide all-round solutions for social governance. It assisted in pandemic prevention and control, innovated the vaccine insurance, and established an insurance mechanism for public health emergencies, which provided 137 million people and 61,000 enterprises with risk protection in an amount of RMB1.52 trillion. It has launched the insurance services for adverse reactions to the COVID-19 vaccination and has underwritten a total of nearly 1.5 billion doses of the COVID-19 vaccination, accounting for 55% of the total vaccinations nationwide.

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

The Group properly responded to major disasters in 2021 such as the rainstorm in Henan on 20 July, typhoon "In-fa", the heavy rainfall in Shanxi, the earthquake disaster in Yunnan and Qinghai, the gas explosion accident in Shiyan, Hubei, and the tornado in Wuhan and Suzhou. It made every effort in disaster relief and claim settlement, took the lead of providing "indiscriminated rescue services" within the industry, established an emergency insurance claim mechanism, and became the people's insurance company that is suitable for all with practical actions.

7. Continuous Improvement in Brand Value and 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. The Group is making unremitting efforts to establish an outstanding global insurance group. In 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 gave full play to the brand value in enhancing the Group's performance. In 2021, the Group was ranked 90th in the Fortune 500.

8. 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 innovation, accelerated digital transformation, strengthened science and technology empowerment of the insurance value chain, and supported the implementation of the “To be Prominent Strategy”. Firstly, it optimised the governance, established the Group’s research and development centres, data centres and sharing centres, attracted a group of science and technology professionals, prepared for the establishment of the PICC technology company, initially formed an internal corporate operation mechanism, and gradually improved the scientific and technological governance structure. Secondly, it laid a solid foundation, completed the construction and planning of the Group’s consolidated data centre, accelerated the construction of the Langfang centre, completed the expansion and technical renovation of the Foshan centre, promoted the integration of diversified fundamental resources and the integration of operation and maintenance, gradually built a multi-site, multi-centre, multi-availability/disaster preparation system, and won the National Green Data Centre Award. Thirdly, it deepened innovation, built a consolidated development, technology, data and intelligence platform for the Group, improved and upgraded the core business system of the principal business of insurance, drove structural optimisation and application innovation, strongly supported the reform and transformation of the major business companies, and created an independent, controllable, stable and safe technology ecosystem with leading technology. Fourthly, it empowered technology surrounding the “Heart-warming Projects”, actively created a series of application systems that support business operations and enhance management capabilities, built the Group’s integrated interface and new media marketing account matrix, established a vehicle life services ecosystem, strengthened data monitoring application and risk management and control, and strongly supported the implementation of the “To be Prominent Strategy”.

MANAGEMENT DISCUSSION AND ANALYSIS

2021 is a milestone in the history of the Party and the nation, and marked the start of the Group’s “To be Prominent Strategy”. We implemented the requirements of “Three New (new infrastructure, new material and new applications) and One High (high value-added)” and stayed committed to seeking progress while maintaining a stable performance. With the confidence of gaining victory from the start, we solidly promoted the “To be Prominent Strategy”, implemented the “Six Strategic Services”, comprehensively launched the strategic layout, profoundly reformed the system and mechanism, and continued to strengthen corporate governance. In effectively responding to the complex environment and changes in industry development, we maintained a positive development trend with stability. It has better realised the business strategy of “exploring resources, compensating weaknesses with strengths, increasing quality and quantity and outperforming the market” formulated at the beginning of the year, and achieved a good start in “the 14th Five-Year Plan”. In 2021, property insurance responded to the trend of comprehensive vehicle insurance reform. Withstanding the challenges caused by major natural catastrophe, the Group developed non-vehicle insurance business, took lead in the market in terms of premiums growth, and continued to enhance its development balance. In face of the complex industrial environment, life and health insurance deepened the transformation and development. The growth rate of life insurance premiums has rebounded steadily, promoting the construction of a health insurance company with "product, technology, and platform", and enhanced the professional service capabilities of health insurance continuously. The investment segment focused on "serving strategy and major business", strengthened the coordination with the major business, and achieved better efficiency of investment. The technology segment strengthened system and mechanism reform, enhanced technological empowerment, accelerated informationisation construction, supported cost reduction and efficiency improvement, and continued to reinforce innovative development capabilities.

I. BUSINESS OVERVIEW OF THE COMPANY

(I) Review of Our Industry

In 2021, the insurance industry adhered to the development direction of providing services for the real economy, deepened the structural reform of the insurance supply side, focused on enhancing the security functions, and maintained a progressive overall development with stability. In 2021, the original premiums income of the insurance industry was RMB4.5 trillion, representing a year-on-year increase of 4.1%. The policyholders' benefits and claims was RMB1.6 trillion, representing a year-on-year increase of 14.1%, reflecting a stable improvement in safeguarding services for the real economy and people's livelihood. Among which, property insurance focused on promoting optimal structure and changing kinetic energy and comprehensively pushed the comprehensive vehicle insurance reform, which saved consumers with expenses of more than RMB250 billion. It accelerated the development of non-vehicle insurance business, with the premiums income of short-term health insurance, liability insurance, agricultural insurance and other non-vehicle insurances increased rapidly. The optimisation of insurance structure promoted the continuous enhancement of the property insurance industry's ability to serve the real economy. Facing the pressure from industry transformation, life and health insurance strengthened the security function, actively carried out the exclusive pension and annuity insurance products pilot, and developed long-term annuity, lifetime insurance and other life insurance products with stronger security functions, so as to improve the health protection level of people.

In 2021, regulatory authorities introduced a series of new policies and measures to enhance the ability to serve the real economy, strengthen the protection of consumer rights and interests, and maintain market order. In terms of serving the real economy, the Group introduced exclusive terms for new energy vehicle commercial insurance, increased the support for insurance products of emerging industries and small and medium-sized enterprises, implemented the exclusive pilot commercial endowment insurance, standardised insurance companies' participation in the pilot services for the long-term healthcare insurance system, and enriched the supply of life and health insurance products, so as to meet the demand of the real economy and people's insurance security. In terms of strengthening consumer protection, the Group formulated regulatory evaluation measures for the protection of consumer rights and interests, enhanced the supervision of accident insurance and short-term health insurance business, strengthened and improved the regulatory mechanism for Internet life and health insurance business, standardised the market order of online life and health insurance business, reinforced the behaviour regulation of insurance intermediaries, and led industry entities to return to sources security, thus creating a more standardised institutional environment for the insurance industry to accelerate high-quality development.

(II) Principal Businesses

In 2021, amidst the complex and severe domestic and international economic environment, the Group was determined to carry out the new development concept, fulfilled its responsibilities as a financial central enterprise, achieved a steady and positive progress in business development, maintained a stable and positive operating efficiency, with a significant enhancement in national strategic service capabilities, solid advancement in innovative reform and comprehensive reinforcement in risk prevention and control, promoting a good start for the "To be Prominent Strategy".

As of 31 December 2021, the market share of PICC P&C in the P&C insurance market was 32.8%, the market share of PICC Life and PICC Health in the life and health insurance market was 4.2%. In terms of the total written premiums (the "**TWPs**"), in 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 RMB448,384 million, RMB102,217 million, RMB36,083 million and RMB226 million, respectively.

1. P&C Insurance Segment: Optimised Business Structure with Steady Overall Strength

In 2021, PICC P&C responded to the trend of comprehensive vehicle insurance reform, focused on the improvement of business quality, actively adjusted the business structure, and made efforts to develop household-owned vehicle insurance business. PICC P&C strengthened and expanded its advantages in policy businesses and developed room for development of commercial non-vehicle insurance business. It achieved the GWPs of RMB449,533 million, representing a year-on-year increase of 3.8%. For motor vehicle insurance, the market share of household-owned vehicle insurance recorded a year-on-year increase of 1.4 percentage points and the proportion of premium recorded a year-on-year increase of 1.0 percentage point, which is the best historical record. With the significant leading advantage in the industry, the structure and quality of motor vehicle insurance business continued to promote. Non-vehicle insurance business achieved the GWPs of RMB194,258 million, representing a year-on-year increase of 16.0%. It accounted for 43.2%, representing a year-on-year increase of 4.5 percentage points, realising a more balanced overall business structure. The market share was 32.8%, maintaining the top position in the industry. The net profit amounted to RMB22,365 million, representing a year-on-year increase of 7.2%.

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 quality and efficiency, and stabilised the overall business development. In 2021, the Company achieved an original premiums income of RMB96,849 million, representing a positive year-on-year increase. The financial indicators performed well. Profit before tax amounted to RMB5,061 million, representing a year-on-year increase of 61.4%. Net cash flows from operating activities amounted to RMB45,771 million, representing a year-on-year increase of 363.4%. As of 31 December 2021, the embedded value grew steadily to RMB111,431 million, representing an increase of 8.9% as compared to the end of last year. The operating results of PICC Health hit a record high, which recorded a net profit of RMB260 million, representing a year-on-year increase of 622.2%. The premium scale ranked the top among professional health insurance companies. The TWPs for Internet insurance business was RMB14,437 million, representing a year-on-year increase of 13.9%.

3. *Investment Segment: Strengthening the Ability of Providing "Dual Service" and Maintaining Excellent Performance*

The investment segment adhered to the philosophy of value investment, constantly enhanced its capabilities to "serve strategies and major businesses", strengthened the optimisation and integration of internal resources, strengthened the integrated construction of investment and research, and built an investment portfolio that would realise long-term stable returns from a cross-cyclical perspective. In 2021, the Group achieved a total investment income of RMB63,068 million, representing a year-on-year increase of 11.2%; the total investment yield amounted to 5.8%, remained flat on a year-on-year basis. At the same time, the investment segment leveraged the advantages of core competency in multi-asset allocation, increased product innovation and accelerated the development of third-party management business. As of 31 December 2021, the scale of third-party assets management increased by 33.6% 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 RMB385,196 million, representing an increase of 54.6% compared with the beginning of the year.

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

The technology segment took customer experience and the perception of grassroots level as the standard and actively improved the technology support capability. Firstly, we 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 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 investment and research, and conducted system reforms on targeted issues to secure a successful commencement of the "Heart-warming Project" and keep improving the technology support capability. Secondly, we integrated internal information, introduced industry risk data, labelled risk data and strengthened the risk controllability. 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 integrated interface platforms as well as optimisation of user interface operation for individual (To C), group (To B) and employee (To E). We also built an innovative new media marketing account matrix of "one main service channel and multiple specialised services", and established a vehicle life services ecosystem with rich scenarios by applying new models of short videos, live streaming service, ecosystem value-added service and data empowerment for customer, and enhancing market development capabilities. 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 insurance customers reached over 93.5%. 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.

(III) Key Operating Data

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Original premiums income			
PICC P&C	**448,384**	432,019	3.8
PICC Life	**96,849**	96,186	0.7
PICC Health	**35,816**	32,257	11.0
Combined ratio of PICC P&C *(%)*	**99.6**	98.9	Increase of 0.7 pt
Value of one year's new business of PICC Life	**3,227**	5,429	(40.6)
Value of one year's new business of PICC Health	**765**	703	8.8
Total investment yield *(%)*	**5.8**	5.8	–

Unit: RMB million

	As of 31 December 2021	As of 31 December 2020	(% of change)
Market share *(%)*			
PICC P&C	**32.8**	31.8	Not applicable
PICC Life	**3.1**	3.0	Not applicable
PICC Health	**1.1**	1.0	Not applicable
Embedded Value of PICC Life	**111,431**	102,297	8.9
Embedded Value of PICC Health	**16,176**	14,947	8.2

Note:

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

	As of 31 December 2021	As of 31 December 2020	(Change)
Comprehensive solvency margin ratio *(%)*			
The Group	**301**	305	Decrease of 4 pts
PICC P&C	**284**	289	Decrease of 5 pts
PICC Life	**249**	261	Decrease of 12 pts
PICC Health	**190**	205	Decrease of 15 pts
Core solvency margin ratio *(%)*			
The Group	**264**	257	Increase of 7 pts
PICC P&C	**266**	250	Increase of 16 pts
PICC Life	**221**	233	Decrease of 12 pts
PICC Health	**151**	162	Decrease of 11 pts

(IV) Key Financial Indicators

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Gross written premiums	**585,425**	563,608	3.9
PICC P&C	**449,533**	433,187	3.8
PICC Life	**96,849**	96,190	0.7
PICC Health	**35,816**	32,257	11.0
Profit before tax	**35,589**	31,610	12.6
Net profit	**30,370**	28,233	7.6
Net profit attributable to owners of the Company	**21,476**	20,036	7.2
Earnings per share[1] *(RMB/share)*	**0.49**	0.45	7.2
Weighted average return on equity *(%)*	**10.2**	10.4	Decrease of 0.2 pt

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

Unit: RMB million

	As of 31 December 2021	As of 31 December 2020	(% of change)
Total assets	**1,376,857**	1,256,064	9.6
Total liabilities	**1,079,964**	982,508	9.9
Total equity	**296,893**	273,556	8.5
Net assets per share(1) *(RMB)*	**4.96**	4.58	8.3
Gearing ratio(2) *(%)*	**78.4**	78.2	Increase of 0.2 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.

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

Unit: RMB million

	Net profit attributable to owners of the Company		**Equity Attributable to owners of the Company**	
	For the year 2021	For the year 2020	**As of 31 December 2021**	As of 31 December 2020
Under the China Accounting Standards for Business Enterprises	**21,638**	20,069	**219,132**	202,194
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic Risk Reserve of Agricultural Insurance *(Note 1)*	**(200)**	22	**226**	424
Impact of above adjustment on deferred income tax	**50**	(5)	**(57)**	(106)
Reclassification of insurance contracts to investment contracts *(Note 2)*	**(12)**	(50)	**(45)**	(32)
Under the International Financial Reporting Standards	**21,476**	20,036	**219,256**	202,480

Explanation for major adjustments:

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

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

II. PERFORMANCE ANALYSIS

(I) Insurance Business

P&C Insurance Business

1. PICC P&C

In face of complex environment at home and abroad along with the opportunities and challenges arising from the continuous deepening of comprehensive vehicle insurance reform and intensifying market competition, PICC P&C focused on six major strategic areas, namely rural revitalisation, intelligent transportation, health care and endowment, green environmental protection, technological innovation and social governance, proactively served domestic needs, innovated customer-centric products and services, actively implemented the new insurance logic, implemented the insurance supply side structural reform, comprehensively promoted system and mechanism reform, focused on quality improvement, costs reduction and efficiency improvement, strengthened comprehensive risk management, and made progress on transformation towards high-quality development. In 2021, PICC P&C achieved GWPs of RMB449,533 million, representing a year-on-year growth of 3.8% and the market share was 32.8%, maintaining the top position in the industry. The net investment income amounted to RMB26,154 million, representing a year-on-year increase of 12.8%. The net profit amounted to RMB22,365 million, representing a year-on-year increase of 7.2%.

As a result of its outstanding industry position and continuous improvement in its overall strength, PICC P&C has won several honours such as the “Best Property Insurance Company of the Year 2021 in Asia” and the “Best Listed Company of the Hong Kong Stock Connect”, and Moody’s continued to give the highest rating of A1 in Mainland China.

(1) Underwriting

PICC P&C actively responded to the trend of comprehensive vehicle insurance reform, built a solid foundation for vehicle insurance development, and vigorously expanded room for development of non-vehicle insurance business. The original premiums income was RMB448,384 million, representing a year-on-year increase of 3.8%. The business growth was mainly derived from the growth of accidental injury and health insurance, agricultural insurance, liability insurance, cargo insurance and other businesses. As a result of the impact of the implementation of the comprehensive vehicle insurance reform and major disasters such as rainstorms and typhoons, the claim ratio was 73.7%, representing a year-on-year increase of 7.5 percentage points; the underwriting profits amounted to RMB1,521 million, representing a year-on-year decrease of 63.6%. PICC P&C actively responded to external challenges. While continuously improving its claim settlement service capabilities, it focused on "cost reduction and efficiency improvement", and recorded an expense ratio of 25.9%, representing a year-on-year decrease of 6.8 percentage points; the combined ratio was 99.6%, which continuously outperformed the industry.

- 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, improved the efficiency of channels, stabilised renewal business and optimised transferred-in business. The renewal rate of commercial vehicle insurance and compulsory insurance for vehicle traffic accident liability recorded a year-on-year increase of 2.0 and 2.1 percentage points, respectively, and the number of insured vehicle recorded a year-on-year increase of 11.3% and 9.9%. Yet, given the year-on-year decrease in average vehicle premiums following the decline in premium rate, the original premiums income of motor vehicle insurance for the first three quarters recorded a year-on-year decrease of 8.2%, and the original premiums income for the fourth quarter recorded a year-on-year increase of 8.9%. The original premiums income for the year was RMB255,275 million, representing a year-on-year decrease of 3.9%.

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. While providing better services for customers, in order to guarantee the operating efficiency, PICC P&C actively improved the pricing model, continued to optimise business quality and structure, and enhanced resource utilisation efficiency. Motor vehicle insurance handling charges rate was 7.8%, representing a year-on-year decrease of 5.4 percentage points; the expense ratio was 27.2%, representing a year-on-year decrease of 11.3 percentage points. Yet, given the decrease in average vehicle premiums, increase in claim payment liability and the rainstorm in Henan on 20 July 2021, the loss ratio of motor vehicle insurance was 70.1%, representing a year-on-year increase of 12.1 percentage points; the combined ratio was 97.3%, representing a year-on-year increase of 0.8 percentage point; the underwriting profits amounted to RMB6,672 million, representing a year-on-year decrease of 24.3%.

- Accidental injury and health insurance

In terms of social medical insurance business, alongside the consolidation of inherent advantages in businesses and the development of new projects for critical illness insurance, PICC P&C further developed various other new government-sponsored health insurance businesses and contributed to a stable growth in business. In terms of commercial accident and health insurance, PICC P&C continued to increase the penetration rate of household-owned vehicle insurance customers and dug up customers' needs, resulting in a rapid development in individual business such as driving insurance, "Hui Min Bao" (惠民保) and "Millions Medical Insurance". The original premiums income of accidental injury and health insurance business amounted to RMB80,692 million, representing a year-on-year increase of 21.9%.

PICC P&C strengthened project risks monitoring process, optimised the procedures on claim settlement, and improved systematic functions. The claim ratio of accidental injury and health insurance was 85.2%, representing a year-on-year decrease of 2.9 percentage points; the expense ratio was 17.4%, representing a year-on-year increase of 4.2 percentage points. The combined ratio was 102.6%, representing a year-on-year increase of 1.3 percentage points.

- Agricultural insurance

PICC P&C implemented central government's full cost insurance and income insurance pilot work for the three major grains, actively served the ecological civilisation construction and made effort in "Six Stabilities", implemented the tasks of "Six Securities", continued to boost product innovation, enriched and optimised product supply, achieved leap forward development of emerging and featured products, and synchronised policy and commercial business growth. The business scale of planting insurance, breeding insurance and forest insurance increased comprehensively, and agricultural insurance business recorded an original premiums income of RMB42,654 million, representing a year-on-year increase of 19.3%.

Affected by natural disasters such as rainstorms, typhoon, froze and drought as well as the pandemic, the agricultural insurance claim ratio was 81.6%, representing a year-on-year increase of 6.9 percentage points. PICC P&C intensified expense control and continued to reduce operating costs. The expense ratio of agricultural insurance was 20.0%, representing a year-on-year decrease of 5.1 percentage points.

- Liability insurance

PICC P&C seized the opportunity of introducing the new Production Safety Law, proactively adapted to changes in market demand, adjusted product marketing strategy in time, and continued to promote business integration development. Large-scale growth was achieved in businesses such as production safety liability insurance and public liability insurance. The original premiums income for liability insurance business was RMB33,132 million, representing a year-on-year increase of 16.4%.

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 5.8 percentage points in the claim ratio of liability insurance to 67.9%. Due to the decrease in the proportion of the policy business, the expense ratio of liability insurance was 39.5%, representing a year-on-year increase of 4.4 percentage points.

- Credit insurance

As PICC P&C continued to enhance risk management and control, the original premiums income for the overall credit insurance was RMB2,840 million, representing a year-on-year decrease of 46.2%, of which the scale of financing credit insurance significantly reduced year-on-year. However, the scale of non-financing credit insurance business with higher profitability increased by 31.0% year-on-year.

PICC P&C actively adjusted business structure, continued the clearing of existing risks of financing credit insurance business, constantly strengthened the collection and process management and control, strictly controlled the quality of new business, resulting in an effective risk mitigation of financing credit insurance business. In 2021, it achieved a collection income of RMB2,596 million and a claim ratio for the overall credit insurance of 50.6%, representing a year-on-year decrease of 74.1 percentage points. Financing credit insurance business turned loss into profit, and the non-financing credit insurance business continued to maintain a relatively good underwriting profitability level. The combined ratio for the overall credit insurance was 66.7%, representing a year-on-year decrease of 78.1 percentage points; the underwriting profits amounted to RMB1,762 million, which turned loss to profit.

- Commercial property insurance

With the constant and stable recovery of domestic economy as well as the enhancement of awareness of commercial insurance, the demand for insurance gradually unleashed. PICC P&C actively captured market opportunities and served enterprises' needs of risk prevention. The original premiums income of commercial property insurance was RMB14,923 million, representing a year-on-year increase of 4.7%.

Due to the impact of natural disasters and major claims as well as a year-on-year decrease of the net earned premiums, the claim ratio for commercial property insurance was 90.7%, representing a year-on-year increase of 23.0 percentage points. The expense ratio was 39.3%, representing a year-on-year increase of 2.9 percentage points.

- Cargo insurance

PICC P&C seized the opportunity of the rebound in import and export trading and domestic logistics, and vigorously developed high-quality business. Coupled with the rise in global commodity prices resulting in the increase of the premiums, it promoted the rapid development of cargo insurance. The original premiums income was RMB4,814 million, representing a year-on-year increase of 26.5%.

PICC P&C utilised the intelligent risk monitoring platform to strengthen post-insurance risk monitoring of cargo insurance. Yet, due to the transportation and logistics control during the pandemic over the same period last year, the claim frequency during the compared period reduced. The loss ratio of cargo insurance was 52.6%, representing a year-on-year increase of 9.0 percentage points. By implementing refined management of expenses, the expense ratio was 38.6%, representing a year-on-year decrease of 0.7 percentage point. The combined ratio was 91.2%, representing a year-on-year increase of 8.3 percentage points.

- Other insurances

PICC P&C fully grasped policy and market opportunities, focused on the different insurance needs of corporate and individual customers, strengthened the three major infrastructures of professional teams, technological instruments and business platforms, vigorously developed non-vehicle insurance business. The original premiums income of other insurances was RMB14,054 million, representing a year-on-year increase of 11.4%. In addition to hull insurance which has a slight year-on-year decrease in the original premiums income due to the slowdown in the business volume growth of the inland waterway fleet and the decline in certain business rates, the original premiums income of special insurance, family property insurance and construction insurance all achieved a rapid year-on-year growth. Of which, the original premiums income of special insurance amounted to RMB4,404 million, representing a year-on-year increase of 17.9%; the original premiums income of family property insurance amounted to RMB3,814 million, representing a year-on-year increase of 14.2%; the original premiums income of construction insurance amounted to RMB3,553 million, representing a year-on-year increase of 12.7%.

PICC P&C continued to strengthen risk management and control, and the operating efficiency of special insurance continued to improve. However, due to the impact of natural disasters and the intensified market competition, the loss ratio and expense ratio of family property insurance, construction insurance and hull insurance recorded a year-on-year increase. The overall loss ratio of other insurances was 66.0%, representing a year-on-year increase of 9.8 percentage points; the expense ratio was 42.8%, representing a year-on-year increase of 7.1 percentage points.

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

Unit: RMB million

	For the year ended 31 December 2021						
	Original premiums income	**Gross written premiums**	**Amount of insurance**	**Net claims**	**Liability balance of reserve**	**Underwriting profits**	**Combined ratio (%)**
Motor vehicle insurance	255,275	255,275	172,460,924	169,313	199,652	6,672	97.3
Accidental injury and health insurance	80,692	80,692	913,606,685	56,350	40,810	(1,952)	102.6
Agricultural insurance	42,654	42,769	2,683,567	24,647	16,899	(478)	101.6
Liability insurance	33,132	33,134	183,641,488	13,336	31,933	(1,643)	107.4
Credit insurance	2,840	2,840	1,271,227	4,050	9,210	1,762	66.7
Commercial property insurance	14,923	15,912	35,180,296	6,180	16,995	(2,443)	130.0
Cargo insurance	4,814	4,814	16,412,840	1,292	2,957	260	91.2
Other insurances	14,054	14,097	155,416,027	4,125	20,325	(657)	108.8
Total	448,384	449,533	1,480,673,054	279,293	338,781	1,521	99.6

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

① Analysis by Insurance Type

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Motor vehicle insurance	**255,275**	265,651	(3.9)
Accidental injury and health insurance	**80,692**	66,187	21.9
Agricultural insurance	**42,654**	35,754	19.3
Liability insurance	**33,132**	28,467	16.4
Credit insurance	**2,840**	5,283	(46.2)
Commercial property insurance	**14,923**	14,258	4.7
Cargo insurance	**4,814**	3,807	26.5
Other insurances	**14,054**	12,612	11.4
Total	**448,384**	432,019	3.8

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 period, which can be further divided into insurance agents channel, direct sales channel and insurance brokerage channel.

Unit: RMB million

	For the year ended 31 December				
	2021			2020	
	Amount	**(% of total)**	**(% of change)**	Amount	(% of total)
Insurance agents channel	**279,707**	**62.4**	**(2.0)**	285,328	66.0
Among which:					
Individual insurance agents	**149,731**	**33.4**	**0.9**	148,438	34.4
Ancillary insurance agents	**38,426**	**8.6**	**(10.5)**	42,933	9.9
Professional insurance agents	**91,550**	**20.4**	**(2.6)**	93,957	21.7
Direct sales channel	**130,017**	**29.0**	**15.0**	113,033	26.2
Insurance brokerage channel	**38,660**	**8.6**	**14.9**	33,658	7.8
Total	**448,384**	**100.0**	**3.8**	432,019	100.0

In 2021, PICC P&C continued to strengthen the construction of its own channels and to enhance the comprehensive sales service capabilities of the direct sales team, accelerated the transformation to a comprehensive financial sales team, 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 15.0% from RMB113,033 million in 2020 to RMB130,017 million in 2021. The original premiums income of insurance agents decreased by 2.0% from RMB285,328 million in 2020 to RMB279,707 million 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 period:

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Guangdong Province	**44,774**	41,522	7.8
Jiangsu Province	**44,144**	42,343	4.3
Zhejiang Province	**35,849**	34,213	4.8
Shandong Province	**27,410**	25,860	6.0
Hebei Province	**24,205**	24,252	(0.2)
Sichuan Province	**22,309**	21,362	4.4
Hunan Province	**19,217**	17,983	6.9
Hubei Province	**18,424**	17,473	5.4
Fujian Province	**18,039**	16,576	8.8
Anhui Province	**17,664**	17,381	1.6
Other regions	**176,349**	173,054	1.9
Total	**448,384**	432,019	3.8

(2) Financial Analysis

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Net earned premiums	**396,997**	393,127	1.0
Investment income	**17,207**	15,737	9.3
Other income	**1,784**	1,517	17.6
Total income	**426,793**	421,987	1.1
Net claims and policyholders' benefits	**292,588**	260,263	12.4
Handling charges and commissions	**37,674**	49,552	(24.0)
Finance costs	**1,533**	1,547	(0.9)
Other operating and administrative expenses	**77,633**	92,769	(16.3)
Total benefits, claims and expenses	**409,710**	404,752	1.2
Profit before tax	**26,028**	24,676	5.5
Less: Income tax expense	**3,663**	3,808	(3.8)
Net profit	**22,365**	20,868	7.2

Net earned premiums

Net earned premiums of PICC P&C increased by 1.0% from RMB393,127 million in 2020 to RMB396,997 million in 2021, which was mainly attributable to the growth in original premiums income.

Investment income

Investment income of PICC P&C increased by 9.3% from RMB15,737 million in 2020 to RMB17,207 million in 2021.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC P&C increased by 12.4% from RMB260,263 million in 2020 to RMB292,588 million in 2021. The loss ratio was 73.7%, representing an increase of 7.5 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 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 3.1 percentage points from 11.5% in 2020 to 8.4% in 2021, and the handling charges and commissions decreased by 24.0% from RMB49,552 million in 2020 to RMB37,674 million in 2021.

Finance costs

Finance costs of PICC P&C decreased by 0.9% from RMB1,547 million in 2020 to RMB1,533 million in 2021, which remained basically stable.

Income tax expense

Income tax expense of PICC P&C decreased by 3.8% from RMB3,808 million in 2020 to RMB3,663 million in 2021, mainly due to the increase in the proportion of income not subject to tax.

Net profit

As a result of the foregoing reasons, the net profit of PICC P&C increased by 7.2% from RMB20,868 million in 2020 to RMB22,365 million in 2021.

2. PICC Hong Kong

As of 31 December 2021, PICC Hong Kong's total assets amounted to RMB3,830 million, and net assets amounted to RMB1,357 million. In 2021, the GWPs amounted to RMB1,592 million, representing a year-on-year increase of 28.4%. The combined ratio was 98.5%, and the net profit amounted to RMB79 million.

PICC Reinsurance

In 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. It has also strengthened the capital base of the Company by the issuance of capital supplementary bonds of RMB2,000 million. In 2021, the net profit of PICC Reinsurance increased by 53.0% year-on-year.

Life and Health Insurance

1. PICC Life

In 2021, PICC Life remained steadfast in the Group's "To be Prominent Strategy", actively implemented the "Six Strategic Services", and carried out innovation and reform. It improved the quality of "Comprehensive individual life insurance" agent team and its newly launched services and marketing initiatives started yielding results, while new headway was made in the construction of channel diversification and the comprehensive service capability was further improved. It also continued to consolidate the foundation of compliance and risk control and management for its operation. In 2021, PICC Life achieved an original premiums income of RMB96,849 million, representing a positive year-on-year increase. The financial indicators performed well. Profit before tax amounted to RMB5,061 million, representing a year-on-year increase of 61.4%, net cash flows from operating activities amounted to RMB45,771 million, representing a year-on-year increase of 363.4%. As of 31 December 2021, the embedded value grew steadily to RMB111,431 million, representing an increase of 8.9% as compared to the end of last year.

(1) Original Premiums Income

① Analysis by Product

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

Unit: RMB million

	For the year ended 31 December				
	2021			2020	
	Amount	**(% of total)**	**(% of change)**	Amount	(% of total)
Life insurance	**77,659**	**80.2**	**5.7**	73,478	76.4
General life insurance	**25,792**	**26.6**	**9.0**	23,667	24.6
Participating life insurance	**51,764**	**53.4**	**4.1**	49,704	51.7
Universal life insurance	**103**	**0.1**	**(2.8)**	106	0.1
Health insurance	**17,959**	**18.5**	**(14.8)**	21,077	21.9
Accident insurance	**1,232**	**1.3**	**(24.5)**	1,632	1.7
Total	**96,849**	**100.0**	**0.7**	96,186	100.0

In an active effort to promote the professional construction of channels, PICC Life achieved an original premiums income of RMB96,849 million and the business grew steadily.

PICC Life is committed to the customer demand-oriented approach, and achieved an original premiums income of RMB77,659 million, representing a year-on-year increase of 5.7%, as the premiums and proportion of premiums from both general life insurance and participating life insurance increased.

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 RMB17,959 million under the health insurance, representing a year-on-year decrease of 14.8%.

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 RMB1,232 million, representing a year-on-year decrease of 24.5%.

In terms of TWPs, in 2021, the TWPs of general life insurance, participating life insurance and universal life insurance amounted to RMB25,792 million, RMB52,130 million and RMB5,098 million, respectively. TWPs of health insurance and accident insurance amounted to RMB17,966 million and RMB1,232 million, respectively.

② Analysis by Channel

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

Unit: RMB million

	For the year ended 31 December				
	2021			2020	
	Amount	**(% of total)**	**(% of change)**	Amount	(% of total)
Bancassurance	**42,725**	**44.1**	**18.9**	35,930	37.4
First-year business of long-term insurance	**28,479**	**29.4**	**25.3**	22,737	23.6
Single premiums	**20,020**	**20.7**	**31.1**	15,276	15.9
First-year regular premiums	**8,460**	**8.7**	**13.4**	7,461	7.8
Renewal business	**14,200**	**14.7**	**8.3**	13,115	13.6
Short-term insurance	**45**	**–**	**(42.3)**	78	0.1
Individual Insurance	**50,194**	**51.8**	**(8.4)**	54,817	57.0
First-year business of long-term insurance	**16,598**	**17.1**	**(18.5)**	20,364	21.2
Single premiums	**7,048**	**7.3**	**(20.6)**	8,880	9.2
First-year regular premiums	**9,550**	**9.9**	**(16.8)**	11,484	11.9
Renewal business	**32,609**	**33.7**	**(2.1)**	33,304	34.6
Short-term insurance	**987**	**1.0**	**(14.0)**	1,148	1.2
Group Insurance	**3,930**	**4.1**	**(27.7)**	5,439	5.7
First-year business of long-term insurance	**804**	**0.8**	**(66.5)**	2,403	2.5
Single premiums	**713**	**0.7**	**(68.0)**	2,230	2.3
First-year regular premiums	**91**	**0.1**	**(47.4)**	173	0.2
Renewal business	**871**	**0.9**	**(6.8)**	935	1.0
Short-term insurance	**2,256**	**2.3**	**7.4**	2,101	2.2
Total	**96,849**	**100.0**	**0.7**	96,186	100.0

In 2021, the bancassurance channel brought out the channel positioning of "running business in a valuable scale" by actively promoting value transformation and continuing to optimise product structure. The original premiums income of bancassurance channel was RMB42,725 million, representing a year-on-year increase of 18.9%.

Under the guidance of the Group's "To be Prominent Strategy", PICC Life was determined to promote the effective implementation of the "Cornerstone Plan 2.0" for "Comprehensive individual life insurance" in the head office and branches by driving healthy manpower development through customer management and professional sales. The monthly average sales-in-force was 46,623 for the channel of "Comprehensive individual life insurance" (individual insurance + marketing services) and the original premiums income of individual insurance channel was RMB50,194 million, representing a year-on-year decrease of 8.4%.

PICC Life has terminated supplementary group medical products. The original premiums income of group insurance channel was RMB3,930 million, representing a year-on-year decrease of 27.7%.

In terms of TWPs, in 2021, the TWPs from the bancassurance channel, individual insurance channel, and group insurance channel amounted to RMB43,680 million, RMB54,101 million and RMB4,437 million, respectively. As of 31 December 2021, the number of sales agents for "Comprehensive individual life insurance" was 185,944. The first-year TWPs per capita per month amounted to RMB2,993.59.

③ Analysis by Region

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Zhejiang Province	**12,282**	13,607	(9.7)
Sichuan Province	**8,548**	7,472	14.4
Jiangsu Province	**7,027**	4,970	41.4
Hunan Province	**4,403**	4,920	(10.5)
Beijing City	**4,247**	4,514	(5.9)
Shandong Province	**4,039**	2,962	36.4
Gansu Province	**3,789**	2,998	26.4
Guangdong Province	**3,642**	4,148	(12.2)
Hubei Province	**3,488**	3,752	(7.0)
Henan Province	**3,312**	3,865	(14.3)
Other regions	**42,072**	42,980	(2.1)
Total	**96,849**	96,186	0.7

④ Persistency Ratios of Premiums

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

	For the year ended 31 December	
Items	**2021**	2020
13-month premium persistency ratio[1] *(%)*	**76.3**	86.5
25-month premium persistency ratio[2] *(%)*	**82.5**	88.9

(1) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs for the 13th month after the long-term regular premium individual 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:

Unit: RMB million

	For the year ended 31 December 2021		
Insurance products	**Type of insurance**	**Sales channels**	**Original premiums income**
PICC Life Xin An Endowment Insurance (Participating) (Type C)	Participating life insurance	Individual insurance channel/Bancassurance channel	19,468
PICC Life Ru Yi Bao Endowment Insurance (Participating)	Participating life insurance	Individual insurance channel/Bancassurance channel	15,508
PICC Life Ju Cai Bao Retirement Annuity Insurance (Participating)	Participating life insurance	Individual insurance channel	6,670
PICC Life Wen Nuan Jin Sheng Annuity Insurance	General life insurance	Individual insurance channel	4,959
PICC Life Hua Kai Fu Gui Annuity Insurance	General life insurance	Individual insurance channel/Bancassurance channel	4,474

(2) Financial Analysis

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Net earned premiums	**95,203**	94,288	1.0
Investment income	**22,353**	21,466	4.1
Other income	**761**	935	(18.6)
Total income	**118,544**	117,126	1.2
Net claims and policyholders' benefits	**98,087**	94,136	4.2
Handling charges and commissions	**9,034**	12,591	(28.3)
Finance costs	**2,481**	2,673	(7.2)
Other operating and administrative expenses	**8,903**	8,437	5.5
Total benefits, claims and expenses	**118,531**	117,932	0.5
Profit before tax	**5,061**	3,136	61.4
Less: Income tax expense/(credit)	**934**	(1,327)	–
Net profit	**4,127**	4,463	(7.5)

Net earned premiums

Net earned premiums of PICC Life increased by 1.0% from RMB94,288 million in 2020 to RMB95,203 million in 2021.

Investment income

The investment income of PICC Life increased by 4.1% from RMB21,466 million in 2020 to RMB22,353 million in the same period of 2021. This was primarily due to the increase in the overall scale of investment assets and better utilisation of investment opportunities.

Other income

Other income of PICC Life decreased by 18.6% from RMB935 million in 2020 to RMB761 million in 2021. This was primarily due to the year-on-year decrease in penalty income and business synergy income received in prior year.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC Life increased by 4.2% from RMB94,136 million in 2020 to RMB98,087 million 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 28.3% from RMB12,591 million in 2020 to RMB9,034 million in 2021, mainly due to the adjustments in the business structure.

Finance costs

Finance costs of PICC Life decreased by 7.2% from RMB2,673 million in 2020 to RMB2,481 million in 2021. It was mainly due to the decrease in interest expenses relating to securities sold under agreements to repurchase.

Income tax expense

The income tax expense of PICC Life changed from RMB-1,327 million in 2020 to RMB934 million in 2021, mainly due to the decrease in handling charges and commissions and the reversal of deferred income tax assets recognised from prior years.

Net profit

As a result of the foregoing reasons, the net profit of PICC Life decreased by 7.5% from RMB4,463 million in 2020 to RMB4,127 million in 2021.

2. PICC Health

In 2021, PICC Health stayed committed to serving the Group's "To be Prominent Strategy" while actively participating in the "Healthy China" strategy, and the Company witnessed positive development trends including steady enhancement in both quality and efficiency, continuous enhancement in service capability, continuous consolidation of management foundation, continuous strengthening of risk prevention and control. The original premiums income of PICC Health was RMB35,816 million, representing a year-on-year increase of 11.0%. The net profit amounted to RMB260 million, representing a year-on-year increase of 622.2%. The "Hao Yi Bao" (好醫保) series long-term insurance products were upgraded iteratively and achieved an original premiums income of RMB12,527 million, benefiting 50.73 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 period is as follows:

Unit: RMB million

	For the year ended 31 December				
	2021			2020	
Health insurance products	**Amount**	**(% of total)**	**(% of change)**	Amount	(% of total)
Medical insurance	**22,519**	**62.9**	**4.6**	21,524	66.7
Participating endowment insurance	**8,090**	**22.6**	**35.5**	5,972	18.5
Illness insurance	**3,276**	**9.1**	**15.3**	2,842	8.8
Nursing care insurance	**1,314**	**3.7**	**2.1**	1,287	4.0
Accidental injury insurance	**530**	**1.5**	**(1.1)**	536	1.7
Disability losses insurance	**87**	**0.2**	**(9.4)**	96	0.3
Total	**35,816**	**100.0**	**11.0**	32,257	100.0

In 2021, PICC Health proactively promoted business development, continued to optimise the business structure, and realised an original premiums income of RMB35,816 million, representing a year-on-year increase of 11.0%.

PICC Health actively served the construction of multi-level medical security system and realised an original premiums income of medical insurance of RMB22,519 million, representing a year-on-year increase of 4.6%.

PICC Health proactively developed critical illness insurance products with outstanding protection attributes, and realised an original premiums income of illness insurance of RMB3,276 million, representing a year-on-year increase of 15.3%.

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 RMB1,314 million, representing a year-on-year increase of 2.1%.

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.

The supplementary work injury business of certain social security projects was scaled down, resulting in a year-on-year decrease of 9.4% in the original premiums income of disability losses insurance of PICC Health.

In 2021, the TWPs of medical insurance, participating endowment insurance, illness insurance, nursing care insurance, accidental injury insurance and disability losses insurance amounted to RMB22,567 million, RMB8,090 million, RMB3,276 million, RMB1,533 million, RMB530 million and RMB87 million, respectively.

② Analysis by Channel

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

Unit: RMB million

	For the year ended 31 December				
	2021			2020	
	Amount	**(% of total)**	**(% of change)**	Amount	(% of total)
Bancassurance	**6,992**	**19.5**	**40.6**	4,973	15.4
First-year business of long-term insurance	**6,278**	**17.5**	**41.3**	4,443	13.8
Single premiums	**5,934**	**16.6**	**45.5**	4,078	12.6
First-year regular premiums	**344**	**1.0**	**(5.8)**	365	1.1
Renewal business	**713**	**2.0**	**36.6**	522	1.6
Short-term insurance	**1**	**–**	**(87.5)**	8	–
Individual Insurance	**17,093**	**47.7**	**10.7**	15,441	47.9
First-year business of long-term insurance	**4,545**	**12.7**	**(38.8)**	7,429	23.0
Single premiums	**122**	**0.3**	**37.1**	89	0.3
First-year regular premiums	**4,422**	**12.3**	**(39.8)**	7,340	22.8
Renewal business	**11,866**	**33.1**	**61.4**	7,352	22.8
Short-term insurance	**681**	**1.9**	**3.2**	660	2.0
Group Insurance	**11,731**	**32.8**	**(0.9)**	11,843	36.7
First-year business of long-term insurance	**156**	**0.4**	**437.9**	29	0.1
Single premiums	**92**	**0.3**	**557.1**	14	–
First-year regular premiums	**64**	**0.2**	**326.7**	15	–
Renewal business	**35**	**0.1**	**9.4**	32	0.1
Short-term insurance	**11,539**	**32.2**	**(2.1)**	11,782	36.5
Total	**35,816**	**100.0**	**11.0**	32,257	100.0

PICC Health continued to strengthen its cooperation on the bancassurance channel with the "four banks and one post", strengthened training to nurture high-performing teams, and acquired excellent customers through targeted marketing. It also dug up network resources, actively promoted the issuance of digital channels and promoted the rapid development of bancassurance business, realising an original premiums income of RMB6,992 million, representing a year-on-year increase of 40.6%.

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, advanced the quality improvement and upgrading of the agent team, and actively planned channel innovation, transformation and development. In terms of Internet insurance business, PICC Health continued to deepen the cooperation with excellent platforms, improved the refined operation capability, and further uplifted the core competitiveness of channels. The original premiums income of individual insurance channel was RMB17,093 million, representing a year-on-year increase of 10.7%.

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 the development model of "group insurance + medical" and the business model of vocational group development. In terms of social medical insurance business, PICC Health continued to consolidate the diversified development layout, made strides in new expansion projects of city-customised commercial medical insurance, outpatient chronic and special diseases business and long-term nursing care insurance, and continuously improved the business expansion capacity. The original premiums income of group insurance channel was RMB11,731 million, which was remaining basically flat year-on-year.

In terms of TWPs, in 2021, the TWPs from the bancassurance channel, individual insurance channel, and group insurance channel amounted to RMB7,008 million, RMB17,292 million and RMB11,783 million respectively. As of 31 December 2021, the number of individual insurance sales agents for PICC Health was 6,309. The first-year TWPs per capita from sales agent per month amounted to RMB1,872 and the average number of new insurance policies per capita was 0.57 per month.

③ Analysis by Region

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Guangdong Province	**16,042**	15,545	3.2
Henan Province	**2,716**	2,365	14.8
Jiangxi Province	**2,464**	2,138	15.2
Liaoning Province	**1,596**	1,520	5.0
Yunnan Province	**1,447**	1,252	15.6
Shanxi Province	**1,311**	1,020	28.5
Hunan Province	**1,261**	117	977.8
Hubei Province	**1,109**	483	129.6
Anhui Province	**1,034**	899	15.0
Shandong Province	**966**	922	4.8
Other regions	**5,870**	5,996	(2.1)
Total	**35,816**	32,257	11.0

④ Persistency Ratios of Premiums

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

	For the year ended 31 December	
Items	**2021**	2020
13-month premium persistency ratio(1) *(%)*	**82.8**	85.0
25-month premium persistency ratio(2) *(%)*	**81.6**	83.2

(1) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs for the 13th month after the long-term regular premium individual 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:

Unit: RMB million

	For the year ended 31 December 2021		
Insurance products	**Type of insurance**	**Sales channels**	**Original premiums income**
Jian Kang Jin Fu You Xiang Bao Individual Medical Insurance (2018)	Medical insurance	Individual insurance channel	10,347
Kang Li Ren Sheng Endowment Insurance (Participating)	Endowment insurance	Bancassurance channel/ Individual insurance channel/Group insurance channel	7,930
Group Critical Illness Medical Insurance for Urban and Rural Residents (Type A)	Medical insurance	Group insurance channel	4,190
He Xie Sheng Shi Large Amount Supplementary Group Medical Insurance for Urban Employees	Medical insurance	Group insurance channel	3,329
PICC Health Xin Xiang Ru Yi Critical Illness Insurance	Illness insurance	Individual insurance channel	1,091

(2) Financial Analysis

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

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Net earned premiums	**31,190**	27,806	12.2
Investment income	**2,582**	2,295	12.5
Other income	**337**	318	6.0
Total income	**35,523**	31,952	11.2
Net claims and policyholders' benefits	**27,899**	25,066	11.3
Handling charges and commissions	**4,199**	1,142	267.7
Finance costs	**430**	419	2.6
Other operating and administrative expenses	**2,809**	5,411	(48.1)
Total benefits, claims and expenses	**35,338**	32,043	10.3
Profit before tax	**183**	(73)	–
Less: Income tax credit	**(77)**	(109)	(29.4)
Net profit	**260**	36	622.2

Net earned premiums

Net earned premiums of PICC Health increased by 12.2% from RMB27,806 million in 2020 to RMB31,190 million in 2021 which was primarily due to the growth of insurance business scale.

Investment income

The investment income of PICC Health increased by 12.5% from RMB2,295 million in 2020 to RMB2,582 million 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 6.0% from RMB318 million in 2020 to RMB337 million in 2021.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC Health increased by 11.3% from RMB25,066 million in 2020 to RMB27,899 million in 2021.

Handling charges and commissions

The handling charges and commissions of PICC Health increased by 267.7% from RMB1,142 million in 2020 to RMB4,199 million in 2021.

Finance costs

Finance costs of PICC Health increased by 2.6% from RMB419 million in 2020 to RMB430 million in 2021.

Net profit

As a result of the foregoing reasons, the net profit of PICC Health increased by 622.2% from RMB36 million in 2020 to RMB260 million in 2021.

(II) Asset Management Business

In 2021, the asset management segment of the Group implemented the Group's "To be Prominent Strategy" requirements, constantly enhanced its capabilities to "serve strategies and major businesses", and built an investment portfolio that would achieve long-term stable returns from a cross-cyclical perspective.

As of 31 December 2021, the scale of third-party assets management of the Group amounted to RMB621,187 million, representing an increase of 33.6% 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 54.6% compared with the beginning of the year. The investment subsidiaries under the Group strengthened the optimisation and integration of internal resources and increased product innovation. In 2021, PICC AMC further enhanced its core competency in multi-asset allocation and integrated PICC Asset Management (Hong Kong) Company Limited which served as the Group's overseas investment management platform. PICC AMC received the qualification for trading the first batch of treasury bond futures by an insurance institution and successfully registered the industry's first "carbon-neutral green bond asset management product". After successfully obtaining the license for insurance asset management company, PICC Capital will continue to strive for stronger, better and higher debt investment capabilities, to focus on building the core capabilities of equity investment, to be committed to developing the operational capability of private equity funds and promoting the positive interaction between insurance, investment and industry.

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 period:

Unit: RMB million

	For the year ended 31 December		
	2021	2020	(% of change)
Investment income	**656**	594	10.4
Other income	**2,067**	1,843	12.2
Total income	**2,723**	2,437	11.7
Finance costs	**31**	20	55.0
Other operating and administrative expenses	**1,623**	1,575	3.0
Total expenses	**1,653**	1,593	3.8
Profit before tax	**1,085**	922	17.7
Less: Income tax expense	**263**	232	13.4
Net profit	**822**	690	19.1

Investment income

Investment income of the asset management segment increased by 10.4% from RMB594 million in 2020 to RMB656 million in 2021, mainly due to the appreciation of fair value of investment assets.

Other income

Other income of the asset management segment increased by 12.2% from RMB1,843 million in 2020 to RMB2,067 million in 2021, mainly due to the year-on-year increase in management fee income and income from disposal of investment property.

Net profit

As a result of the foregoing reasons, the net profit of the asset management segment increased by 19.1% from RMB690 million in 2020 to RMB822 million in 2021.

(III) Investment Portfolio and Investment Income

In 2021, despite the adverse impacts from the low interest rate environment and the volatile and declining equity market, the Group adhered to the philosophy of value investment, maintained investment strength, focused on improving its core investment and research capacity, and strengthened the research and analysis capability of the market trends. Also, it adjusted asset allocation dynamically and established an asset allocation framework system characterised by effective coordination of strategies and tactics to actively forestall investment risk, yielding good investment results. In terms of bond investment, the Group proactively seized the opportunity of long-term debt allocation to lengthen the duration, while continuously narrowing the duration gap between its assets and liabilities. In terms of equity investment, the Group selected the right track, actively seized structural investment opportunities, strengthened the benchmarking of results and strategies, and also actively explored new revenue growth point, contributing to more diversified sources of investment income.

1. *Investment Portfolio*

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

Unit: RMB million

	As of 31 December 2021		As of 31 December 2020	
	Amount	**(% of total)**	Amount	(% of total)
Investment assets	**1,196,920**	**100.0**	1,088,851	100.0
Classified by investment object				
Cash and cash equivalents	**33,276**	**2.8**	78,209	7.2
Fixed-income investments	**752,377**	**62.9**	680,142	62.5
Term deposits	**94,341**	**7.9**	89,016	8.2
Treasury bonds	**183,252**	**15.3**	123,476	11.3
Financial bonds	**135,335**	**11.3**	102,833	9.4
Corporate bonds	**169,032**	**14.1**	172,613	15.9
Long-term debt investment schemes	**69,738**	**5.8**	87,903	8.1
Other fixed-income investments(1)	**100,679**	**8.4**	104,301	9.6
Fund and equity securities investments at fair value	**212,939**	**17.8**	155,888	14.3
Fund	**115,276**	**9.6**	75,460	6.9
Shares	**62,843**	**5.3**	66,548	6.1
Perpetual bond	**34,820**	**2.9**	13,880	1.3
Other investments	**198,328**	**16.6**	174,612	16.0
Investment in associates and joint ventures	**135,570**	**11.3**	124,840	11.5
Others(2)	**62,758**	**5.2**	49,772	4.6
By the purpose for which it was held				
Financial assets at fair value through profit or loss for the period	**57,459**	**4.8**	33,433	3.1
Held-to-maturity investments	**197,346**	**16.5**	181,199	16.6
Available-for-sale financial assets	**502,102**	**41.9**	379,312	34.8
Long-term equity investments	**135,570**	**11.3**	124,840	11.5
Loans and others(3)	**304,443**	**25.4**	370,067	34.0

Notes:

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

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

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

(1) Classified by investment object

In terms of fixed-income investments, the Group strengthened its research and analysis on the interest rate trends, vigorously allocated long-term government bonds and 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 31 December 2021, the bond investment accounted for 40.7%. 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 99.8%. The industries associated with credit bond currently held by the Group are diversified, involving various sectors such as bank, transportation, general and non-bank finance; the ability of entities to repay debt is generally strong and the credit risks are controllable as a whole. In the years of credit bond investment, the Group has always been paying close attention to the prevention and control of credit risks, strictly followed relevant regulatory requirements of the CBIRC. It has deepened the need for credit risk management, established investment management and risk control mechanisms in line with market practices and investment needs for insurance funds, and strengthened the forward-looking and early warning, analysis and disposal of credit risk. During the year, the Group has strengthened regular credit risks inspection and carried out emergency drills for credit risk response and disposal under the combination of relevant credit risk scenarios and peer cases. By progressively reducing the proportion of credit bonds with low to medium ratings, the Group optimised the existing business structure and strictly controlled the risk of incremental business at the same time. In addition, the Group has improved the digital and intelligent level of credit risk management and increasingly empowered the investment business through active utilisation of models/systems including artificial intelligence technology for monitoring public opinion and smart credit rating.

The overall credit risk of the Group's investment in non-standard financial product asset is controllable, assets with an external credit rating of AAA account for 98.3%. At present, the non-standard assets cover most of the provincial administrative regions in the country. The industries cover transportation, energy, public utilities, construction and decoration, and commercial real estate. These industries played a positive role in serving the development of real economy and supporting the implementation of major national strategies. Apart from actively selecting core counterparties with reliable credit qualifications as financing entities/guarantors, the Group has effective credit enhancement measures in place, such as guarantees, repurchase, shortfall compensation and others, together with stringent terms regarding accelerated expiry/fund misappropriation protection, providing a sound guarantee for the repayment of the principal and investment income. 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 idea of "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 grasped the opportunities brought by high-quality economic transformation. In the meanwhile, it actively expanded investment channels and investment varieties which effectively resolved allocation pressure while improving portfolio returns under the unfavourable situation of heightened volatility in the capital market.

(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 1.7 percentage points as compared with those as at the end of last year. The proportion of held-to-maturity investments decreased by 0.1 percentage point as compared with those as at the end of last year. The proportion of available-for-sale financial assets increased by 7.1 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 8.6 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 information relating to the investment income of the Group for the reporting period:

Unit: RMB million

	For the year ended 31 December	
Items	**2021**	2020
Cash and cash equivalents	**710**	634
Fixed-income investments	**32,083**	30,626
Interest income	**31,578**	31,482
Gains and losses from disposal of financial instruments	**616**	316
Gains and losses on fair value changes	**458**	(239)
Impairment	**(569)**	(933)
Fund and equity securities investments at fair value	**15,999**	13,410
Dividends and bonus income	**5,563**	4,656
Gains and losses from disposal of financial instruments	**10,660**	11,294
Gains and losses on fair value changes	**321**	216
Impairment	**(545)**	(2,756)
Other investments	**14,276**	12,071
Investment income from associates and joint ventures	**13,573**	11,413
Other gains and losses	**703**	658
Total investment income	**63,068**	56,741
Net investment income(1)	**52,270**	48,970
Total investment yield(2)*(%)*	**5.8**	5.8
Net investment yield(3)*(%)*	**4.8**	5.0

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

(2) Total investment yield = (total investment income – interest expenses on securities sold under agreements to repurchase)/(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 = (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 11.2% from RMB56,741 million in 2020 to RMB63,068 million in 2021. The net investment income increased by 6.7% from RMB48,970 million in 2020 to RMB52,270 million in 2021. The total investment yield amounted to 5.8%, remained flat year-on-year. The net investment yield decreased by 0.2 percentage point from 5.0% in 2020 to 4.8% 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 year ended 31 December		
	2021	2020	(% of change)
Net cash flows from operating activities	**72,731**	31,867	128.2
Net cash flows used in investing activities	**(81,555)**	(51,370)	58.8
Net cash flows (used in)/from financing activities	**(35,861)**	21,114	–

The Group's net cash flows from operating activities changed from a net inflow of RMB31,867 million in 2020 to a net inflow of RMB72,731 million 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 used in investing activities changed from a net outflow of RMB51,370 million in 2020 to a net outflow of RMB81,555 million in 2021, mainly due to the year-on-year increase in cash paid for investment.

The Group's net cash flows (used in)/from financing activities changed from a net inflow of RMB21,114 million in 2020 to a net outflow of RMB35,861 million in 2021, mainly due to the net cash inflow for financial assets sold under agreements to repurchase in last year change to the net cash outflow this year and the year-on-year increase of cash paid for redemption of bonds.

(II) Solvency

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

Unit: RMB million

	As of 31 December 2021	As of 31 December 2020	(% of change)
The Group			
Actual capital	**395,232**	392,076	0.8
Core capital	**345,816**	329,768	4.9
Minimum capital	**131,147**	128,432	2.1
Comprehensive solvency margin ratio *(%)*	**301**	305	Decrease of 4 pts
Core solvency margin ratio *(%)*	**264**	257	Increase of 7 pts
PICC P&C			
Actual capital	**207,421**	207,246	0.1
Core capital	**194,361**	179,290	8.4
Minimum capital	**73,082**	71,757	1.8
Comprehensive solvency margin ratio *(%)*	**284**	289	Decrease of 5 pts
Core solvency margin ratio *(%)*	**266**	250	Increase of 16 pts
PICC Life			
Actual capital	**113,741**	120,119	(5.3)
Core capital	**100,942**	107,301	(5.9)
Minimum capital	**45,593**	45,990	(0.9)
Comprehensive solvency margin ratio *(%)*	**249**	261	Decrease of 12 pts
Core solvency margin ratio *(%)*	**221**	233	Decrease of 12 pts
PICC Health			
Actual capital	**17,258**	16,927	2.0
Core capital	**13,691**	13,379	2.3
Minimum capital	**9,094**	8,268	10.0
Comprehensive solvency margin ratio *(%)*	**190**	205	Decrease of 15 pts
Core solvency margin ratio *(%)*	**151**	162	Decrease of 11 pts

As of 31 December 2021, the comprehensive solvency margin ratio of the Group was 301%, representing a decrease of 4 percentage points as compared to that as of the end of 2020, and its core solvency margin ratio was 264%, representing an increase of 7 percentage points as compared to the end of 2020. While the business scale was expanding, profit before tax and net asset both achieved faster growth, the core solvency margin ratio increased year-on-year, reflecting the fruitful transformation to high-quality development.

As of 31 December 2021, the comprehensive solvency margin ratio of PICC P&C was 284%, representing a decrease of 5 percentage points as compared to the end of 2020, and its core solvency margin ratio was 266%, representing an increase of 16 percentage points as compared to the end of 2020. The comprehensive solvency margin ratio of PICC Life was 249%, representing a decrease of 12 percentage points as compared to the end of 2020, and its core solvency margin ratio was 221%, representing a decrease of 12 percentage points as compared to the end of 2020. The comprehensive solvency margin ratio of PICC Health was 190%, representing a decrease of 15 percentage points as compared to the end of 2020, and its core solvency margin ratio was 151%, representing a decrease of 11 percentage points as compared to the end of 2020.

IV. EVENT AFTER THE REPORTING PERIOD

On 21 January 2022, the establishment of PICC Information Technology Company Limited initiated by the Company was officially approved by the CBIRC. Its registered capital was RMB400 million and it was a 100% controlled subsidiary of the Company. Its operation scope include the development of artificial intelligence basic software, Internet of Things technology services, software outsourcing services, artificial intelligence basic resources and other technology platforms.

On 22 March 2022, PICC Health, a subsidiary of the Company, announced that it proposed to issue the capital supplementary bonds of RMB3,000 million in the national inter-bank bond market.

On 25 March 2022, the Board of the Company proposed a final dividend of RMB14.7 cents per ordinary share for 2021, amounting to a total of approximately RMB6,501 million. The above proposal is subject to approval by the shareholders at the forthcoming general meeting.

PROSPECTS

1. Industry Landscape and Trend

It is still an important period of strategic opportunity for national development at present and in the coming period. Despite the increasing complexity, severity and uncertainty of the external environment of China, the domestic economy is resilient and the fundamentals for long-term growth remain unchanged, which laid a solid foundation for the high-quality development of the industry. The comprehensive reform of vehicle insurance which promotes premium reduction and coverage enhancement and the concept of returning to the origin of vehicle insurance, as well as the booming production and sales of new energy vehicles, have intensified the competition of vehicle insurance in the next few years. In the long run, the gradual advancement of autonomous driving technology will transform vehicle insurance from property loss risk insurance to liability risk insurance. The deepening reform to streamline administration, decentralise power and optimise services by the government, alongside with the improvement of residents' awareness on property and casualty insurance, will allow greater development opportunities for non-vehicle insurance. The "Healthy China" strategy and the active strategy against population aging promoted nationwide, coupled with residents' heightened awareness on health insurance due to the COVID-19 pandemic, are beneficial for the long-term development of life and health insurance, where the health care and endowment products with stronger coverage and better services will be more favoured by customers. Given that the development of insurance technology has been accelerating, with all aspects of insurance operation and management being empowered by big data, artificial intelligence, cloud computing, Internet of Things and other technologies, the direction of insurance companies leveraging its insurance technology as a "multiplier" for its development capability will be the future focus of competition in the industry. The new insurance logic of "underwriting + loss reduction + empowerment + claims" will promote profound changes in the business philosophy, organisational structure and product technology of insurance companies.

2. Development Strategy of the Company

The Group is committed to a strategic vision of creating a world-class financial insurance group with excellent risk management capabilities, with a determination to implement the "1+7" strategic framework. In 2022, we will stay committed to seek progress while maintaining a stable performance, implement the general requirements of "Three New and One High", penetrate the general hub for risk prevention, promote "Six Strategic Services", conduct scientific research and development of strategic projects, innovate product technology, accelerate information technology construction, deepen system and mechanism reform, and steadily promote the implementation of the Group's "To be Prominent Strategy".

3. Operation Plan

The insurance segment will grasp the strategic opportunity of "Three New and One High" and ensure business development is in line with macro-economic and industrial development and is in accordance with the "To be Prominent Strategy". Among which, **PICC P&C** will strengthen innovation-driven leadership, accelerate the development of corporate business, consolidate the development advantages of vehicle insurance, enhance the development capacity of individual non-vehicle insurance, and strengthen risk reduction management. It will also serve the national strategies and the livelihood of the people, facilitate the agricultural insurance transition from covering "agriculture" to "agriculture, rural areas, and farmers" and continue to optimise social insurance processing business. **PICC Life** will focus on value creation, optimise product supply and promote the implementation of high-end life insurance sales elite training project in all ways to improve the production capacity of excellent employees, and build multiple channels with value orientation. **PICC Health** will formulate and implement health projects and strengthen its efforts to integrate the resources in three medical areas of medical treatment, medicine and medical insurance, with a focus on "group insurance+medical treatment" employee welfare solutions and outpatient chronic and special diseases management to accelerate the exploration of a successful health insurance business model. **PICC Reinsurance** will actively explore markets and steadily promote its international business. **PICC Hong Kong** will integrate into the development of the Greater Bay Area and tap into the potential of business from Chinese funded enterprises.

The investment segment will adhere to serve strategies and major businesses, enhance asset-liability matching, enhance the core capability, and stabilise the investment income in order to facilitate industrial investment, enhance profit contribution, and better support the development of major businesses. Among which, **PICC AMC** will strengthen its construction of investment and research capacity, maintain its strengths on fixed income, enhance investment capacity of the rights and interests, and develop third party business. **PICC Investment Holding** will initiate the endowment business, and promote the professional layout of real estate, property and others. **PICC Capital** will provide better non-standard debt, expand private equity business, and enhance the capacity of investment banks to provide services. **PICC Pension** will seek a breakthrough and development in strengthening the second pillar, rectifying the first pillar and expanding the third pillar, and continue to expand the scale of entrusted assets.

The financial technology segment will implement the Group's information technology plan and strengthen technology empowerment. Among which, **PICC Technology** will coordinate the construction of the basic technology platform of the Group. **PICC Financial Services** will build an internet platform to serve the whole group.

EMBEDDED VALUE

1. Result Summary

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

	PICC Life		PICC Health	
	31/12/2021	31/12/2020	**31/12/2021**	31/12/2020
Adjusted Net Worth	**74,859**	69,605	**7,785**	6,515
Value of In-Force Business before CoC	**46,506**	45,972	**9,182**	8,840
Cost of Required Capital	**(9,934)**	(13,279)	**(791)**	(407)
Value of In-Force Business after CoC	**36,572**	32,693	**8,392**	8,432
Embedded Value	**111,431**	102,297	**16,176**	14,947

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

Value of One Year's New Business for the 12 months up to 31 December 2021 and 31 December 2020 of PICC Life and PICC Health with 10% as the risk discount rate are summarized below (in RMB million):

	PICC Life		PICC Health	
	31/12/2021	31/12/2020	**31/12/2021**	31/12/2020
Value of One Year's New Business before CoC	**4,922**	8,033	**1,250**	1,531
Cost of Required Capital	**(1,696)**	(2,604)	**(485)**	(828)
Value of One Year's New Business after CoC	**3,227**	5,429	**765**	703

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

Value of One Year's New Business for the 12 months up to 31 December 2021 and 31 December 2020 of PICC Life and PICC Health by distribution channel are summarized below (in RMB million):

	PICC Life		PICC Health	
	31/12/2021	31/12/2020	**31/12/2021**	31/12/2020
Bancassurance Channel	**127**	(37)	**69**	111
Individual insurance agent Channel	**2,999**	5,286	**885**	629
Group insurance sales Channel	**101**	180	**(189)**	(36)
Total	**3,227**	5,429	**765**	703

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

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

2. Key Assumptions

For the results as at 31 December 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. Corporate income tax is currently levied at 25% on taxable profits. The assumptions on mortality rates, morbidity rates, lapse rates, expenses and commissions are based on the operational experience of PICC Life and PICC Health, as well as expectations on future experience and etc.

3. Sensitivity Tests

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

The results of sensitivity tests for PICC Life at 31 December 2021 are summarized below (in RMB million):

	Risk Discount Rate at 10% *(Note)*	
Scenarios	**Value of In-Force Business after CoC**	**Value of One Year's New Business after CoC**
Base Scenario	36,572	3,227
Risk Discount Rate at 9%	41,391	4,007
Risk Discount Rate at 11%	32,533	2,565
Rate of investment return increased by 50 bps	49,838	5,028
Rate of investment return decreased by 50 bps	23,233	1,415
Expenses increased by 10%	35,563	3,078
Expenses decreased by 10%	37,581	3,376
Lapse rates increased by 10%	36,316	3,128
Lapse rates decreased by 10%	36,842	3,327
Mortality increased by 10%	36,105	3,172
Mortality reduced by 10%	37,045	3,283
Morbidity increased by 10%	35,278	3,007
Morbidity reduced by 10%	37,884	3,449
Short-term business claim ratio increased by 10%	36,512	3,075
Short-term business claim ratio decreased by 10%	36,632	3,379
Participating Ratio (80/20)	35,227	3,185

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

The results of sensitivity tests for PICC Health at 31 December 2021 are summarized below (in RMB million):

Scenarios	Risk Discount Rate at 10% *(Note)* Value of In-Force Business after CoC	Value of One Year's New Business after CoC
Base Scenario	8,392	765
Risk Discount Rate at 9%	8,898	899
Risk Discount Rate at 11%	7,947	644
Rate of investment return increased by 50 bps	9,274	941
Rate of investment return decreased by 50 bps	7,502	588
Expenses increased by 10%	8,220	628
Expenses decreased by 10%	8,564	903
Lapse rates increased by 10%	8,430	755
Lapse rates decreased by 10%	8,279	770
Mortality increased by 10%	8,390	756
Mortality reduced by 10%	8,394	774
Morbidity increased by 10%	7,899	666
Morbidity reduced by 10%	8,906	861
Short-term business claim ratio increased by 5%	8,360	390
Short-term business claim ratio decreased by 5%	8,423	1,140
Participating Ratio (80/20)	8,286	722

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

4. Movement Analysis

This section shows the analysis of Embedded Value movement of PICC Life and PICC Health from 31 December 2020 to 31 December 2021 based on 10% risk discount rate (in RMB million):

No	Description	Risk Discount Rate at 10% *(Note)* PICC Life	PICC Health
1	Embedded Value as at 31 December 2020	**102,297**	**14,947**
2	New Business Contribution	3,586	1,185
3	Expected Return	7,716	1,136
4	Investment Return Variance	2,002	395
5	Other Experience Variances	(5,724)	(378)
6	Model and Assumption Modification	1,509	(1,101)
7	Capital Change and Market Value Adjustment	44	(7)
8	Embedded Value as at 31 December 2021	**111,431**	**16,176**

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

Explanations to above items 2 to 7:

2. The contribution of new business sold in 2021 to the embedded value at 31 December 2021;

3. The expected return in 2021 arising from the in-force business and adjusted net worth as at 31 December 2020;

4. Change in embedded value arising from variances between the actual investment return and the related investment return assumption in 2021;

5. Change in embedded value arising from variances between the actual experiences and assumptions other than the related investment return in 2021;

6. The impact on embedded value due to model enhancement and the changes in assumptions during 2021;

7. The impact on embedded value due to dividend distributed to shareholders, capital changes and the changes in market value of held-to-maturity financial assets caused by interest rate fluctuations during 2021.

CORPORATE GOVERNANCE

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

During the year of 2021, the Company complied with the corporate governance provisions of listed companies of Shanghai Stock Exchange and the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, continuously refined the structure of corporate governance. The General Meeting of Shareholders, the Board of Directors, the Supervisory Committee and senior management independently performed their rights and responsibilities in accordance with the Articles of Association and complied with laws and regulations.

PURCHASE, DISPOSAL OR REDEMPTION OF LISTED SECURITIES

During the year of 2021, the Company and its subsidiaries did not purchase, dispose of or redeem any listed securities of the Company or its subsidiaries.

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

The Board proposed the distribution of a final dividend of RMB1.47 per 10 shares (tax inclusive) for the year ended 31 December 2021, amounting to a total of approximately RMB6,501 million. The above proposal will be put forward to a general meeting for consideration and approval. The specific arrangements regarding the final dividend and its distribution (including arrangement of withholding and payment of income tax for shareholders) and the time and arrangement of the closure of register of members of H shares will be disclosed separately in the circular for the relevant general meeting. If approved at the general meeting, the final dividend is expected to be paid on or around 19 August 2022.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Board has reviewed, in the presence of the external auditor of the Company, the consolidated financial statements of the Group for the year ended 31 December 2021, including the accounting principles and practices adopted. The annual results announcement is based on the Group's audited consolidated financial statements for the year ended 31 December 2021 as agreed with the auditor of the Company.

PUBLICATION OF THE ANNUAL REPORT

The 2021 Annual Report of the Company will be published on the website of the Company (www.picc.com.cn) 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, 25 March 2022

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, Mr. Yu Qiang and Mr. Wang Zhibin; and the independent non-executive directors are Mr. Shiu Sin Por, Mr. Ko Wing Man, Mr. Chen Wuzhao, Ms. Cui Li and Ms. Xu Lina.