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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 2020**

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 2020 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 2020

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2020	2019
Gross written premiums	6	563,608	555,251
Less: Premiums ceded to reinsurers	6	(44,436)	(35,342)
Net written premiums	6	519,172	519,909
Change in unearned premium reserves	6	1,409	(18,401)
Net earned premiums		520,581	501,508
Reinsurance commission income		11,921	9,871
Investment income	7	45,328	36,629
Other income		3,775	3,204
<b>TOTAL INCOME</b>		<b>581,605</b>	<b>551,212</b>
Life insurance death and other benefits paid		61,734	67,035
Claims incurred		300,967	291,471
Changes in long-term life insurance contract liabilities		44,310	27,532
Policyholder dividends		3,127	1,730
Claims and policyholders' benefits		410,138	387,768
Less: Claims and policyholders' benefits ceded to reinsurers		(27,301)	(23,190)
Net claims and policyholders' benefits		382,837	364,578
Handling charges and commissions		62,489	66,448
Finance costs		5,689	5,807
Exchange losses/(gains)		816	(173)
Other operating and administrative expenses		109,577	97,971
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>		<b>561,408</b>	<b>534,631</b>
Share of profits or losses of associates and joint ventures		11,413	12,566
<b>PROFIT BEFORE TAX</b>	8	<b>31,610</b>	<b>29,147</b>
Income tax (expense)/credit	9	(3,377)	2,134
<b>PROFIT FOR THE YEAR</b>		<b>28,233</b>	<b>31,281</b>
Attributable to:			
Owners of the Company		20,036	22,135
Non-controlling interests		8,197	9,146
		<b>28,233</b>	<b>31,281</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
– Basic (in RMB Yuan)	10	<b>0.45</b>	<b>0.50</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***FOR THE YEAR ENDED 31 DECEMBER 2020**(Amounts in millions of Renminbi, unless otherwise stated)*

	2020	2019
<b>PROFIT FOR THE YEAR</b>	<b>28,233</b>	31,281
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Fair value gains	22,551	20,407
– Reclassification of gains to profit or loss on disposals	(10,747)	(2,449)
– Impairment losses	2,756	1,860
Portion of fair value changes attributable to participating policyholders	(2,317)	–
Income tax effect	(3,017)	(4,435)
	<b>9,226</b>	15,383
Share of other comprehensive (expense)/income of associates and joint ventures	(1,207)	200
Exchange differences arising on translating foreign operations	(105)	30
<b>NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>	<b>7,914</b>	15,613
Items that will not be reclassified to profit or loss:		
Gains on revaluation of properties and right-of-use assets upon transfer to investment properties	320	241
Income tax effect	(40)	(63)
	<b>280</b>	178
Actuarial losses on pension benefit obligation	(57)	(81)
Share of other comprehensive income of associates and joint ventures	3	1
<b>NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>	<b>226</b>	98
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>	<b>8,140</b>	15,711
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>36,373</b>	46,992
Attributable to:		
– Owners of the Company	25,721	33,838
– Non-controlling interests	10,652	13,154
	<b>36,373</b>	46,992

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	31 December 2020	31 December 2019
<b>ASSETS</b>			
Cash and cash equivalents		78,209	76,984
Debt securities		401,530	333,587
Equity securities, mutual funds and trust schemes		192,414	150,744
Insurance receivables, net	12	52,405	55,809
Reinsurance assets		35,178	29,509
Term deposits		89,016	87,009
Restricted statutory deposits		12,994	12,994
Investments classified as loans and receivables		171,307	182,858
Investments in associates and joint ventures	13	124,840	117,083
Investment properties		13,246	12,445
Property and equipment		34,028	26,340
Right-of-use assets		7,114	7,681
Intangible assets		3,105	2,729
Deferred tax assets		8,337	8,552
Other assets		32,341	28,905
<b>TOTAL ASSETS</b>		<b>1,256,064</b>	<b>1,133,229</b>
<b>LIABILITIES</b>			
Securities sold under agreements to repurchase		85,826	58,263
Payables to reinsurers		21,296	19,046
Income tax payable		373	220
Bonds payable		56,960	48,780
Lease liabilities		2,792	3,051
Insurance contract liabilities		674,272	618,959
Investment contract liabilities for policyholders		38,671	40,030
Policyholder dividends payable		4,225	3,909
Pension benefit obligation		2,833	2,927
Deferred tax liabilities		1,449	1,486
Other liabilities		93,811	89,258
<b>TOTAL LIABILITIES</b>		<b>982,508</b>	<b>885,929</b>
<b>EQUITY</b>			
Issued capital	14	44,224	44,224
Reserves		158,256	139,228
Equity attributable to owners of the Company		202,480	183,452
Non-controlling interests		71,076	63,848
<b>TOTAL EQUITY</b>		<b>273,556</b>	<b>247,300</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,256,064</b>	<b>1,133,229</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company																
	Available-for-sale financial asset				Share of other comprehensive income/ (expense) of				Portion of fair value changes	Foreign currency	Actuarial losses on pension				Non-controlling		
	Share premium	revaluation	General risk reserve	Catastrophic loss reserve	Asset revaluation reserve	associates and joint ventures	attributable to policyholders	translation reserve	Surplus reserve *	Other reserves	benefit obligation	Retained profits	Subtotal	interests	Total		
Issued capital (note 14)	account	reserve	reserve	loss reserve	reserve												
	**	**	**	**	**	**	**	**	**	**	**	**	**				
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	247,300		
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	20,036	20,036	28,233		
Other comprehensive income/(expense) for the year	-	-	7,857	-	-	194	(884)	(1,344)	(81)	-	-	(57)	-	2,455	8,140		
Total comprehensive income/ (expense) for the year	-	-	7,857	-	-	194	(884)	(1,344)	(81)	-	-	(57)	20,036	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	71,076	273,556		

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

\*\* Consolidated reserves of RMB158,256 million in the consolidated statement of financial position as at 31 December 2020 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	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 2019	44,224	23,973	(1,832)	9,874	1,705	2,892	115	(8)	12,041	(15,153)	(1,071)	74,930	151,690	52,688	204,378
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	22,135	22,135	9,146	31,281
Other comprehensive income/(expense) for the year	-	-	11,482	-	-	123	157	22	-	-	(81)	-	11,703	4,008	15,711
Total comprehensive income/(expense) for the year	-	-	11,482	-	-	123	157	22	-	-	(81)	22,135	33,838	13,154	46,992
Appropriations to general risk reserve and surplus reserve	-	-	-	2,010	-	-	-	-	510	-	-	(2,520)	-	-	-
Appropriation to catastrophic loss reserve	-	-	-	-	216	-	-	-	-	-	-	(216)	-	-	-
Utilisations of catastrophic loss reserve	-	-	-	-	(686)	-	-	-	-	-	-	686	-	-	-
Dividends paid to shareholders (note 11)	-	-	-	-	-	-	-	-	-	-	-	(2,021)	(2,021)	-	(2,021)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,925)	(1,925)
Others	-	-	-	-	-	-	(55)	-	-	-	-	-	(55)	(69)	(124)
Balance at 31 December 2019	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

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

\*\* Consolidated reserves of RMB139,228 million in the consolidated statement of financial position as at 31 December 2019 comprise these reserve accounts.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
*(Amounts in millions of Renminbi, unless otherwise stated)*

	Notes	2020	2019
<b>OPERATING ACTIVITIES</b>			
Profit before tax		<b>31,610</b>	29,147
Adjustments for:			
Investment income	7	<b>(45,328)</b>	(36,629)
Exchange losses/(gains)		<b>816</b>	(173)
Share of profits or losses of associates and joint ventures		<b>(11,413)</b>	(12,566)
Depreciation of property and equipment	8	<b>2,377</b>	2,369
Depreciation of right-of-use assets	8	<b>1,492</b>	1,276
Amortisation of intangible assets	8	<b>580</b>	446
Disposal gains from investment properties, property and equipment, intangible assets and right-of-use assets		<b>(128)</b>	(73)
Finance costs except for interests credited to policyholders		<b>4,241</b>	4,257
Recognition of impairment losses on receivables and other assets		<b>150</b>	176
Investment expenses		<b>35</b>	91
Operating cash flows before working capital changes		<b>(15,568)</b>	(11,679)
Decrease/(increase) in insurance receivables, net		<b>3,255</b>	(11,824)
Decrease in investment contract liabilities for policyholders		<b>(1,359)</b>	(1,778)
Increase in insurance contract liabilities, net		<b>47,327</b>	57,258
Increase in other assets, net		<b>(2,481)</b>	(570)
Increase in other liabilities, net		<b>6,796</b>	10,155
Cash generated from operations		<b>37,970</b>	41,562
Income tax paid		<b>(6,103)</b>	(4,754)
Net cash generated from operating activities		<b>31,867</b>	36,808
<b>INVESTING ACTIVITIES</b>			
Interests received		<b>32,479</b>	31,682
Dividends received		<b>7,686</b>	6,531
Increase in policy loans		<b>(787)</b>	(971)
Purchases of investment properties, property and equipment, intangible assets and right-of-use assets		<b>(11,616)</b>	(5,254)
Proceeds from disposals of investment properties, property and equipment, intangible assets and right-of-use assets		<b>202</b>	356
Investments in associates and joint ventures		<b>(957)</b>	(1,590)
Purchases of investments		<b>(306,836)</b>	(245,026)

	2020	2019
Proceeds from disposal of interest in an associate	594	—
Proceeds from disposals of investments	229,576	195,749
Payments for investment expenses	(144)	(91)
Rentals received	536	606
(Increase)/decrease in term deposits, net	(2,103)	11,709
Net cash used in investing activities	<u>(51,370)</u>	<u>(6,299)</u>
<b>FINANCING ACTIVITIES</b>		
Net increase in securities sold under agreements to repurchase	27,563	3,374
Issue of bonds payable	8,000	—
Proceeds from bank borrowings	592	—
Repayment of bonds payable	—	(8,800)
Interests paid	(3,588)	(4,485)
Dividends paid	(10,160)	(3,946)
Repayment of lease liabilities	(1,302)	(1,205)
Funds from capital invested by non-controlling shareholders	9	—
Others	—	(119)
Net cash generated from/(used in) financing activities	<u>21,114</u>	<u>(15,181)</u>
Net increase in cash and cash equivalents	1,611	15,328
Cash and cash equivalents at beginning of the year	76,984	61,601
Effects of exchange rate changes on cash and cash equivalents	(386)	55
Cash and cash equivalents at end of the year	<u>78,209</u>	<u>76,984</u>
Analysis of balances of cash and cash equivalents		
Demand deposits and deposits with banks with original maturity of no more than three months	23,128	23,946
Securities purchased under resale agreements with original maturity of no more than three months	<u>55,081</u>	<u>53,038</u>
Cash and cash equivalents at end of the year	<u>78,209</u>	<u>76,984</u>



## **NOTES:**

### **1. CORPORATE INFORMATION**

The People's Insurance Company (Group) of China Limited (the "Company") was established on 22 August 1996 in the People's Republic of China (the "PRC") and its registered office is located at 1-13/F, No. 88, West Chang'an Street, Xicheng District, Beijing 100031, PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established on 20 October 1949 by the PRC government. The Company is listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. The 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 2020, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty insurance, life and health insurance, asset management and other businesses. The Company and its subsidiaries are collectively referred to as the "Group".

These 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") 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 and services.

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

##### Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

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

#### 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 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
<b>TOTAL INCOME</b>								
– 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
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>	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
<b>PROFIT/(LOSS) BEFORE TAX</b>	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)
<b>PROFIT FOR THE YEAR</b>								
– SEGMENT RESULTS	23,486	4,463	36	690	7,568	124	(8,134)	28,233

## Segment revenue and results for the year ended 31 December 2019

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
Net earned premiums	381,275	95,849	19,595	–	–	4,767	22	501,508
Reinsurance commission income	10,031	253	896	–	–	217	(1,526)	9,871
Investment income	16,936	16,101	1,690	658	6,288	562	(5,606)	36,629
Other income	<u>1,631</u>	<u>788</u>	<u>223</u>	<u>1,607</u>	<u>10</u>	<u>478</u>	<u>(1,533)</u>	<u>3,204</u>
<b>TOTAL INCOME</b>								
– SEGMENT INCOME	<u>409,873</u>	<u>112,991</u>	<u>22,404</u>	<u>2,265</u>	<u>6,298</u>	<u>6,024</u>	<u>(8,643)</u>	<u>551,212</u>
– External income	412,747	112,699	22,345	1,438	753	1,230	–	551,212
– Inter-segment income	<u>(2,874)</u>	<u>292</u>	<u>59</u>	<u>827</u>	<u>5,545</u>	<u>4,794</u>	<u>(8,643)</u>	<u>–</u>
Net claims and policyholders' benefits	<u>252,240</u>	<u>91,735</u>	<u>17,320</u>	<u>–</u>	<u>–</u>	<u>3,361</u>	<u>(78)</u>	<u>364,578</u>
Handling charges and commissions	55,066	11,450	729	–	–	–	(797)	66,448
Finance costs	1,425	2,858	460	4	1,049	30	(19)	5,807
Exchange (gains)/losses	(71)	(49)	–	3	(44)	(12)	–	(173)
Other operating and administrative expenses	<u>82,569</u>	<u>8,944</u>	<u>4,078</u>	<u>1,305</u>	<u>932</u>	<u>2,821</u>	<u>(2,678)</u>	<u>97,971</u>
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>	<u>391,229</u>	<u>114,938</u>	<u>22,587</u>	<u>1,312</u>	<u>1,937</u>	<u>6,200</u>	<u>(3,572)</u>	<u>534,631</u>
Share of profits or losses of associates and joint ventures	<u>7,898</u>	<u>4,062</u>	<u>19</u>	<u>(18)</u>	<u>857</u>	<u>(48)</u>	<u>(204)</u>	<u>12,566</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	26,542	2,115	(164)	935	5,218	(224)	(5,275)	29,147
Income tax credit/(expense)	<u>494</u>	<u>1,297</u>	<u>197</u>	<u>(206)</u>	<u>291</u>	<u>103</u>	<u>(42)</u>	<u>2,134</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>								
– SEGMENT RESULTS	<u><u>27,036</u></u>	<u><u>3,412</u></u>	<u><u>33</u></u>	<u><u>729</u></u>	<u><u>5,509</u></u>	<u><u>(121)</u></u>	<u><u>(5,317)</u></u>	<u><u>31,281</u></u>

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

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
<b>31 December 2020</b>								
Segment assets	<u>655,997</u>	<u>494,320</u>	<u>59,015</u>	<u>12,305</u>	<u>122,821</u>	<u>18,850</u>	<u>(107,244)</u>	<u>1,256,064</u>
Segment liabilities	<u>456,436</u>	<u>445,306</u>	<u>52,302</u>	<u>3,418</u>	<u>22,654</u>	<u>10,202</u>	<u>(7,810)</u>	<u>982,508</u>
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	<u>14,479</u>	<u>14,439</u>	<u>1,560</u>	<u>137</u>	<u>740</u>	<u>516</u>	<u>255</u>	<u>32,126</u>
<b>31 December 2019</b>								
Segment assets	<u>603,359</u>	<u>441,078</u>	<u>41,677</u>	<u>11,033</u>	<u>122,684</u>	<u>17,903</u>	<u>(104,505)</u>	<u>1,133,229</u>
Segment liabilities	<u>425,856</u>	<u>398,918</u>	<u>35,327</u>	<u>2,558</u>	<u>23,163</u>	<u>9,413</u>	<u>(9,306)</u>	<u>885,929</u>
Other segment information:								
Capital expenditures	4,085	666	427	99	48	54	(125)	5,254
Depreciation and amortisation	3,313	485	194	110	153	36	(200)	4,091
Interest income	<u>14,278</u>	<u>14,038</u>	<u>1,270</u>	<u>211</u>	<u>680</u>	<u>549</u>	<u>36</u>	<u>31,062</u>

The headquarters, non-life and life segments hold equity interests of 0.85%, 5.91%, and 6.14% (31 December 2019: 0.85%, 5.91%, and 6.14%), respectively, in 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

	2020	2019
<b>(a) Gross written premiums</b>		
Long-term life insurance premiums	112,669	104,289
Short-term health insurance premiums	15,779	16,251
Non-life insurance premiums	<u>435,160</u>	<u>434,711</u>
<b>TOTAL</b>	<b><u>563,608</u></b>	<b><u>555,251</u></b>
<b>(b) Premiums ceded to reinsurers</b>		
Long-term life insurance premiums	(6,303)	(4,001)
Short-term health insurance premiums	(228)	(297)
Non-life insurance premiums	<u>(37,905)</u>	<u>(31,044)</u>
<b>TOTAL</b>	<b><u>(44,436)</u></b>	<b><u>(35,342)</u></b>
Net written premiums	<b><u>519,172</u></b>	<b><u>519,909</u></b>
<b>(c) Change in unearned premium reserves</b>		
Change in gross unearned premium reserves	(466)	(19,177)
Less: Change in reinsurers' share of unearned premium reserves	<u>1,875</u>	<u>776</u>
<b>Net</b>	<b><u>1,409</u></b>	<b><u>(18,401)</u></b>

## 7. INVESTMENT INCOME

	2020	2019
Dividend, interest and rental income (a)	37,318	35,335
Realised gains (b)	11,849	2,660
Fair value (losses)/gains (c)	(150)	527
Impairment losses (d)	<u>(3,689)</u>	<u>(1,893)</u>
<b>TOTAL</b>	<b><u>45,328</u></b>	<b><u>36,629</u></b>

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

	2020	2019
Dividend income		
Equity securities, mutual funds and trust schemes		
– Available-for-sale	4,416	3,426
– At fair value through profit or loss	240	241
	<u>4,656</u>	<u>3,667</u>
Subtotal		
Interest income		
Current and term deposits	4,688	5,056
Debt securities		
– Held-to-maturity	7,424	6,541
– Available-for-sale	8,404	8,401
– At fair value through profit or loss	850	305
Loans and receivables	10,760	10,759
	<u>32,126</u>	<u>31,062</u>
Subtotal		
Operating lease income from investment properties	536	606
	<u>536</u>	<u>606</u>
<b>TOTAL</b>	<b><u>37,318</u></b>	<b><u>35,335</u></b>

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

	2020	2019
Debt securities		
– Available-for-sale	349	558
– At fair value through profit or loss	(33)	3
Equity securities, mutual funds and trust schemes		
– Available-for-sale	10,528	1,880
– At fair value through profit or loss	766	219
Gain on disposal of an associate	239	–
	<u>11,849</u>	<u>2,660</u>
<b>TOTAL</b>	<b><u>11,849</u></b>	<b><u>2,660</u></b>

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

	2020	2019
Debt securities		
– At fair value through profit or loss	(239)	82
Equity securities, mutual funds and trust schemes		
– At fair value through profit or loss	216	564
Investment properties	(127)	(119)
	<u>(150)</u>	<u>527</u>
<b>TOTAL</b>	<b><u>(150)</u></b>	<b><u>527</u></b>

**(d) Impairment losses**

	2020	2019
Available-for-sale financial assets	(2,756)	(1,860)
Loans and receivables	(933)	–
Others	–	(33)
<b>TOTAL</b>	<b>(3,689)</b>	<b>(1,893)</b>

**8. PROFIT BEFORE TAX**

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

	2020	2019
Employee costs (a)	51,963	51,243
Depreciation of property and equipment	2,377	2,369
Depreciation of right-of-use assets	1,492	1,276
Amortisation of intangible assets	580	446
Recognition of impairment losses on insurance receivables (note 12(a))	149	233
Reversal of impairment losses on other assets	(5)	(57)
Recognition of impairment losses on intangible assets	6	–
Auditors' remuneration	36	36

**(a) Employee costs**

	2020	2019
Employee costs (including directors' and supervisors' remuneration)		
– Salaries, allowances and performance related bonuses	48,550	46,410
– Pension scheme contributions	3,413	4,833
<b>TOTAL</b>	<b>51,963</b>	<b>51,243</b>

**9. INCOME TAX EXPENSE/(CREDIT)**

	2020	2019
Current tax	6,230	6,471
Adjustments in respect of prior years	26	(4,682)
Deferred tax	(2,879)	(3,923)
<b>TOTAL</b>	<b>3,377</b>	<b>(2,134)</b>



Certain operations of the Company's subsidiary in the Western region enjoy tax preferential treatments in current year 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% (2019: 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.

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

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

	2020	2019
Profit before tax	<u>31,610</u>	<u>29,147</u>
Tax at the statutory tax rate	7,903	7,287
Adjustments in respect of prior years	26	23
Tax effect of share of profits or losses of associates and joint ventures	(2,853)	(3,141)
Income not subject to tax	(2,344)	(1,660)
Impact on income tax expense from the New Policy	–	(4,705)
Expenses not deductible for tax	221	252
Unrecognised deductible temporary differences and tax losses/ tax losses utilised from previous periods	519	(189)
Effects of different tax rates applied to subsidiaries	(102)	(1)
Others	<u>7</u>	<u>–</u>
Income tax expense/(credit) for the year	<u><u>3,377</u></u>	<u><u>(2,134)</u></u>

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share for the years of 2020 and 2019 is based on the profit attributable to equity holders of the Company and the number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to owners of the Company for the year	<u>20,036</u>	<u>22,135</u>
Weighted average number of ordinary shares in issue (in million shares)	<u>44,224</u>	<u>44,224</u>
Basic earnings per share (in RMB Yuan)	<u><u>0.45</u></u>	<u><u>0.50</u></u>

No diluted earnings per share has been presented for the years of 2020 and 2019 as the Company had no potential ordinary shares in issue during these years.

## 11. DIVIDENDS

	2020	2019
Dividends recognised as distributions:		
2018 Final, paid – RMB4.57 cents per share	–	2,021
2019 Final, paid – RMB11.60 cents per share	5,130	–
2020 Interim, paid – RMB3.60 cents per share	<u>1,592</u>	<u>–</u>

An interim dividend in respect of the six months ended 30 June 2020 of RMB3.60 cents per share was proposed by the Board of Directors at 21 August 2020 and approved by the shareholders at 28 October 2020 at the general meeting and paid on 8 December 2020.

As at 23 March 2021, final dividend in respect of the year ended 31 December 2020 of RMB12 cents per share has been proposed by the Board of Directors and is subject to approval by the shareholders at the forthcoming general meeting.

## 12. INSURANCE RECEIVABLES, NET

	31 December 2020	31 December 2019
Premiums receivable and agents' balances	40,167	42,851
Receivables from reinsurers	<u>15,741</u>	<u>16,345</u>
Subtotal	<u>55,908</u>	<u>59,196</u>
Less: Impairment provisions on		
– Premiums receivable and agents' balances	(3,340)	(3,217)
– Receivables from reinsurers	<u>(163)</u>	<u>(170)</u>
<b>TOTAL</b>	<u><b>52,405</b></u>	<u><b>55,809</b></u>

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

	2020	2019
At 1 January	3,387	3,208
Recognition of impairment losses ( <i>note 8</i> )	149	233
Amount written off as uncollectible	<u>(33)</u>	<u>(54)</u>
At 31 December	<u><b>3,503</b></u>	<u><b>3,387</b></u>

- (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:

	<b>31 December 2020</b>	31 December 2019
Not yet due and up to 3 months	<b>43,215</b>	48,416
More than 3 months to 6 months	<b>2,624</b>	3,265
More than 6 months to 12 months	<b>5,177</b>	3,288
More than 1 year to 2 years	<b>1,286</b>	674
More than 2 years	<b>103</b>	166
<b>TOTAL</b>	<b><u>52,405</u></b>	<b><u>55,809</u></b>

### 13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

- (a) The Group's investments in associates and joint ventures as at 31 December 2020 and 2019 are as follows:

	<b>31 December 2020</b>	31 December 2019
Associates		
Cost of investment in associates	<b>68,346</b>	67,744
Share of post-acquisition profits and other comprehensive income ( <i>note</i> )	<b><u>53,344</u></b>	<u>46,090</u>
Subtotal	<b><u>121,690</u></b>	<u>113,834</u>
Joint ventures		
Cost of investment in joint ventures	<b>3,086</b>	3,086
Share of post-acquisition profits and other comprehensive income	<b><u>64</u></b>	<u>163</u>
Subtotal	<b><u>3,150</u></b>	<u>3,249</u>
<b>TOTAL</b>	<b><u>124,840</u></b>	<b><u>117,083</u></b>

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

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

Included in the carrying amount of investments in associates as at 31 December 2020 was an aggregate amount of RMB109,659 million (31 December 2019: RMB101,888 million) in respect of listed entities and their corresponding fair values amounted to RMB75,185 million (31 December 2019: RMB75,679 million) on the same date. As at 31 December 2020, 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 2020 (31 December 2019: 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 2020		31 December 2019	
			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 2020	31 December 2019
Issued and fully paid ordinary shares of RMB1 each (in million shares)		
A shares	35,498	35,498
H shares	8,726	8,726
	<u>44,224</u>	<u>44,224</u>
Issued capital (in RMB million)		
A shares	35,498	35,498
H shares	8,726	8,726
	<u>44,224</u>	<u>44,224</u>

## 15. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2020	31 December 2019
<b>ASSETS</b>		
Cash and cash equivalents	769	3,003
Debt securities	2,731	3,046
Equity securities, mutual funds and trust schemes	10,135	8,528
Term deposits	4,462	4,068
Investments classified as loans and receivables	7,248	6,487
Investments in subsidiaries	85,310	84,495
Investments in associates	5,732	5,922
Investment properties	2,542	2,656
Property and equipment	2,790	2,900
Right-of-use assets	61	62
Intangible assets	24	21
Other assets	284	454
<b>TOTAL ASSETS</b>	<b>122,088</b>	<b>121,642</b>
<b>LIABILITIES</b>		
Securities sold under agreements to repurchase	30	63
Bonds payable	17,987	17,982
Pension benefit obligation	2,833	2,927
Other liabilities	1,803	2,191
<b>TOTAL LIABILITIES</b>	<b>22,653</b>	<b>23,163</b>
<b>EQUITY</b>		
Issued capital	44,224	44,224
Reserves	55,211	54,255
<b>TOTAL EQUITY</b>	<b>99,435</b>	<b>98,479</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>122,088</b>	<b>121,642</b>

## 16. EVENT AFTER THE REPORTING PERIOD

On 23 March 2021, the Board of Directors of the Company proposed a final dividend of RMB12 cents per ordinary share for the year ended 31 December 2020, amounting to a total of approximately RMB5,307 million. The above proposal is subject to the approval of shareholders' general meeting of the Company. In addition, PICC P&C, the Company's subsidiary, proposed an amount of RMB15,000 million 10-year capital supplementary bonds to be issued.

## PERFORMANCE HIGHLIGHTS

### 1. Steady Growth in Profits

The profit before tax amounted to RMB31,610 million, representing a year-on-year increase of 8.5%. Net profit amounted to RMB28,233 million, excluding the one-off impact of the tax preferential policy on handling charges last year, representing a year-on-year increase of 6.2%.

### 2. Substantial Increase in Cash Dividends

An additional interim dividend was paid to the shareholders, and the cash dividend for the year amounting to RMB1.56 per 10 shares<sup>1</sup> represented a year-on-year increase of 34.5%, which significantly exceeded the increase in net profit attributable to the parent company. The dividend payout ratio based on the net profit attributable to the parent company amounted to 34.4%, setting a new record high.

### 3. Steady Development of P&C Insurance Business

PICC P&C coped with the impact of the pandemic actively and responded to the trend of comprehensive reform of motor vehicle insurance by accelerating the integration and development of channels, proactively adjusting its business structure and maintaining steady business development. The combined ratio was 98.9%, which outperformed the industry; the comprehensive solvency margin ratio was 289%, demonstrating a strong capital; excluding the impact of changes from the tax policy on handling charges over the same period last year, the net profit was RMB20,868 million, representing a year-on-year increase of 4.1%.

### 4. Great Potential in Life and Health Insurance

The life and health insurance achieved new business of RMB6,132 million, representing a year-on-year increase of 9.7%. The effective workforce of PICC Life continued to grow with a monthly average effective workforce of 101,806 for “Comprehensive individual life insurance”, representing a year-on-year increase of 8.8%. Its profitability increased significantly, achieving a consolidated net profit of RMB4,463 million, representing a year-on-year increase of 30.8%. Renewal premiums accumulated rapidly and amounted to RMB47,354 million, representing a year-on-year increase of 7.8%. The proportion of regular payment continued to increase. Regular payment (including renewal) premiums amounted to RMB66,472 million, which accounted for 69.1%, representing a year-on-year increase of 4.4 percentage points.

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<sup>1</sup> On 23 March 2021, the Board of the Company proposed the distribution of a final dividend of RMB1.20 per 10 shares for the year of 2020. The profit distribution proposal will be implemented upon approval on the general meeting of the Company.

PICC Health achieved gross written premiums of RMB32,257 million, representing a year-on-year increase of 43.9%, which ranked the top among professional health insurance companies. The innovated health insurance products have earned reputation among customers. The “Hao Yi Bao” (好醫保) series were upgraded and achieved original premiums income of RMB11,056 million, benefiting 41.29 million customers.

## **5. Serving the People’s Livelihood and Demonstrating the Role of PICC**

The Group actively participated in the “Healthy China” strategy, with its social insurance services covering 863 million people; participated in the poverty alleviation strategy to complete the mission of designated poverty alleviation. PICC P&C paid claims of more than RMB6 billion for disaster relief and medical assistance to customers in poverty, received the highest rating from the State Council’s Poverty Alleviation Office for two consecutive years and achieved full coverage for its poverty alleviation network and personnel in China; safeguarded national major deployments such as “First Mars Exploration Mission” and the “FAST”, has underwritten 626 “Belt and Road” relevant projects for 118 countries, fully demonstrating its responsibility in people’s insurance.

## **6. Actively Assisting in Pandemic Prevention and Control and Resumption of Work and Production**

To fight against the COVID-19 pandemic, the Group established a public health emergency relief insurance that covered 78,598 thousand people. The Group upgraded insurance coverage, strengthened responsibility, fully supported the resumption of work and production, and underwrote over 10,000 enterprises for combined insurance for resumption of work and production. China Association for Disaster Prevention awarded PICC P&C with the “Outstanding Contribution Award” for fighting against the COVID-19 pandemic. PICC P&C was the only one that received this award in the insurance industry.

## **7. Continuous Improvement in Brand Value**

As a pioneer and cornerstone of the insurance industry in the PRC, after more than 70 years of development, the Group has developed into a leading large-scale integrated insurance financial group nationwide, with the prestige brand of “PICC The People’s Insurance”. In 2020, we rebranded “People’s Insurance” 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”. With our strong comprehensive competence, the Group was ranked 112th in the Fortune 500 and 30th in the China Top 500 Enterprises by China Enterprise Confederation.

## **8. Initiation of Technology Capability Planning**

The Group has formulated a science and technology construction plan for the “14th Five-Year Plan” period, planned to promote the reform of the science and technology management mechanism and initiated the planning of future-oriented science and technology capabilities: to reform the governance structure of science and technology, with centralisation as the direction, optimise resources allocation and establish a market-oriented operation mechanism; to accelerate the construction of a centralised infrastructure, independently build world-class data centres and realise a multi-site, multi-centre, multi-live/disaster recovery system; to build a consolidated development and technology platform for the Group and to build a technology ecosystem that is independently controllable, stable and secure with leading technology; to implement consolidated data management applications, explore the internal value of data assets and allow data to fully play the empowering role in operation management and business development; to strengthen the construction of scientific and technological talent team, and scientifically design the selection, assessment and incentive mechanism in alignment with the market; to enhance the level of scientific and technological innovation capabilities, create prospective and strategic technology applications, and accelerate the establishment of a mature and robust mechanism and capacity system for scientific and technological innovation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

We are committed to creating a world-class financial insurance group with excellent risk management capabilities. In 2020, we firmly kept in mind the mission of serving the people. We focused on the needs of the national strategies and relieved people’s anxieties. With professionalism to create value, craftsmanship to spread warmth, technology to empower the future, under the new planning and together with the nation, we served the people and promoted the high-quality development of the Company. We strengthened the operating capacity in the P&C insurance segment, enhanced the business capabilities in vehicle insurance, initiated the development of personal non-vehicle insurance business, and accelerated online transformation of digital technology. All these led to a more solid operating foundation. The life and health insurance adhered to concentrate on its value, promoted its “Comprehensive individual life insurance” with the “Cornerstone Plan”, and actively contributed to the construction of the “Healthy China”, and as a result, the Company’s professionalism has been further enhanced. The investment segment adhered to focus on enhancing the efficiency of investment and centering on the support of main businesses, while promoting the construction of differentiated core capabilities. The financial technology segment strengthened technology empowerment and reinforced the foundation of the Group’s sustainable development and its core competitiveness.



## **I. BUSINESS OVERVIEW OF THE COMPANY**

### **(I) Principal Businesses**

The COVID-19 pandemic has raged across the world in 2020, resulting in the severe recession in the global economy. China's economic growth was affected heavily as well, and with the suspensions of many industries and enterprises, the key economic indicators did not turn from negative to positive until the fourth quarter. The insurance industry not only was influenced by the pandemic in many aspects but also faced the challenging climate, the prominent credit risk, and a volatile financial market. As a result, the growth rate of both premiums and profits declined significantly this year. Meanwhile, the comprehensive reforming of the auto insurance, the state policies for life insurance to provide broader coverage and better quality and efficient services, the integration of online and offline businesses as accelerated by the pandemic and other new requirements for market players also promoted industry transformation and reform.

Amidst the complex and severe domestic and international economic environment, the Group has determined to carry out the new development concept, fulfilled its responsibilities as a financial central enterprise, actively planned and implemented the "To be Prominent Strategy", steadily improved the quality of business development, accelerated the progress of innovation, enhanced the ability and quality of officers and employees, took the initiative to prevent, control and eliminate operational risks and maintained a stable, progressive and positive development trend. Net profit excluding the one-off impact of the tax preferential policy on handling charges last year represented a year-on-year increase of 6.2%. As of 31 December 2020, the market share of PICC P&C in the P&C insurance market was 31.8%, the market share of PICC Life and PICC Health in the life and health insurance market was 4.0%. In terms of the total written premiums (the "TWPs"), in 2020, the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB432,019 million, RMB101,339 million, RMB32,754 million and RMB207 million, respectively.

#### ***1. P&C Insurance Segment: Operating Efficiency Remains Stable***

With the impact of the pandemic and market challenges, PICC P&C is committed to contributing to the national strategies, public health, social governance and innovation development, as well as strengthening business synergy and continuously improving the quality of insurance services, and actively adjusts and optimises our business structure, disposes high-risk businesses in a timely manner and dedicates to resolve and prevent business risks to create value for our customers. In 2020, PICC P&C achieved gross written premiums of RMB433,187 million, with a relatively stable business scale; the market share was 31.8%, maintaining the top position in the industry. Excluding the impact of changes from the tax policy on handling charges over the same period last year, the net profit was RMB20,868 million, representing a year-on-year increase of 4.1%.

## ***2. Life and Health Insurance Segment: Business Development to a New Level***

In 2020, the life and health insurance achieved new business of RMB6,132 million, representing a year-on-year increase of 9.7%. PICC Life accelerated the business model reform, improved product structure, vigorously promoted team-building, and strictly controlled risks, and has achieved satisfactory results in the transformation to high-quality development. Its profitability and value creation ability increased steadily, achieving a consolidated net profit of RMB4,463 million, representing a year-on-year increase of 30.8%. PICC Health concentrated on the two functions of “protecting from health risks and providing healthcare services” and accelerated transformation and upgrade, and there was a significant growth in business. The TWPs from internet insurance business reached RMB12,678 million, representing a year-on-year increase of 77.1%; PICC Health achieved new business of RMB703 million, representing a year-on-year increase of 56.6%.

## ***3. Investment Segment: Continuous Improvement in Investment Results***

The investment segment adhered to the idea of value investment, strengthened the research and development of integrated construction, and built an investment portfolio that would achieve long-term stable returns from a cross-cyclical perspective. In 2020, the Group achieved a total investment income of RMB56,741 million, representing a year-on-year increase of 15.3%; the total investment yield amounted to 5.8%, representing a year-on-year increase of 0.4 percentage point, which is ahead of the industry’s average to a large extent. At the same time, the investment segment leveraged its core competency in multi-asset allocation, increased product innovation and accelerated the development of third-party management business. In 2020, the scale of third-party assets management increased by 46.1% compared with the beginning of the year, among which the scale of PICC retirement annuity insurance and pension management was RMB249,148 million, representing an increase of 106.9% compared with the beginning of the year.

## ***4. Financial Technology Segment: Continuous Improvement of Scientific and Technological Capabilities***

The technology segment took the perception of grassroots level and customer experience as the standard and actively improved the technology support capability. Firstly, we continued to enhance the online operation system and speed up the construction of online sales, underwriting, claims and services. The rate of customers using online claim system to handle vehicle insurance reached 93.2%, and that of online household-owned vehicle customers reached 89%, effectively meeting the surge in demand for online services under the COVID-19 pandemic. Secondly, we increased the application of intelligent technology, further introduced intelligent robots, voice recognition, AirSig, and big data technologies, as well as the introduction of robots for intelligent double recording, revisits, quality control, outbound calls, damage assessment and AI pandemic investigation; continuously enhanced the level of technology empowerment and comprehensively improved customer experience. Thirdly, we optimised the construction of management tools, accelerated the application of new management tools such as the “Vehicle Insurance Claim Butler”, “Seven Platforms” for claims, intensified the construction of customer-oriented, internal-oriented and external-oriented mobile interactive platforms, accelerated the optimisation and reconstruction of the core system, and gradually established independent controllable technology system to support the Group’s digital transformation to achieve new results.

## (II) Key Operating Data

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

	Unit: RMB million		
	Year ended 31 December		
	2020	2019	(% of change)
Original premiums income			
PICC P&C	<b>432,019</b>	431,724	0.1
PICC Life	<b>96,186</b>	98,115	(2.0)
PICC Health	<b>32,257</b>	22,420	43.9
Combined ratio of PICC P&C (%)	<b>98.9</b>	99.2	Decrease of 0.3 pt
Value of one year's new business of PICC Life	<b>5,429</b>	5,142	5.6
Value of one year's new business of PICC Health	<b>703</b>	449	56.6
Total investment yield (%)	<b>5.8</b>	5.4	Increase of 0.4 pt

*Note:* The assumption of investment yield used in the calculation of the value of one year's new business of PICC Life and PICC Health for the 12 months up to 31 December 2019 is the same as the current assumption of investment yield. Apart from the assumption of investment yield, other assumptions are the same as those used for the evaluation as of 31 December 2019.

Unit: RMB million

	31 December 2020	31 December 2019	(% of change)
Market share (%)			
PICC P&C	31.8	33.2	Decrease of 1.4 pts
PICC Life	3.0	3.3	Decrease of 0.3 pt
PICC Health	1.0	0.8	Increase of 0.2 pt
Embedded Value of PICC Life	102,297	84,692	20.8
Embedded Value of PICC Health	14,947	11,097	34.7

Note:

1. The market share was independently calculated based on the original premiums income in the PRC (excluding Hong Kong, Macau and Taiwan) published by the China Banking and Insurance Regulatory Commission (the “CBIRC”), and the market share of PICC P&C represents its market share among all P&C insurance companies, and the market share of PICC Life and PICC Health represents their respective market share among all life and health insurance companies.
2. The assumption of investment yield used in the calculation of Embedded Value of PICC Life and PICC Health as of 31 December 2019 is the same as the current assumption of investment yield. Apart from the assumption of investment yield, other assumptions are the same as those used for the evaluation as of 31 December 2019.

	31 December 2020	31 December 2019	(% of change)
Comprehensive solvency margin ratio (%)			
PICC Group	305	300	Increase of 5 pts
PICC P&C	289	282	Increase of 7 pts
PICC Life	261	244	Increase of 17 pts
PICC Health	205	201	Increase of 4 pts
Core solvency margin ratio (%)			
PICC Group	257	252	Increase of 5 pts
PICC P&C	250	252	Decrease of 2 pts
PICC Life	233	211	Increase of 22 pts
PICC Health	162	140	Increase of 22 pts

### (III) Key Financial Indicators

Unit: RMB million

	Year ended 31 December		
	2020	2019	(% of change)
Gross written premiums	<b>563,608</b>	555,251	1.5
PICC P&C	<b>433,187</b>	433,175	–
PICC Life	<b>96,190</b>	98,117	(2.0)
PICC Health	<b>32,257</b>	22,423	43.9
Profit before tax	<b>31,610</b>	29,147	8.5
Net profit	<b>28,233</b>	31,281	(9.7)
Net profit attributable to owners of the Company	<b>20,036</b>	22,135	(9.5)
Earnings per share <sup>(1)</sup> (RMB/share)	<b>0.45</b>	0.50	(9.5)
Weighted average return on equity (%)	<b>10.4</b>	13.2	Decrease of 2.8 pts

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

Unit: RMB million

	31 December 2020	31 December 2019	(% of change)
Total assets	<b>1,256,064</b>	1,133,229	10.8
Total liabilities	<b>982,508</b>	885,929	10.9
Total equity	<b>273,556</b>	247,300	10.6
Net assets per share <sup>(1)</sup> (RMB)	<b>4.58</b>	4.15	10.4
Gearing ratio <sup>(2)</sup> (%)	<b>78.2</b>	78.2	–

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

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

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

Unit: RMB million

	Net profit attributable to owners of the Company		Attributable to owners of the Company	
	2020	2019	31 December 2020	31 December 2019
China Accounting Standards for Business Enterprises	20,069	22,401	202,194	183,133
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic Risk Reserve of Agricultural Insurance ( <i>Note 1</i> )	22	(608)	424	403
Impact of above adjustment on deferred income tax	(5)	150	(106)	(102)
Reclassification of insurance contracts to investment contracts ( <i>Note 2</i> )	(50)	192	(32)	18
Under the International Financial Reporting Standards	20,036	22,135	202,480	183,452

Explanation for major adjustments:

1. According to the Cai Jin [2013] No.129 Document, PICC P&C made provision for catastrophic risk reserve of agricultural insurance based on a certain proportion of the retained premiums of agricultural insurance; however, the provision for catastrophic risk reserve is not accounted under the International Financial Reporting Standards. Hence, there is a difference in the recognition of 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 2020, PICC P&C proactively responded to the trend of comprehensive vehicle insurance reform, continued to optimise risk pricing models and increase the market share of vehicle insurance; proactively contributed to national key projects and major strategies, increased product innovation and promoted the development of individual non-vehicle insurance business; adjusted business structure, continuously promoted disaster prevention and loss reduction and reduced management costs; strengthened regional capacity construction and accelerated digital and online transformation; committed to addressing the potential risks, strengthened risk prevention and control in key areas and procedures, gross written premiums (“GWPs”) of RMB433,187 million was achieved, realising a positive year-on-year growth and the market share was 31.8%, maintaining the top position in the industry; underwriting profits amounted to RMB4,177 million, representing a year-on-year increase of 31.5%; the combined ratio was 98.9%, representing a year-on-year decrease of 0.3 percentage point, staying at the top of the industry.

As a result of its outstanding industry position and continuous improvement in its overall strength, PICC P&C has been ranked among the “Top 100 Hong Kong Listed Enterprises – Comprehensive Strength” of “The Top 100 Hong Kong Listed Companies” for eight consecutive years, and has been ranked top in “Asian Insurance Competitiveness List” for twelve consecutive years, and Moody’s Investors Service continues to give the highest rating of A1 to PICC P&C’s insurance financial strength in Mainland China.

##### *(1) Underwriting*

PICC P&C actively countered the challenges brought by the internal and external environment, accelerated the implementation of its digitalisation strategy, built an online contactless service model, proactively adjusted its business structure, and strived to mitigate and prevent business risks, achieving original premiums income of RMB432,019 million, a 0.1% increase compared to the corresponding period last year. While PICC P&C promoted the continuous improvement of business quality, it also strongly resolved the risks of existing business and improved the efficiency of resource utilisation, underwriting profits amounted to RMB4,177 million, representing a year-on-year increase of 31.5%; combined ratio was 98.9%, representing a year-on-year decrease of 0.3 percentage point. Among which, the claim ratio remained flat year-on-year at 66.2%; the expense ratio was 32.7%, representing a year-on-year decrease of 0.3 percentage point.



- Motor vehicle insurance

Despite the double impact on the business due to the decline in automobile production and sales and the COVID-19 pandemic, PICC P&C explored the market's potential intensively, continued to promote the establishment of direct sales team strongly, increased the channel integration and development, driving the premium scale of motor vehicle insurance to rise steadily, resulting in an original premiums income of RMB265,651 million, representing a year-on-year increase of 1.0%.

PICC P&C achieved underwriting profits for motor vehicle insurance of RMB8,809 million, representing a year-on-year increase of 7.4%. In terms of underwriting, PICC P&C's optimisation of business structure has begun to show results, the growth rate of household-owned vehicle business has led the industry, while the quality of business for motor vehicle insurance continues to improve; it continued to optimise risk pricing models, improved the ability of accurate pricing and constantly enhanced the operational efficiency. In terms of claim settlement, PICC P&C actively promoted the "linkage between police and insurance" and "Yuhang Model", introduced contactless claim settlement services during the pandemic, and continuously improved the claim settlement service capability; continued to promote cost reduction and profitability improvement, effectively offset the adverse impact of the rise in prices of the working hours of auto parts and the higher compensation standard for personal injury by taking loss-reduction measures including payment recovery, technology-oriented claim settlement, and "Jia'anpei" order-and-supply platform. Besides, the claim frequency declined. As a result, the claim ratio of the motor vehicle insurance decreased by 1.8 percentage points as compared to the corresponding period of last year. The combined ratio was 96.5%, decreased by 0.2 percentage point as compared to the corresponding period of last year, representing a leading position in the industry.

- Accidental injury and health insurance

In terms of social medical insurance business, PICC P&C continued to contribute to the "Healthy China" strategy, and actively participated in the construction of the multi-level medical insurance system and the national long-term care insurance pilot scheme, promoting the significant growth of social medical insurance business including critical illness insurance, supplementary medical insurance, and nursing care insurance. In terms of commercial accident and health insurance, we intensively promoted innovation of product and business model, promoted policy and commercial business integration, and promoted online-offline channel balanced distribution, resulting in rapid development in individual business particularly driving insurance, "Millions Medical Insurance" and commercial-social security integrated health insurance business. The original premiums income for accidental injury and health insurance was RMB66,187 million, representing a year-on-year increase of 14.8%.

PICC P&C strengthened its centralised and refined underwriting control and introduced an intelligent risk control platform for health insurance to ensure effective risk monitoring; reinforced the quality control of claim settlement and implemented risk reduction management; and strictly managed and controlled costs and optimised resources allocation. The claim ratio for accidental injury and health insurance was 88.1%, with an expense ratio of 13.2%, both demonstrating a decline.



- Agricultural insurance

PICC P&C closely concentrated on the national rural revitalisation strategy, based on intensifying the supply-side structural reform of agriculture. On the one hand, we have been pushing forward the standard upgrading and expansion of traditional business and continuously improving the protection of agricultural insurance; on the other hand, we have been increasing innovation in products and developing local specialty business, breaking through the development of new business areas. The agricultural insurance comprehensive service capability has been increased so as to better satisfy the increasing need of risk prevention with regards to “agriculture, rural areas, and farmers”, further consolidated the leading advantages of PICC P&C in the agriculture insurance market, effectively promoted the rapid development of the agricultural insurance business scale. The original premiums income of the agricultural insurance was RMB35,754 million, representing a year-on-year increase of 17.4%.

When it comes to natural disasters including floods, typhoons, hail and frost, PICC P&C further enhanced its response ability to claims and made advance deployment for emergency response to major disasters and proper response to major catastrophes, with a year-on-year decrease in agricultural insurance claim ratio of 6.4 percentage points. As a result of the adjustment to the terms in the reinsurance policy, there was a decrease in the generation rate of the net earned premiums, and the reinsurance commission income decreased as compared to the corresponding period of last year. As a result, the expense ratio of agricultural insurance increased by 4.5 percentage points as compared to the corresponding period of last year.

- Liability insurance

PICC P&C focused on the four aspects of contributing to the real economy, safeguarding national strategies, participating in social governance and protecting the emerging economy. It has been strengthening its product innovation and development efforts, helping to cope with pandemic and assisting in work, production and school resumption, responding to the compulsory insurance system for safe production liability, and getting involved in the field of livelihood assistance and public health in order to achieve better social and economic efficiency. Meanwhile, PICC P&C actively built the new model of “insurance + risk control + technology + service” to create and develop competitive advantages, with greater growth in the business scale of safe liability insurance, comprehensive insurance for first set of major technical equipment and new materials, project quality potential defects insurance, government assistance insurance (including public health emergencies), and campus comprehensive insurance. The original premiums income for liability insurance was RMB28,467 million, representing a year-on-year increase of 4.6%.

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 1.8 percentage points in the overall claim ratio of liability insurance. At the same time, PICC P&C adjusted its planning on channels and optimised expense resources allocation, achieving a year-on-year decrease in expense ratio of 4.3 percentage points. The underwriting profits of liability insurance amounted to RMB543 million, representing a year-on-year increase of 805.0%.

- Credit insurance

PICC P&C continued to strengthen risk management and control, actively adjusted the business structure, and accelerated the clearing of existing business risks; in terms of new business, it insisted on prioritising efficiency and strictly controlled the quality of new business. The business scale of credit insurance decreased by 76.8% year-on-year.

Due to the increased social credit risk level caused by the pandemic, there was an increase in the overdue rate of existing business and a year-on-year increase in costs of claims; coupled with the curbs placed on the scale of financing credit and surety insurance business, there was a decrease in premiums income, the overall claim ratio of credit insurance increased by 46.6 percentage points year-on-year, the expense ratio decreased by 23.5 percentage points year-on-year, the comprehensive cost ratio increased by 23.1 percentage points year-on-year, and the underwriting loss was RMB5,104 million. PICC P&C will continue to strengthen the post-loan collection and process management and control, and improve the subsequent recovery income.

- Commercial property insurance

PICC P&C actively responded to the adverse impact of COVID-19 pandemic and the fierce market competition, swiftly optimised business development solutions, increased the efforts in new products development, and continued to strengthen the service for existing customers, developed and improved the source map system, and assisted the grassroots to expand new business. The original premiums income of commercial property insurance was RMB14,258 million, representing a year-on-year increase of 0.2%.

Meanwhile, PICC P&C optimised the allocation efficiency in expenses and timely adjusted reinsurance arrangements, resulting in a year-on-year decrease in the expenses rate of 3.4 percentage points; however, due to the major claims such as flood and fire as well as the impact of the pandemic, the claim ratio of commercial property insurance increased by 1.7 percentage points year-on-year. The underwriting loss of commercial property insurance was RMB344 million, representing a year-on-year reduction in loss of RMB158 million.

- Cargo insurance

Affected by the pandemic and the intensified market competition, the scale of the traditional cargo insurance market has shrunk. There was a year-on-year decrease in the average rate. Meanwhile, PICC P&C actively reduced its high-risks business, which led to a year-on-year decrease in cargo insurance original premiums income of 4.1%.

PICC P&C actively responded to the adverse impacts, improved the automatic quotation tools of cargo insurance, strengthened the management and control of business risks, and further improved the business quality. In addition, in the first half of the year, the accident rate was reduced due to the traffic and logistics control during the pandemic, and there was a year-on-year increase in the operating efficiency of cargo insurance. The underwriting profits amounted to RMB440 million, representing a year-on-year increase of 26.4%.

- Other PICC P&C insurances

The original premiums income of other PICC P&C insurances was RMB12,612 million, representing a year-on-year increase of 0.7%; the underwriting profits turned loss into profit and amounted to RMB595 million. Among which:

In terms of special insurance, PICC P&C fully leveraged its advantages in professional operation and services, safeguarded national major deployments such as “First Mars Exploration Mission” and the “FAST”, steadily developed high-quality overseas business, and strengthened product innovation. The business scale increased by 18.6% year-on-year, and the business quality continued to improve. Meanwhile, PICC P&C increased its efforts in disaster prevention and loss prevention, and the claim ratio decreased by 31.0 percentage points year-on-year with an underwriting profit of RMB177 million.

In terms of family property insurance, PICC P&C actively adjusted its business structure, proactively eliminated high-loss business, implemented authorised operation for certain high-risk business, strengthened risk management and control, and the business scale of family property insurance recorded a year-on-year decrease. However, the operating efficiency was significantly improved, and the underwriting profits turned loss into profit and amounted to RMB519 million.

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

*Unit: RMB million*

	For the year ended 31 December 2020						
	Original premiums income	Gross written premiums	Amount of insurance	Net claims	Liability balance of reserve	Underwriting profits	Combined ratio (%)
Motor vehicle insurance	265,651	265,651	103,567,179	147,571	193,221	8,809	96.5
Accidental injury and health insurance	66,187	66,187	817,630,504	50,722	29,348	(818)	101.3
Agricultural insurance	35,754	36,121	2,437,312	19,378	14,865	56	99.8
Liability insurance	28,467	28,467	191,299,913	10,971	26,480	543	97.2
Credit insurance	5,283	5,283	1,343,547	14,976	15,378	(5,104)	144.8
Commercial property insurance	14,258	14,957	31,935,722	5,478	13,907	(344)	104.1
Cargo insurance	3,807	3,807	12,999,386	1,151	2,429	440	82.9
Other PICC P&C insurances	12,612	12,714	113,923,440	4,035	17,245	595	91.9
Total	432,019	433,187	1,275,137,003	254,282	312,873	4,177	98.9

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

## ① Analysis by Insurance Types

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

	<i>Unit: RMB million</i>		
	<b>Year ended 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>(% of change)</b>
Motor vehicle insurance	<b>265,651</b>	262,927	1.0
Accidental injury and health insurance	<b>66,187</b>	57,633	14.8
Agricultural insurance	<b>35,754</b>	30,454	17.4
Liability insurance	<b>28,467</b>	27,220	4.6
Credit insurance	<b>5,283</b>	22,763	(76.8)
Commercial property insurance	<b>14,258</b>	14,227	0.2
Cargo insurance	<b>3,807</b>	3,970	(4.1)
Other PICC P&C insurances	<b>12,612</b>	12,530	0.7
<b>Total</b>	<b>432,019</b>	431,724	0.1

## ② Analysis by Channel

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

	<i>Unit: RMB million</i>				
	<b>Year ended 31 December</b>				
	<b>2020</b>			<b>2019</b>	
	<b>Amount</b>	<b>(% of total)</b>	<b>(% of change)</b>	<b>Amount</b>	<b>(% of total)</b>
Insurance agents	<b>285,328</b>	<b>66.0</b>	<b>(4.2)</b>	297,891	69.0
Among which:					
Individual insurance agents	<b>148,438</b>	<b>34.4</b>	<b>6.6</b>	139,254	32.3
Ancillary insurance agents	<b>42,933</b>	<b>9.9</b>	<b>(14.2)</b>	50,037	11.5
Professional insurance agents	<b>93,957</b>	<b>21.7</b>	<b>(13.5)</b>	108,600	25.2
Direct sales	<b>113,033</b>	<b>26.2</b>	<b>14.7</b>	98,579	22.8
Insurance brokerage	<b>33,658</b>	<b>7.8</b>	<b>(4.5)</b>	35,254	8.2
<b>Total</b>	<b>432,019</b>	<b>100.0</b>	<b>0.1</b>	431,724	100.0

In 2020, PICC P&C continued to strengthen the construction of its own channels, improved the ability of direct sales and direct control, enhanced channel coordination and promoted the integration and development of its business. The original premiums income of direct sales increased by 14.7% to RMB113,033 million in 2020 from RMB98,579 million in 2019; the original premiums income of insurance brokerage decreased by 4.5% to RMB33,658 million in 2020 from RMB35,254 million in 2019.

### ③ Analysis by Region

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

	<i>Unit: RMB million</i>		
	<b>Year ended 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>(% of change)</b>
Jiangsu Province	<b>42,343</b>	40,156	5.4
Guangdong Province	<b>41,522</b>	50,181	(17.3)
Zhejiang Province	<b>34,213</b>	31,201	9.7
Shandong Province	<b>25,860</b>	24,349	6.2
Hebei Province	<b>24,252</b>	23,849	1.7
Sichuan Province	<b>21,362</b>	20,313	5.2
Hunan Province	<b>17,983</b>	16,180	11.1
Hubei Province	<b>17,473</b>	18,646	(6.3)
Anhui Province	<b>17,381</b>	16,845	3.2
Fujian Province	<b>16,576</b>	16,748	(1.0)
Other regions	<b>173,054</b>	173,256	(0.1)
<b>Total</b>	<b>432,019</b>	431,724	0.1

### (2) Financial Analysis

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

	<i>Unit: RMB million</i>		
	<b>Year ended 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>(% of change)</b>
Net earned premiums	<b>393,127</b>	380,683	3.3
Investment income	<b>15,737</b>	14,069	11.9
Other income	<b>1,517</b>	1,629	(6.9)
<b>Total income</b>	<b>421,987</b>	406,496	3.8
Net claims and policyholders' benefits	<b>260,263</b>	251,796	3.4
Handling charges and commissions	<b>49,552</b>	55,042	(10.0)
Finance costs	<b>1,547</b>	1,424	8.6
Other operating and administrative expenses	<b>92,769</b>	82,426	12.5
<b>Total benefits, claims and expenses</b>	<b>404,752</b>	390,611	3.6
Profit before tax	<b>24,676</b>	23,783	3.8
Less: Income tax expense/(credit)	<b>3,808</b>	(496)	—
<b>Net profit</b>	<b>20,868</b>	24,279	(14.0)

### *Net earned premiums*

Net earned premiums of PICC P&C increased by 3.3% to RMB393,127 million in 2020 from RMB380,683 million in 2019, which was mainly attributable to the development in the businesses of motor vehicle insurance, accidental injury and health insurance and agricultural insurance.

### *Investment income*

The investment income of PICC P&C increased by 11.9% to RMB15,737 million in 2020 from RMB14,069 million in 2019, mainly due to better utilisation of investment opportunities in the equity market.

### *Net claims and policyholders' benefits*

Net claims and policyholders' benefits of PICC P&C increased by 3.4% to RMB260,263 million in 2020 from RMB251,796 million in 2019, the claim ratio was 66.2%, which remained stable with 2019.

### *Handling charges and commissions*

The regulatory reform in P&C insurance sector has been further promoted, the market rationality has been continuously enhanced and the comprehensive reform of motor vehicle insurance has been promoted in an all-round way. PICC P&C has strictly implemented the requirements of regulatory authorities on "integration of reporting and implementation" policy, and actively adjusted its business structure, strengthened the construction of its own channels, and enhanced the direct control ability of direct sales. The handling charges rate has decreased by 1.2 percentage points from 12.7% in 2019 to 11.5% in 2020, and the handling charges and commissions have decreased by 10.0% from RMB55,042 million in 2019 to RMB49,552 million in 2020.

### *Finance costs*

Finance costs of PICC P&C increased by 8.6% to RMB1,547 million in 2020 from RMB1,424 million in 2019, mainly due to an increase in interest expense of bond payables.

### *Income tax expense*

The income tax expense of PICC P&C changed from RMB-496 million in 2019 to RMB3,808 million in 2020 which was a one-off impact caused by the application of the new taxation rules on handling charges in 2019.

### *Net profit*

As a result of the foregoing reasons, the net profit of PICC P&C decreased by 14.0% to RMB20,868 million in 2020 from RMB24,279 million in 2019.

## *2. PICC Hong Kong*

As of 31 December 2020, PICC Hong Kong's total assets amounted to RMB3,803 million, and net assets were RMB1,438 million. In 2020, the GWPs amounted to RMB1,240 million, the combined ratio was 99.99%, and the net profit amounted to RMB58 million.

### *PICC Reinsurance*

In 2020, the construction of PICC Reinsurance professional capacity has achieved results, the market competitiveness was enhanced, and the premiums income of third party business was RMB1,355 million, representing a year-on-year increase of 37.2%, accounting for more than 25% of total premium income; the development layout of domestic market has been further improved, with business expanded to head companies of P&C insurance; the international layout has taken a new step and PICC Reinsurance became the first Chinese funded insurance institution registered in Argentina; business quality has been continuously improved, with a year-on-year decrease of 4.96 percentage points in combined ratio. Net profit in 2020 amounted to RMB100 million, representing a year-on-year increase of 5.77 times.

### *Life and Health Insurance*

#### *1. PICC Life*

In 2020, facing the complex external environment and the severe impact of COVID-19 pandemic, PICC Life thoroughly implemented the Group's "To be Prominent" Strategy, carried out innovation and reform, vigorously promoted the construction of "Comprehensive individual life insurance" sales capability, increased the efforts of technology empowerment and online and offline integration, actively reduced single premiums business and adjusted business structure, and achieved a significant increase in net profit under a slight decrease in business scale, with a year-on-year growth of 30.8%; it maintained a stable market position, continued to expand its brand influence and achieved further results in the development and transformation to high-quality. In 2020, the original premiums income for general life insurance of PICC Life was RMB23,667 million, representing a year-on-year increase of 0.9%; the original premiums income for health insurance was RMB21,077 million, representing a year-on-year increase of 4.8%; and the original premiums accounted for 3.0% of market share. In 2020, the value of a year's new business of PICC Life amounted to RMB5,429 million, representing a year-on-year increase of 5.6%. The embedded value amounted to RMB102,297 million, representing an increase of 20.8% as compared to the end of last year. The residual margin<sup>2</sup> amounted to RMB75,789 million, representing an increase of 18.2% as compared to the end of last year.

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<sup>2</sup> Residual margin is a component of insurance contract liability and should be measured at initial recognition to ensure no day one gain is recognised. Residual margin will be amortised over the whole coverage period of insurance contracts.



(1) Original premiums income

① Analysis by Product

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

<i>Unit: RMB million</i>					
<b>Year ended 31 December</b>					
	<b>2020</b>			<b>2019</b>	
	<b>Amount</b>	<b>(% of total)</b>	<b>(% of change)</b>	<b>Amount</b>	<b>(% of total)</b>
Life insurance	<b>73,478</b>	<b>76.4</b>	<b>(3.5)</b>	76,164	77.6
General life insurance	<b>23,667</b>	<b>24.6</b>	<b>0.9</b>	23,464	23.9
Participating life insurance	<b>49,704</b>	<b>51.7</b>	<b>(5.5)</b>	52,593	53.6
Universal life insurance	<b>106</b>	<b>0.1</b>	<b>(0.9)</b>	107	0.1
Health insurance	<b>21,077</b>	<b>21.9</b>	<b>4.8</b>	20,110	20.5
Accident insurance	<b>1,632</b>	<b>1.7</b>	<b>(11.4)</b>	1,841	1.9
<b>Total</b>	<b>96,186</b>	<b>100</b>	<b>(2.0)</b>	98,115	100.0

PICC Life actively responded to the challenges of the pandemic, accelerated the construction of online operation system, vigorously improved the sales-in-force, and focused on the development of protection regular premiums insurance business. Under the continuous compression of the scale of single premiums and termination of supplementary group medical products, the business structure was further optimised, achieving the original premiums income of RMB96,186 million, representing a year-on-year decrease of 2.0%, and the business remained basically stable.

PICC Life continued to optimise its business structure, and actively reduced the scale of short and medium-term business. Meanwhile, under the impact of COVID-19 pandemic, the increment of regular premiums business was lower than expected, and the original premiums income of life insurance was RMB73,478 million, representing a year-on-year decrease.

Adhering to the development and transformation to high-quality, PICC Life actively met the growth trend of health insurance demand under the impact of COVID-19 pandemic, stepped up the effort to develop and promote protection products such as critical illness insurance. The original premiums income of health insurance was RMB21,077 million, representing a year-on-year increase of 4.8%.

PICC Life continued to strengthen the management and control of business risk and the management of premiums receivable, actively adjusted the sales structure of short-term insurance, and continuously improved the operating efficiency. The original premiums income of accident insurance was RMB1,632 million, representing a year-on-year decrease of 11.4%.



In terms of TWPs, in 2020, the TWPs of general life insurance, participating life insurance and universal life insurance amounted to RMB23,667 million, RMB50,222 million and RMB4,736 million, respectively. TWPs of health insurance and accident insurance amounted to RMB21,083 million and RMB1,632 million, respectively.

## ② Analysis by Channel

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

	<i>Unit: RMB million</i>					
	Year ended 31 December					
	2020			2019		
	Amount	(% of total)	(% of change)	Amount	(% of total)	
<b>Bancassurance</b>	<b>35,930</b>	<b>37.4</b>	<b>(8.9)</b>	39,444	40.2	
First-year business of long-term insurance	22,737	23.6	(15.7)	26,986	27.5	
Single premiums	15,276	15.9	(24.3)	20,168	20.6	
First-year regular premiums	7,461	7.8	9.4	6,819	6.9	
Renewal business	13,115	13.6	6.3	12,340	12.6	
Short-term insurance	78	0.1	(33.9)	118	0.1	
<b>Individual Insurance</b>	<b>54,817</b>	<b>57.0</b>	<b>7.0</b>	51,248	52.2	
First-year business of long-term insurance	20,364	21.2	6.6	19,108	19.5	
Single premiums	8,880	9.2	28.0	6,938	7.1	
First-year regular premiums	11,484	11.9	(5.6)	12,170	12.4	
Renewal business	33,304	34.6	7.3	31,027	31.6	
Short-term insurance	1,148	1.2	3.1	1,113	1.1	
<b>Group Insurance</b>	<b>5,439</b>	<b>5.7</b>	<b>(26.7)</b>	7,423	7.6	
First-year business of long-term insurance	2,403	2.5	(42.2)	4,156	4.2	
Single premiums	2,230	2.3	(37.6)	3,571	3.6	
First-year regular premiums	173	0.2	(70.4)	585	0.6	
Renewal business	935	1.0	68.2	556	0.6	
Short-term insurance	2,101	2.2	(22.5)	2,711	2.8	
<b>Total</b>	<b>96,186</b>	<b>100.0</b>	<b>(2.0)</b>	98,115	100	

PICC Life insisted on promoting the transformation of regular premium business of bancassurance channel, continued to reduce the scale of low value single premium business such as short and medium-term business, continuously optimised the business structure and achieved a valuable scale of growth. The original premiums income of bancassurance channel was RMB35,930 million, representing a year-on-year decrease of 8.9%.

PICC Life is determined to promote the strategy of “Comprehensive individual life insurance”, and will continue to promote the implementation of the “Cornerstone Plan”, focus on the construction of sales capacity and infrastructure, fully implement the new basic law, take systemised operation as a guidance, strengthen the basic management of sales agent, continuously improve the quality of individual insurance agent team, and enhance the sales capacity of personal business. The effective workforce per month was 101,806, representing a year-on-year increase of 8.8%. The original premiums income of personal insurance channel was RMB54,817 million, representing a year-on-year increase of 7.0%.

PICC Life has terminated supplementary group medical products. The original premiums income of group insurance channel was RMB5,439 million, representing a year-on-year decrease of 26.7%.

In terms of TWPs, in 2020, the TWPs from the bancassurance channel, individual insurance channel, and group insurance channel amounted to RMB36,870 million, RMB58,464 million and RMB6,005 million, respectively. As at 31 December 2020, the number of sales agents for “Comprehensive individual life insurance” was 414,255. The first-year TWPs per capita per month amounted to RMB2,198 and the average number of new life insurance policies per capita was 0.79 per month.

### ③ Analysis by Region

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

	<i>Unit: RMB million</i>		
	<b>Year ended 31 December</b>		
	<b>2020</b>	2019	(% of change)
Zhejiang Province	<b>13,607</b>	11,326	20.1
Sichuan Province	<b>7,472</b>	7,300	2.4
Jiangsu Province	<b>4,970</b>	5,043	(1.4)
Hunan Province	<b>4,920</b>	5,102	(3.6)
Beijing City	<b>4,514</b>	4,852	(7.0)
Guangdong Province	<b>4,148</b>	3,148	31.8
Henan Province	<b>3,865</b>	4,796	(19.4)
Hubei Province	<b>3,752</b>	4,030	(6.9)
Hebei Province	<b>3,732</b>	4,761	(21.6)
Jilin Province	<b>3,282</b>	3,350	(2.0)
Other regions	<b>41,925</b>	44,407	(5.6)
<b>Total</b>	<b>96,186</b>	98,115	(2.0)

#### ④ Persistency Ratios of Premiums

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

Items	Year ended 31 December	
	2020	2019
13-month premium persistency ratio <sup>(1)</sup> (%)	86.5	91.8
25-month premium persistency ratio <sup>(2)</sup> (%)	88.9	91.4

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

#### ⑤ Top Five Products

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

Insurance products	Unit: RMB million		
	For the year ended 31 December 2020		
	Type of insurance	Sales channels	Original premiums income
PICC Life Xin An Endowment Insurance (Participating) (Type C)	Participating life insurance	Individual insurance/ Bancassurance	15,033
PICC Life Ru Yi Bao Endowment Insurance (Participating)	Participating life insurance	Individual insurance/ Bancassurance	11,447
PICC Life Ju Cai Bao Retirement Annuity Insurance (Participating)	Participating life insurance	Individual insurance	8,647
PICC Life Zun Ying Ren Sheng Annuity Insurance (Participating)	Participating life insurance	Individual insurance/ Bancassurance	6,668
PICC Life Le Xiang Sheng Huo Annuity Insurance	General life insurance	Individual insurance/ Bancassurance	4,287

## (2) Financial Analysis

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

	<i>Unit: RMB million</i>		
	<b>Year ended 31 December</b>		
	<b>2020</b>	2019	(% of change)
Net earned premiums	<b>94,288</b>	95,849	(1.6)
Investment income	<b>21,466</b>	16,101	33.3
Other income	<b>935</b>	788	18.7
Total income	<b>117,126</b>	112,991	3.7
Net claims and policyholders' benefits	<b>94,136</b>	91,735	2.6
Handling charges and commissions	<b>12,591</b>	11,450	10.0
Finance costs	<b>2,673</b>	2,858	(6.5)
Other operating and administrative expenses	<b>8,437</b>	8,944	(5.7)
Total benefits, claims and expenses	<b>117,932</b>	114,938	2.6
Profit before tax	<b>3,136</b>	2,115	48.3
Less: Income tax expense/(credit)	<b>(1,327)</b>	(1,297)	2.3
Net profit	<b>4,463</b>	3,412	30.8

### *Net earned premiums*

Net earned premiums of PICC Life decreased by 1.6% from RMB95,849 million in 2019 to RMB94,288 million in 2020. On the one hand, PICC Life took the initiative to reduce the scale of existing short and medium-term business, and achieved further results in the development and transformation to high-quality; on the other hand, due to the adverse impact of the COVID-19 pandemic, the growth of regular business was below expectation with a year-on-year decrease in business scale.

### *Investment income*

The investment income of PICC Life increased by 33.3% from RMB16,101 million in 2019 to RMB21,466 million in 2020. This was primarily due to better utilisation of investment opportunities in the equity market.

### *Other income*

Other income of PICC Life increased by 18.7% to RMB935 million in 2020 from RMB788 million in 2019. This was primarily due to the year-on-year increase in business synergy income.

### *Net claims and policyholders' benefits*

Net claims and policyholders' benefits of PICC Life increased by 2.6% to RMB94,136 million in 2020 from RMB91,735 million in 2019. This was mainly due to the significant effect of adjustment in business structure of PICC Life and the year-on-year decrease in insurance claims expenses and maturity benefits, and the increase in insurance liability reserves.

### *Handling charges and commissions*

The handling charges and commissions of PICC Life increased by 10.0% from RMB11,450 million in 2019 to RMB12,591 million in 2020. It was mainly because, on the one hand PICC Life took the initiative to reduce the scale of existing short and medium-term business and increase the proportion of regular premiums business; on the other hand, while continuously optimising its business structure and increasing product cost, PICC Life deeply promoted "Comprehensive individual life insurance" strategy, focused on valuable regular premiums and sales-in-force, and made effort on sales team building.

### *Finance costs*

Finance costs of PICC Life decreased by 6.5% from RMB2,858 million in 2019 to RMB2,673 million in 2020. The decrease was mainly due to the decrease in interest expenses relating to securities sold under agreements to repurchase.

### *Income tax expense*

The income tax expense of PICC Life changed from RMB-1,297 million in 2019 to RMB-1,327 million in 2020, which remained basically stable with last year.

### *Net profit*

As a result of the foregoing reasons, the net profit of PICC Life increased by 30.8% to RMB4,463 million in 2020 from RMB3,412 million in 2019.

## 2. PICC Health

In 2020, adhering to the development direction of serving people's health, PICC Health steadily promoted the transformation of business model, promoted the specialisation of social security business, the individualisation of group business, the premiumisation of personal business, the popularisation of internet business, the platformisation of health management and the specialisation of product supply, centering on the two major functions of “ensuring health risks and providing health services”, so as to create a professional health insurance operation system with PICC characteristics; PICC Health accelerated the transition to high-quality development in the strategy of serving “Healthy China” and the construction of the national multi-level medical security system. The original premiums income of PICC Health was RMB32,257 million, representing a year-on-year increase of 43.9%. The “Hao Yi Bao” (好醫保) series products were upgraded iteratively, achieving original premiums income of RMB11,056 million, and benefiting 41.29 million customers; the Group implemented the long-term medical rate adjustment policy and launched the first lifelong cancer prevention medical insurance with adjustable rate in the industry.

### (1) Original premiums income

#### ① Analysis by Product

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

<i>Unit: RMB million</i>					
<b>Year ended 31 December</b>					
<b>Health insurance products</b>	<b>Amount</b>	<b>2020</b>		<b>2019</b>	
		<b>(% of total)</b>	<b>(% of change)</b>	<b>Amount</b>	<b>(% of total)</b>
Medical insurance	<b>21,524</b>	<b>66.7</b>	<b>26.4</b>	17,024	76.0
Participating endowment insurance	<b>5,972</b>	<b>18.5</b>	<b>212.2</b>	1,913	8.5
Illness insurance	<b>2,842</b>	<b>8.8</b>	<b>70.3</b>	1,669	7.4
Nursing care insurance	<b>1,287</b>	<b>4.0</b>	<b>11.5</b>	1,154	5.1
Accidental injury insurance	<b>536</b>	<b>1.7</b>	<b>(9.9)</b>	595	2.7
Disability losses insurance	<b>96</b>	<b>0.3</b>	<b>50.0</b>	64	0.3
<b>Total</b>	<b>32,257</b>	<b>100.0</b>	<b>43.9</b>	22,420	100.0

In 2020, PICC Health focused on three key aspects of “reconstruction”, “improvement” and “activation” under the new business model of “health insurance + health management + technology empowerment” to emphasise on coordination and proper implementation of pandemic prevention and control measures as well as reform and development. Thus, PICC Health recorded an original premiums income of RMB32,257 million, representing a year-on-year increase of 43.9%.

PICC Health actively served the construction of multi-level medical security system, deepened the cooperation with key platforms, and the premiums of inclusive internet medical insurance increased significantly, realising an original premiums income of medical insurance of RMB21,524 million, representing a year-on-year increase of 26.4%.

PICC Health proactively developed critical illness insurance products with outstanding protection attributes, and realised an original premiums income of illness insurance of RMB2,842 million, representing a year-on-year increase of 70.3%.

PICC Health seized the policy opportunity of the national long-term care insurance pilot expansion, actively initiated new projects, and realised an original premiums income of nursing care insurance of RMB1,287 million, representing a year-on-year increase of 11.5%.

PICC Health has increased the quality control of short-term accidental insurance business. Meanwhile, due to the adverse impact of COVID-19 pandemic, the premiums income of accident insurance has declined.

PICC Health actively promoted the supplementary work injury business, which led to a substantial increase of 50% in the premium for disability losses insurance.

In 2020, the TWPs of medical insurance, participating endowment insurance, illness insurance, nursing care insurance, accidental injury insurance and disability losses insurance amounted to RMB21,704 million, RMB5,972 million, RMB2,842 million, RMB1,604 million, RMB536 million and RMB96 million, respectively.

## ② Analysis by Channel

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

Unit: RMB million

	Year ended 31 December					
	2020			2019		
	Amount	(% of total)	(% of change)	Amount	(% of total)	
<b>Bancassurance</b>	<b>4,973</b>	<b>15.4</b>	<b>284.9</b>	1,292	5.8	
First-year business of long-term insurance	4,443	13.8	390.9	905	4.0	
Single premiums	4,078	12.6	545.3	632	2.8	
First-year regular premiums	365	1.1	33.7	273	1.2	
Renewal business	522	1.6	41.5	369	1.7	
Short-term insurance	8	–	(55.6)	18	0.1	
<b>Individual Insurance</b>	<b>15,441</b>	<b>47.9</b>	<b>59.6</b>	9,672	43.1	
First-year business of long-term insurance	7,429	23.0	13.6	6,540	29.2	
Single premiums	89	0.3	187.1	31	0.1	
First-year regular premiums	7,340	22.8	12.8	6,509	29.1	
Renewal business	7,352	22.8	174.7	2,676	11.9	
Short-term insurance	660	2.0	44.7	456	2.0	
<b>Group Insurance</b>	<b>11,843</b>	<b>36.7</b>	<b>3.4</b>	11,456	51.1	
First-year business of long-term insurance	29	0.1	(25.6)	39	0.2	
Single premiums	14	–	(44.0)	25	0.1	
First-year regular premiums	15	–	7.1	14	0.1	
Renewal business	32	0.1	39.1	23	0.1	
Short-term insurance	11,782	36.5	3.4	11,394	50.8	
<b>Total</b>	<b>32,257</b>	<b>100.0</b>	<b>43.9</b>	22,420	100.0	

PICC Health further strengthened its cooperation on the bank channel with the “four banks and one post”, dug up network resources, and marketed excellent customers. While fighting the battle of pandemic prevention and control, it vigorously promoted the issuance of digital channels and promoted the rapid development of bancassurance channel business, realising an original premiums income of RMB4,973 million, representing a year-on-year increase of 284.9%.



In terms of individual insurance agent business, in accordance with the Company's new business model of "health insurance + health management + technology empowerment", PICC Health continuously expanded the scale of personal health insurance business, optimised the business structure, enhanced the embedded value of channels, and steadily promoted the Company's strategic deployment of "individual business premiumisation". In terms of internet insurance business, the Company continued to improve the internet health insurance product system, through deepening the cooperation with excellent internet platforms, the Company improved the information and technology content of the whole business process, enhanced the core value of channels, and promoted the sound development of business. The original premiums income for individual insurance channel was RMB15,441 million, representing a year-on-year increase of 59.6%.

PICC Health grasped the opportunity of resumption of work and production in commercial group insurance business, emphasised key work such as business expansion of corporate customers, quality and efficiency enhancement of short-term insurance business and improvement of service capacity, and took multiple measures to promote transformation to high-quality development of group insurance business. For social insurance business, the diversified development layout of business covering critical illness insurance, long-term nursing care insurance and poverty alleviation insurance has been consolidated, and the project expansion capacity has been continuously improved. The original premiums income from group insurance channel was RMB11,843 million, representing a year-on-year increase of 3.4%.

In terms of TWPs, in 2020, the TWPs from the bancassurance channel, individual insurance channel, and group insurance channel amounted to RMB4,996 million, RMB15,873 million and RMB11,885 million respectively. As of 31 December 2020, the number of individual insurance sales agents for PICC Health was 15,668. The first-year TWPs per capita from sales agent per month amounted to RMB2,160 and the average number of new life insurance policies per capita was 0.76 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 periods indicated:

	<i>Unit: RMB million</i>		
	<b>Year ended 31 December</b>		
	<b>2020</b>	2019	(% of change)
Guangdong Province	<b>15,545</b>	8,996	72.8
Henan Province	<b>2,365</b>	1,555	52.1
Jiangxi Province	<b>2,138</b>	1,643	30.1
Liaoning Province	<b>1,520</b>	1,401	8.5
Yunnan Province	<b>1,252</b>	1,036	20.8
Shanxi Province	<b>1,020</b>	908	12.3
Shandong Province	<b>922</b>	647	42.5
Anhui Province	<b>899</b>	819	9.8
Tianjin City	<b>843</b>	602	40.0
Jiangsu Province	<b>801</b>	822	(2.6)
Other regions	<b>4,952</b>	3,991	24.1
Total	<b>32,257</b>	22,420	43.9

### ④ Persistency Ratios of Premiums

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

<b>Items</b>	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
13-month premium persistency ratio <sup>(1)</sup> (%)	<b>85.0</b>	87.3
25-month premium persistency ratio <sup>(2)</sup> (%)	<b>83.2</b>	82.6

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

⑤ Top Five Products

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

*Unit: RMB million*

	<b>Year ended 31 December</b>		
	<b>Type of insurance</b>	<b>Sales channels</b>	<b>Original premiums income</b>
PICC Health You Xiang Bao individual medical insurance	Medical insurance	Individual insurance channel	9,596
Kang Li Ren Sheng endowment insurance (Participating)	Endowment insurance	Bancassurance channel, Individual insurance channel	5,740
Group critical illness medical insurance for urban and rural residents (Type A)	Medical insurance	Group insurance channel	4,526
He Xie Sheng Shi large amount supplementary group medical insurance for urban employees	Medical insurance	Group insurance channel	3,977
PICC Health Xin Xiang Ru Yi critical illness insurance	Illness insurance	Individual insurance channel	1,069

(2) Financial Analysis

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

*Unit: RMB million*

	<b>Year ended 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>(% of change)</b>
Net earned premiums	<b>27,806</b>	19,595	41.9
Investment income	<b>2,295</b>	1,690	35.8
Other income	<b>318</b>	223	42.6
Total income	<b>31,952</b>	22,404	42.6
Net claims and policyholders' benefits	<b>25,066</b>	17,320	44.7
Handling charges and commissions	<b>1,142</b>	729	56.7
Finance costs	<b>419</b>	460	(8.9)
Other operating and administrative expenses	<b>5,411</b>	4,078	32.7
Total benefits, claims and expenses	<b>32,043</b>	22,587	41.9
Profit before tax	<b>(73)</b>	(164)	—
Less: Income tax expense/(credit)	<b>(109)</b>	(197)	—
Net profit	<b>36</b>	33	9.1

### *Net earned premiums*

Net earned premiums of PICC Health increased by 41.9% from RMB19,595 million in 2019 to RMB27,806 million in 2020 which was primarily due to the growth of insurance business scale.

### *Investment income*

The investment income of PICC Health increased by 35.8% to RMB2,295 million in 2020 from RMB1,690 million in 2019 which was primarily due to better utilisation of investment opportunities in the equity market.

### *Other income*

Other income of PICC Health increased by 42.6% to RMB318 million in 2020 from RMB223 million in 2019. This was primarily due to the increase in income from government commissioned processing business and health management services.

### *Net claims and policyholders' benefits*

Net claims and policyholders' benefits of PICC Health increased by 44.7% to RMB25,066 million in 2020 from RMB17,320 million in 2019. It was mainly due to the growth of business scale and the increase in insurance liability reserves.

### *Handling charges and commissions*

The handling charges and commissions of PICC Health increased by 56.7% from RMB729 million in 2019 to RMB1,142 million in 2020. It was mainly attributable to the growth of insurance business scale and the increase in expenses of related handling charges.

### *Finance costs*

Finance costs of PICC Health decreased by 8.9% from RMB460 million in 2019 to RMB419 million in 2020. It was mainly due to the decrease in bonds interest expenses resulted from the maturity and redemption of certain capital supplementary bonds.

### *Net profit*

As a result of the foregoing reasons, the net profit of PICC Health increased by 9.1% to RMB36 million in 2020 from RMB33 million in 2019.

## (II) Asset Management Business

In 2020, the asset management segment of the Group adhered to the idea of value investment, maintained investment strength, and built an investment portfolio that would achieve long-term stable returns from a cross-cyclical perspective. Under the asset management segment, the registered scale of debt plan amounted to RMB49,102 million, ranked the fifth in the industry; and the asset balance of debt plan under management amounted to RMB137,363 million, ranked the third in the industry.

By the end of 2020, the scale of third-party assets management of the asset management segment of the Group amounted to RMB464,839 million, representing an increase of 46.1% compared to the beginning of the year. Among which, the annuity and pension businesses actively capitalised on the development opportunities arising from the endowment business, with the scale of assets under management grew by 106.9% compared with the beginning of the year. PICC AMC and PICC Capital of the Group always set their sights on the innovation of asset management products. Both companies were awarded with a number of prizes, including Excellence Award for Serving National Key Strategic Projects (服務國家重點戰略工程優秀推介獎), Best Product Innovation Award (最佳創新產品推介獎), Excellence Award for Supporting the Building of “New Infrastructure and New Urbanisation initiatives and major projects” (支持「兩新一重」建設優秀推介獎) and Excellent Group Award for Comprehensive Insurance (綜拓先進團體獎項) in The Fourth Insurance Asset Management Product Innovation Promotion Event (第四屆保險資產管理產品創新推介活動) organised by the Insurance Asset Management Association of China in 2020.

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

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

	<i>Unit: RMB million</i>		
	<b>Year ended 31 December</b>		
	<b>2020</b>	2019	(% of change)
Investment income	<b>594</b>	658	(9.7)
Other income	<b>1,843</b>	1,607	14.7
Total income	<b>2,437</b>	2,265	7.6
Finance costs	<b>20</b>	4	400.0
Other operating and administrative expenses	<b>1,575</b>	1,305	20.7
Total expenses	<b>1,593</b>	1,312	21.4
Profit before tax	<b>922</b>	935	(1.4)
Less: Income tax expense/(credit)	<b>232</b>	206	12.6
Net profit	<b>690</b>	729	(5.3)

### *Investment income*

Investment income of the asset management segment decreased by 9.7% to RMB594 million in 2020 from RMB658 million in 2019, mainly due to the impairment of investment real estate assessment.

### *Other income*

Other income of the asset management segment increased by 14.7% to RMB1,843 million in 2020 from RMB1,607 million in 2019, mainly due to the increase in management fee income.

### *Net profit*

As a result of the foregoing reasons, the net profit of the asset management segment decreased by 5.3% to RMB690 million in 2020 from RMB729 million in 2019, mainly due to the increase in costs from technology investment and talent reserve.

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

In 2020, amid the sudden outbreak of the COVID-19 pandemic under complex and dynamic domestic and international market environment, the Group actively kept abreast of the situation by optimising asset structure and capturing market opportunities in the bond and equity markets, thereby achieving better results in investment.

## 1. Investment Portfolio

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

	<b>31 December 2020</b>		<i>Unit: RMB million</i> 31 December 2019	
	<b>Amount</b>	<b>(% of total)</b>	<b>Amount</b>	<b>(% of total)</b>
<b>Investment assets</b>	<b>1,088,851</b>	<b>100.0</b>	978,212	100.0
<b>Classified by investment object</b>				
Cash and cash equivalents	78,209	7.2	76,984	7.9
Fixed-income investments	680,142	62.5	620,956	63.5
Term deposits	89,016	8.2	87,009	8.9
Treasury bonds	123,476	11.3	45,328	4.6
Financial bonds	102,833	9.4	108,354	11.1
Corporate bonds	172,613	15.9	163,772	16.7
Long-term debt investment schemes	87,903	8.1	100,282	10.3
Other fixed-income investments <sup>(1)</sup>	104,301	9.6	116,211	11.9
Fund and equity securities investments at fair value	155,888	14.3	115,373	11.8
Fund	75,460	6.9	61,832	6.3
Shares	66,548	6.1	48,968	5.0
Perpetual bond	13,880	1.3	4,573	0.5
Other investments	174,612	16.0	164,899	16.9
Investment in associates and joint ventures	124,840	11.5	117,083	12.0
Others <sup>(2)</sup>	49,772	4.6	47,816	4.9
<b>By the purpose for which it was held</b>				
Financial assets at fair value through profit or loss for the period	33,433	3.1	27,032	2.8
Held-to-maturity investment	181,199	16.6	140,398	14.4
Available-for-sale financial assets	379,312	34.8	316,901	32.4
Long-term equity investments	124,840	11.5	117,083	12.0
Loans and others <sup>(3)</sup>	370,067	34.0	376,798	38.5

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

*(1) Classified by investment object*

In terms of fixed-income investments, the Group seized the window period of local government bonds issuance peak and increased interest rates, and substantially increase the allocation of long-term local bonds at the high interest rates, so as to stabilise the position yield and effectively extend the 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 2020, the bond investment accounted for 36.6%. The liabilities under corporate bonds and non-policy bank financial bonds or their issuers are rated at AA/A-1 and above, of which, those rated at AAA accounted for 99.2%. The industries associated with credit bond currently held by the Group are diversified, involving various fields such as bank, transportation, general and non-bank finance; the ability of entities to repay debt is generally strong and the credit risks is controllable as a whole. In the years of credit bond investment, the Group has always been paying close attention to the prevention and control of credit risks, strictly followed relevant regulatory requirements of the CBIRC, established investment management and risk control mechanisms in line with market practices and investment needs for insurance funds, and continued to optimise the same in practice. During the year, the Group has strengthened regular credit risks inspection as well as the tracking, evaluation, research and identification of the existing credit products. Meanwhile it improved relevant systems and operational procedures, and controlled the credit risk dynamically on a forward-looking basis; in addition, it improved the digital and intelligent level of credit risk management with big data and artificial intelligence technology actively.



The overall credit risk of the Group's investment in non-standard financial product asset is controllable, assets with an external credit rating of AAA account for 97.8%. At present, the non-standard assets cover most of the provincial administrative regions in the country. The industries cover transportation, municipal, energy, steel, expressway, construction and operation, commercial real estate, and shantytown renovation. These industries played a positive role in serving the development of real economy and supporting the implementation of major national strategies. The Group has effective credit enhancement measures in place, such as guarantees, repurchase, shortfall compensation, asset mortgages/pledges and others; it has no arrangement for products assuring credit extension and the qualification of entities to repay debt meets the relevant credit exemption condition of CBIRC, which provides a sound guarantee for the repayment of the principal and investment income. Major counterparties of investment in wealth management products of commercial banks of the Group are large state-owned commercial banks or joint-stock commercial banks with financial strength and good credit qualifications.

The Group insisted on the "long-term and value investment" in terms of equity investment. The proportion of equity positions is controlled within a risk tolerance range with a focus on structural opportunities and phased opportunities. On one hand, this allows us to share the investment opportunities brought by China's economic recovery; on the other hand, we can actively optimise the position structure and grasp the opportunities brought by high-quality economic transformation.

*(2) Classified by investment purpose*

From the perspective of investment purposes, the Group's investment assets are mainly distributed in available-for-sale financial assets, held-to-maturity investments, loans and others. Financial assets at fair value through profit or loss for the period increased by 0.3 percentage point as compared with those as at the end of last year. The held-to-maturity investments increased by 2.2 percentage points as compared with those as at the end of last year. Available-for-sale financial assets increased by 2.4 percentage points as compared with those as at the end of last year. This is mainly due to the significant increase in bonds allocation in these two categories. The proportion of loans and others decreased by 4.5 percentage points as compared with those as at the end of last year, mainly because the maturity scale of financial products is larger than that of the new allocation scale.

## 2. Investment Income

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

Items	Unit: RMB million	
	Year ended 31 December	
	2020	2019
Cash and cash equivalents	634	907
Fixed-income investments	30,626	30,786
Interest income	31,482	30,142
Gains and losses from disposal of financial instruments	316	562
Gains and losses on fair value changes	(239)	82
Impairment	(933)	—
Fund and equity securities investments at fair value	13,410	4,470
Dividends and bonus income	4,656	3,667
Gains and losses from disposal of financial instruments	11,294	2,099
Gains and losses on fair value changes	216	564
Impairment	(2,756)	(1,860)
Other investments	12,071	13,037
Investment income from associates and joint ventures	11,413	12,566
Other gains and losses	658	471
Total investment income	56,741	49,200
Net investment income <sup>(1)</sup>	48,970	47,872
Total investment yield <sup>(2)</sup> (%)	5.8	5.4
Net investment yield <sup>(3)</sup> (%)	5.0	5.3

(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)/(total investment assets as of the beginning of the period – financial assets sold under agreement to repurchase as of the beginning of the period + total investment assets as of the end of the period – financial assets sold under agreement to repurchase as of the end of the period) × 2

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

The total investment income of the Group increased by 15.3% to RMB56,741 million in 2020 from RMB49,200 million in 2019; the net investment income increased by 2.3% to RMB48,970 million in 2020 from RMB47,872 million in 2019; the total investment yield increased by 0.4 percentage point to 5.8% in 2020 from 5.4% in 2019; the net investment yield decreased by 0.3 percentage point to 5.0% in 2020 from 5.3% in 2019.

### III. SPECIFIC ANALYSIS

#### (I) Liquidity Analysis

##### 1. Liquidity Analysis

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

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

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

##### 2. Statement of Cash Flows

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

	<i>Unit: RMB million</i>		
	<b>Year ended 31 December</b>		
	<b>2020</b>	2019	(% of change)
Net cash flows from operating activities	<b>31,867</b>	36,808	(13.4)
Net cash flows from investing activities	<b>(51,370)</b>	(6,299)	715.5
Net cash flows from financing activities	<b>21,114</b>	(15,181)	—

The Group's net cash flows from operating activities changed from a net inflow of RMB36,808 million in 2019 to a net inflow of RMB31,867 million in 2020, mainly due to the increase in claims and expenses, cost and expenditure.

The Group's net cash flows from investing activities changed from a net outflow of RMB6,299 million in 2019 to a net outflow of RMB51,370 million in 2020, mainly due to an increase in fixed-income asset investment such as bonds in due course.

The Group's net cash flows from financing activities changed from a net outflow of RMB15,181 million in 2019 to a net inflow of RMB21,114 million in 2020, mainly due to the issuance of RMB8,000 million new bonds and the increase of net cash from securities sold under agreements to repurchase.

## (II) Solvency

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

	31 December 2020	31 December 2019	Unit: RMB million (% of change)
<b>PICC Group</b>			
Actual capital	392,076	335,868	16.7
Core capital	329,768	282,063	16.9
Minimum capital	128,432	112,092	14.6
Comprehensive solvency margin ratio (%)	305	300	Increase of 5 pts
Core solvency margin ratio (%)	257	252	Increase of 5 pts
<b>PICC P&amp;C</b>			
Actual capital	207,246	181,721	14.0
Core capital	179,290	162,136	10.6
Minimum capital	71,757	64,414	11.4
Comprehensive solvency margin ratio (%)	289	282	Increase of 7 pts
Core solvency margin ratio (%)	250	252	Decrease of 2 pts
<b>PICC Life</b>			
Actual capital	120,119	95,832	25.3
Core capital	107,301	83,125	29.1
Minimum capital	45,990	39,307	17.0
Comprehensive solvency margin ratio (%)	261	244	Increase of 17 pts
Core solvency margin ratio (%)	233	211	Increase of 22 pts
<b>PICC Health</b>			
Actual capital	16,927	11,661	45.2
Core capital	13,379	8,131	64.5
Minimum capital	8,268	5,810	42.3
Comprehensive solvency margin ratio (%)	205	201	Increase of 4 pts
Core solvency margin ratio (%)	162	140	Increase of 22 pts

As of 31 December 2020, the comprehensive solvency margin ratio of the Group was 305%, representing an increase of 5 percentage points as compared to that as of the end of 2019, and its core solvency margin ratio was 257%, representing an increase of 5 percentage points as compared to the end of 2019. While the business scale was expanding, the total profit and net asset achieved faster growth, the core solvency margin ratio increased year-on-year, reflecting the significant progress of the Company in the transformation to high-quality development.

As of 31 December 2020, the comprehensive solvency margin ratio of PICC P&C was 289%, representing an increase of 7 percentage points as compared to the end of 2019, and its core solvency margin ratio was 250%, representing a decrease of 2 percentage points as compared to the end of 2019; the comprehensive solvency margin ratio of PICC Life was 261%, representing an increase of 17 percentage points as compared to the end of 2019; and its core solvency margin ratio was 233%, representing an increase of 22 percentage points as compared to the end of 2019; the comprehensive solvency margin ratio of PICC Health was 205%, representing an increase of 4 percentage points as compared to the end of 2019, and its core solvency margin ratio was 162%, representing an increase of 22 percentage points as compared to the end of 2019.

## **PROSPECTS**

### **(I) Market Environment**

2021 marks the start of the “the 14th Five-Year Plan” with the country embarking on a new journey of fully building a modern socialist country. Under the new development plan, the deepening and expansion of domestic demand brings great opportunities to the insurance industry which is still in an important period of strategic opportunities. Insurance business will be significantly expanded into the county level areas through the change of agricultural insurance from remedy for cost loss to income guarantee, and the integration of insurance into the rural industrial economy, social governance, public services and ecological civilization construction, along with the comprehensive implementation of the Rural Revitalization Strategy. The construction of strong and national-wide transportation network and intelligent transportation has been accelerated. The automobile market is shifting from purchase management to usage management. The comprehensive reform of motor vehicle insurance has been promoted in an all-round way, which will boost the transformation and upgrading of the field. Our government promotes the steady development of life insurance with expansion and quality uplift while accelerating the development of commercial health insurance, which means that health insurance will continue to make important strategic growth of the industry; standardising development of endowment insurance as the third-pillar and increasing effectiveness of endowment insurance supply will usher in unprecedented development opportunities in commercial endowment insurance. The central government attaches unprecedented importance to technological innovation and strengthens financial support for strategic innovative technologies, which is conducive to the innovation of technological insurance and insurance investment products. With the accelerated change of government’s role, insurance will become increasingly important in serving social governance. The CBIRC will invigorate markets by improving the system and mechanism of effective financial support for the real economy and promoting the implementation of deeper reform in financial market and institutions.

## **(II) Development Strategy and Operation Plan**

We are committed to creating a world-class financial insurance group with excellent risk management capabilities. In 2020, the Company adhered to the requirements of high-quality development, actively assisted in pandemic prevention and control and resumption of work and production, strived to serve the supply-side structural reform, pushed forward reform and innovation, increased technology empowerment in the front-line, promoted collaborative development, carried out the “Heart-warming Project” and strived to transform towards a new PICC. Our business segments maintain solid growth and total profit increases steadily. The main indicators of operation plan in the year have been completed.

In 2021, the Company will move forward in the direction of “To be Prominent” Strategy, based on the new development stage, implement the new development concept, build a new development pattern, and take innovation and reform as the driving force. We will focus on supply improvement by raising quality. We will also promote transformation and upgrading, strengthen efforts to technology empowerment, dedicate to “Heart-warming Project”, improve corporate governance, to kick off to a good start of “the 14th Five-Year Plan”.

The insurance segment will effectively grasp the strategic opportunity of building a new development pattern, fully tap our insurance resources, ensure business increases with the recovering growth of economy, and maintain growth with the industry development. PICC P&C will enlarge the innovation-driven advantage in the market. Taking the beneficial effects of the comprehensive reform of motor vehicle insurance, PICC P&C will optimise the pricing model of motor vehicle insurance, build an intelligent pricing platform, and accelerate the construction of e-commerce network sales and direct marketing channels; PICC P&C will move faster in the high-quality development of non-vehicle insurance business, innovate products of individual non-vehicle insurance, promote the development of industrial insurance and strengthen risk reduction management; PICC P&C will also deeply explore favourable policies, ensure smooth transition from poverty alleviation to rural revitalization and continue to optimise social security business. PICC Life will coordinate the relationship between scale and value, enrich and optimise product supply, accelerate the implementation of the “Cornerstone Plan”, initiate the implementation of high-end sales elite training project, improve the quality of individual insurance marketing team, and optimise and build multiple channels with value orientation. PICC Health will seize the opportunity of “Healthy China” construction, adhere to the “three medical systems” of medical treatment, medicine and medical insurance, accelerate the exploration of health insurance business model suitable for China, and speed up the integration development of “health insurance + health management”. PICC Reinsurance will vigorously develop third party business. PICC Hong Kong will tap into the business from Chinese funded enterprises.

The investment segment will adhere to benchmarking market standards, build core capabilities, optimise asset allocation and better support the core business of insurance to maximise the profit contribution to the Group. Among which, PICC AMC will strengthen the integration and capacity construction of investment and research, enhance fixed income investment, reinforce equity investment, build the core capacity for multi-asset allocation, and speed up the expansion of third-party asset management business. PICC Investment Holding will strengthen its management capability for real estate investments and actively develop the endowment business. PICC Capital will step up its investment efforts for non-standard assets with stronger, better and larger debt and equity investments and foster its capability in private equity investment. PICC Pension will expand the scale of entrusted annuity and fully prepare for endowment insurance as the third-pillar.

Financial technology segment will strengthen technology empowerment and push forward the technological system reform to comprehensively enhance the Group's capacity to provide financial technology services.

## EMBEDDED VALUE

### 1. Result Summary

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

	PICC Life		PICC Health	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Adjusted Net Worth	<b>69,605</b>	55,324	<b>6,515</b>	5,898
Value of In-Force Business before CoC				
CoC	<b>45,972</b>	38,784	<b>8,840</b>	6,514
Cost of Required Capital	<b>(13,279)</b>	(9,417)	<b>(407)</b>	(1,315)
Value of In-Force Business after CoC	<b>32,693</b>	29,368	<b>8,432</b>	5,199
Embedded Value	<b>102,297</b>	84,692	<b>14,947</b>	11,097

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

2. In the table above, the embedded value as at 31 December 2019 is recalculated based on the investment assumptions as at 31 December 2020 while the other assumptions remain unchanged.



Value of one year's new business for the 12 months up to 31 December 2020 and 31 December 2019 of PICC Life and PICC Health with 10% as the risk discount rate are summarised below (in RMB million):

	<b>PICC Life</b>		<b>PICC Health</b>	
	<b>31/12/2020</b>	31/12/2019	<b>31/12/2020</b>	31/12/2019
Value of One Year's New Business before CoC	<b>8,033</b>	7,399	<b>1,531</b>	1,267
Cost of Required Capital	<b>(2,604)</b>	(2,258)	<b>(828)</b>	(818)
Value of One Year's New Business after CoC	<b>5,429</b>	5,142	<b>703</b>	449

*Notes:*

1. Figures may not add up to total due to rounding.
2. In the table above, the value of one year's new business for the 12 months up to 31 December 2019 is recalculated based on the investment assumptions as at 31 December 2020 while the other assumptions remain unchanged.

Value of one year's new business for the 12 months up to 31 December 2020 and 31 December 2019 of PICC Life and PICC Health by distribution channel are summarised below (in RMB million):

	<b>PICC Life</b>		<b>PICC Health</b>	
	<b>31/12/2020</b>	31/12/2019	<b>31/12/2020</b>	31/12/2019
Bancassurance Channel	<b>(37)</b>	(82)	<b>111</b>	50
Individual insurance agent Channel	<b>5,286</b>	4,803	<b>629</b>	488
Group insurance sales Channel	<b>180</b>	420	<b>(36)</b>	(88)
Reinsurance	—	—	—	—
Total	<b>5,429</b>	5,142	<b>703</b>	449

*Notes:*

1. Figures may not add up to total due to rounding.
2. In the table above, the value of one year's new business for the 12 months up to 31 December 2019 is recalculated based on the investment assumptions as at 31 December 2020 while the other assumptions remain unchanged.

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



## 2. Key Assumptions

For the results as at 31 December 2020 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 2020 are summarised 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	32,693	5,429
Risk Discount Rate at 9%	37,520	6,593
Risk Discount Rate at 11%	28,659	4,442
Rate of investment return increased by 50 bps	43,768	7,404
Rate of investment return decreased by 50 bps	21,845	3,454
Expenses increased by 10%	31,534	5,024
Expenses decreased by 10%	33,852	5,833
Lapse rates increased by 10%	32,413	5,287
Lapse rates decreased by 10%	32,974	5,571
Mortality increased by 10%	32,212	5,317
Mortality reduced by 10%	33,180	5,541
Morbidity increased by 10%	31,306	4,987
Morbidity reduced by 10%	34,097	5,876
Short-term business claim ratio increased by 10%	32,605	5,282
Short-term business claim ratio decreased by 10%	32,781	5,576
Participating Ratio (80/20)	31,186	5,338

*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 2020 are summarised 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	8,432	703
Risk Discount Rate at 9%	8,953	943
Risk Discount Rate at 11%	7,977	492
Rate of investment return increased by 50 bps	9,218	986
Rate of investment return decreased by 50 bps	7,642	419
Expenses increased by 10%	8,254	497
Expenses decreased by 10%	8,610	910
Lapse rates increased by 10%	8,483	783
Lapse rates decreased by 10%	8,391	640
Mortality increased by 10%	8,414	697
Mortality reduced by 10%	8,450	708
Morbidity increased by 10%	7,969	446
Morbidity reduced by 10%	8,898	961
Short-term business claim ratio increased by 5%	8,399	292
Short-term business claim ratio decreased by 5%	8,465	1,114
Participating Ratio (80/20)	8,362	668

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 2019 to 31 December 2020 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 2019	<b>89,086</b>	<b>11,432</b>
2	New Business Contribution	5,833	1,404
3	Expected Return	7,110	911
4	Investment Return Variance	6,777	777
5	Other Experience Variances	(701)	830
6	Model and Assumption Modification	(3,640)	(541)
7	Capital Change and Market Value Adjustment	(693)	(2)
8	Others	(1,475)	136
9	Embedded Value as at 31 December 2020	<b>102,297</b>	<b>14,947</b>

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

Explanations to above items 2 to 8:

2. The contribution of new business sold in 2020 to the embedded value at 31 December 2020;
3. The expected return in 2020 arising from the in-force business and adjusted net worth as at 31 December 2019;
4. Change in embedded value arising from variances between the actual investment return and the related investment return assumption in 2020;
5. Change in embedded value arising from variances between the actual experiences and assumptions other than the related investment return in 2020;
6. The impact on embedded value due to model enhancement and the changes in assumptions during 2020;
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 2020;
8. The impact on embedded value due to the changes in the projection factors of the minimum required capital for various risks from 31 December 2019 to 31 December 2020.

## **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 2020, 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 Listing Rules on Hong Kong Stock Exchange, 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.

On 16 March 2021, due to age and health reason, Mr. Luk Kin Yu, Peter has resigned as an independent non-executive director, a member of the Audit Committee and a member of the Nomination and Remuneration Committee of the Board of the Company. Upon Mr. Luk Kin Yu, Peter's resignation, there are 13 members remained in the Board (including 4 independent non-executive directors), therefore the Company will not be able to comply with the requirement under the Listing Rules which requires at least one-third of the Board should comprise independent non-executive directors. The Company will identify a suitable candidate and carry out all necessary procedures to fulfil the vacancy of the independent non-executive director as soon as practicable and will make further announcement(s) pursuant to the Listing Rules as and when appropriate.

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

During the year of 2020, 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 RMB1.20 per 10 shares (tax inclusive) for the year ended 31 December 2020, amounting to a total of approximately RMB5,307 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 9 July 2021.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee of the Board has reviewed, in the presence of the external auditor of the Company, the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020, including the accounting principles and practices. The annual results announcement is based on the Group's audited consolidated financial statements for the year ended 31 December 2020 as agreed with the auditors of the Company.

## **PUBLICATION OF THE ANNUAL REPORT**

The 2020 Annual Report of the Company will be published on the website of the Company ([www.picc.com](http://www.picc.com)) and the HKEXnews website of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://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, 23 March 2021

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