

**PICC** 中国人民保险集团股份有限公司  
THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED

H Share Stock Code : 1339

## Interim Report 2020



# Company Profile

The Company is the first nation-wide insurance company in the People's Republic of China (the "PRC"), established in October 1949, and has developed into a leading large-scale integrated insurance financial group in the PRC, ranking the 112<sup>th</sup> in the List of Fortune Global 500 (2020) published by the Fortune magazine.

The Company operates its property and casualty ("P&C") insurance business in the PRC through PICC P&C (listed on the Hong Kong Stock Exchange, stock code: 02328) and in Hong Kong through PICC Hong Kong, in which the Company holds approximately 68.98% and 75.00% equity interests, respectively. The Company operates its life and health insurance businesses through PICC Life and PICC Health, in which the Company, directly and indirectly, holds 80.00% and approximately 95.45% equity interests, respectively. The Company centrally and professionally utilises and manages most of its insurance assets through PICC AMC, in which the Company holds 100% equity interest, and holds a 100% equity interest in PICC Investment Holding which is a professional investment company specialising in real estate investments. The Company carries out alternative investments with debt and equity investments as main line in insurance capital and non-insurance capital within and outside the Group through PICC Capital in which it holds a 100% equity interest. The Company takes PICC Financial Services in which the Company holds 100% equity interest as a professional platform for the layout of internet finance of the Group. The Company operates professional reinsurance business within and outside the Group through PICC Reinsurance in which the Company, directly and indirectly, holds 100% equity interest. The Company engages in corporate annuities and occupational annuities businesses through PICC Pension in which the Company holds 100% equity interest and has also made strategic layout in non-insurance financial businesses such as banking and trust.

## The Company's principal competitive strengths include

- ◆ We are the first nation-wide insurance company of the PRC, the pioneer and trailblazer of the PRC insurance industry, possessing a well-recognised brand with the longest history in the industry;
- ◆ We are an integrated insurance financial group on our core business and on the customer-oriented development strategy to achieve co-development of various business segments;
- ◆ We have diversified institutions and service network based in cities and towns spread over the country, as well as extensive and solid customer base, achieving the integration of policy insurance business and commercial insurance business;
- ◆ We have an internationally first-class and Asia's leading P&C insurance company with distinct advantages in scale, cost and service as well as outstanding profitability;
- ◆ We have a life insurance company with a layout throughout the country, steady growth, continuous profitability and sound operating platform as well as with great potentials in value creation and profitability;
- ◆ We have the first nation-wide professional health insurance company with professional capability to create a featured healthy endowment ecosystem;
- ◆ We have an industry-leading asset management platform characterised by steady investment and proven performance;
- ◆ We serve people's livelihood, safeguard the economy, fulfil social responsibilities, grasp policy opportunities and explore new business model with an overall plan;
- ◆ We have advanced applicable information technology to define a layout in financial technology area, and have outstanding ability and potential advantages in data mining, customer migration and value recreation;
- ◆ We have shareholders offering continuous and strong support, an experienced and insightful management team and a high-calibre professional staff team.

### MISSION

People's insurance serves the people

### CORE VALUE

To adhere to new growth model, thrive on specialities, prosper by innovation, and govern with uprightness

### VISION

To make PICC a reliable and excellent brand



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## Definitions

PICC Group, Company	The People's Insurance Company (Group) of China Limited or, where the context so requires, its predecessor
PICC, Group	The People's Insurance Company (Group) of China Limited and all of its subsidiaries
PICC P&C	PICC Property and Casualty Company Limited
PICC Life	PICC Life Insurance Company Limited
PICC Health	PICC Health Insurance Company Limited
PICC Reinsurance	PICC Reinsurance Company Limited
PICC Hong Kong	The People's Insurance Company of China (Hong Kong), Limited
PICC AMC	PICC Asset Management Company Limited
China Credit Trust	China Credit Trust Company Limited
PICC Investment Holding	PICC Investment Holding Co., Ltd.
PICC Capital	PICC Capital Investment Management Company Limited
PICC Financial Services	PICC Financial Services Company Limited
PICC Pension	PICC Pension Company Limited
PICC AMHK	PICC Asset Management (Hong Kong) Company Limited
State Council	State Council of the People's Republic of China
MOF	Ministry of Finance of the People's Republic of China
CSRC	China Securities Regulatory Commission
CBIRC	China Banking and Insurance Regulatory Commission
CIRC	China Insurance Regulatory Commission, which formed China Banking and Insurance Regulatory Commission together with CBIRC in accordance with the Plan for Deepening Reform of Party and Government Institutions in March 2018
CBRC	China Banking Regulatory Commission, which formed China Banking and Insurance Regulatory Commission together with CIRC in accordance with the Plan for Deepening Reform of Party and Government Institutions in March 2018
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SSF	National Council for Social Security Fund, PRC

Prospectus	the Prospectus of The People’s Insurance Company (Group) of China Limited for Initial Public Offering of Shares (A Shares) issued by the Company on the websites of the SSE and the Company on 5 November 2018
Company Law	the Company Law of the People’s Republic of China
Securities Law	the Securities Law of the People’s Republic of China
Insurance Law	the Insurance Law of the People’s Republic of China
SSE Listing Rules	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Articles of Association	the Articles of Association of The People’s Insurance Company (Group) of China Limited, being the version considered and passed at the general meeting of the Company held on 21 June 2019, and approved by the CBIRC
3411 Project	the 3411 Project is the main line of PICC’s transformation into high-quality development in the new era. “3” means facilitating the transformation of three insurance subsidiaries, being PICC P&C, PICC Life and PICC Health; “4” means the implementation of four major strategies, being the innovation-driven development strategy, the digital development strategy, the integrated development strategy and the international development strategy; the first “1” means fighting well in “central city attacking battle” and “county market defending battle”, and the second “1” means holding the bottom line that no systematic risk shall occur
China, PRC	the People’s Republic of China, which, for the purposes of this report, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC, and Taiwan of the PRC
RMB	Renminbi



# Financial Highlights

*Unit: millions, except for percentages*

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

*Unit: millions, except for percentages*

	<b>January – June 2020</b>	January – June 2019	(% of change)
Gross written premiums	<b>336,841</b>	322,875	4.3
Net profit	<b>17,706</b>	21,622	(18.1)
Net profit attributable to owners of the Company	<b>12,606</b>	15,478	(18.6)
Earnings per share (RMB) <sup>(1)</sup>	<b>0.29</b>	0.35	(18.6)
Weighted average return on equity (unannualised) (%)	<b>6.7</b>	9.5	Decrease of 2.8 pt

<sup>(1)</sup> As attributable to owners of the Company.



**Mr. Wang Tingke**  
*Vice Chairman, President*

Dear shareholders,

Since the beginning of this year, in the face of the impact and challenges from the novel coronavirus pneumonia epidemic, PICC has coordinated the prevention and control of the epidemic and the operation development, promoted the implementation of the “3411 Project”, and effectively supported the overall situation of epidemic prevention and control as well as the resumption of work and production. The Group withstood the impact and challenges, maintained steady progress in development and ensured improvement in the core business, and delivered a well-performing interim “test results”.

**Firstly, the Group made steady progress in business development amidst the huge challenges of epidemic prevention and control.** Since the beginning of the year, the Group has insisted on both the prevention and control of epidemic and the core business, so as to improve the development speed and quality. **The development of business has been picked up and stabilised.** In the first half of the year, the Group recorded gross written premiums of RMB336.841 billion, representing an increase of 4.3% compared to the corresponding period last year. The growth rate of premiums has been increasing month by month since March, effectively reversing the negative growth caused by the epidemic at the beginning of the year. PICC P&C recorded original premiums income of RMB245.639 billion, PICC Life recorded total written premiums (“TWPs”) of RMB70.024 billion, PICC Health recorded TWPs of RMB22.535 billion, PICC Investment Holding recorded investment amounts in real estate investment projects of RMB4.64 billion, PICC Financial Services recorded operating income of RMB0.39 billion, PICC Reinsurance recorded assumed premiums of RMB2.83 billion, and PICC Hong Kong recorded gross written premiums of RMB648 million. **The profitability continued to be reinforced.** The Group maintained a 2-digit growth in its profit before tax in the first half of the year. PICC P&C strengthened cost reduction and efficiency improvement, with its combined ratio below industry level and the underwriting profits at a relatively fast pace of growth. PICC Life focused on value creation and its net profit reached a record high for the same period. PICC Health consolidated its trend of profitability. The Group’s investment yield is stable and is a strong support for the development of the main business. **The business structure continued to be optimised.** PICC P&C recorded a



motor vehicle insurance to non-motor vehicle insurance ratio of 53:47; regular premiums of new insurances for a term of 10 years and above of PICC Life grew rapidly, ranking first among major peers. The proportion of regular premium business was 71.7%, representing an increase of 9.4 percentage points compared to the corresponding period in the previous year. PICC Health's e-commerce channel business scale exceeded RMB6.0 billion. **The asset size grew steadily.** The Group's total assets amounted to RMB1.27 trillion, representing a growth of 11.8% compared to the beginning of the year. The assets under the management of PICC AMC amounted to RMB1.1 trillion, representing a growth of 7.4% compared to the beginning of the year; the assets under the management of China Credit Trust amounted to RMB212.4 billion; the assets under the management of PICC Capital amounted to RMB266.3 billion; the assets under the management of PICC Pension amounted to RMB170.3 billion, representing a growth of 41% compared to the beginning of the year.

**Secondly, the Group achieved results on promotion of business model reform during the implementation of the "3411 Project".** In the face of the challenges to offline business promotion brought by the epidemic, the Group accelerated the implementation of the "3411 Project", promoted the reform of business model, and turned the epidemic pressure into the driving force for deepening transformation. **The Group accelerated the implementation of the new IT structure,** completed the main function construction for the 9 general centres such as customer centre, product centre and smart centre. PICC P&C put its distributed core system into trial operation and fully launched the new backbone network construction in major subsidiaries. **The online level was improved steadily,** and the accumulated number of installations of "PICC" APP was 11.32 million, with 1.33 million monthly active platform users and 41.68 million accumulated number of visits for the integrated e-commerce portal; the 95518 intelligent customer service platform handled online enquiry for more than 1.40 million times. Over three-fourths of PICC P&C family-owned vehicle customers completed online migration, with rate of online claims by family-owned vehicle customers reaching 91.3%; online coverage ratio of PICC Life reached 82.8%. **The Group continuously optimised our customer services,** with 450 issues identified and discovered in the whole system for the first time and 237 customer journeys streamlined, organised and implemented the "Concise E-PICC" process optimisation pilot projects for 9 principal businesses, and accelerated the Net Promoter Score (NPS) customer management and the unified customer loyalty system construction; the claims and losses for main business were reduced by RMB0.55 billion by using "Jia'anpei" (駕安配) platform, while the number of users of "Chezhuhui" (車主惠) exceeded 2.70 million. **Integrated construction was continuously deepened.** Six business synergy models were implemented, with 21 provincial institutions joining the pilot scheme, the monthly average effective workforce of the comprehensive development team in Shanghai, Guangzhou and Shenzhen was increased by 88% compared to the corresponding period last year, and TWPs from the business synergy of the Group recorded was close to RMB9.0 billion for the first half of the year; the written premiums of "PICC e-Tong", an integrated sales platform, amounted to RMB31.94 billion; the promotion of "T+1" online commission settlement for cross-selling was accelerated, with average settlement time for life and health insurance cross-sold reduced to less than 4 days; the Group relied on platforms such as "PICC e-learning" to effectively strengthen the online integrated financial training; we further optimised and adjusted the functional positioning and business boundaries of the subsidiaries we invested in, built a unified platform for alternative investment for the Group, strengthened the online training on the linkage between investment and insurance, and proactively promoted the integrated building of investment and research. **The development in regional markets was stable in general,** and PICC P&C strengthened its classification management of regions, such that the growth of its ordinary businesses in counties was faster than that of the Company in general; standard premiums of the central cities of PICC Life grew faster than that of the Company in general by 21.2 percentage points, and TWPs of the central cities of PICC Health grew faster than that of the Company in general by 10.5 percentage points; income from the international insurance business of the Group amounted to RMB4.77 billion, 122 countries and regions were covered, and 88 of which were countries participating in the "Belt and Road Initiative".

**Thirdly, the Group bore its responsibility as a financial SOE in fully fighting against the epidemic, assisting in the prevention and control of the epidemic, as well as resumption of work and production.** Since the outbreak of the epidemic, the Group served its insurance function and made efforts to prevent and control the epidemic in all regions, and resume ordinary production activities and livelihood. **We focused on the primary needs for fighting the epidemic, strengthened the insurance security and capital support,** donated RMB10.00 million to Wuhan promptly, initiated the establishment of the novel coronavirus pneumonia rehabilitation and after-effect support fund amounting to RMB30.00 million, and paid insurance claims of over RMB30.00 million to insured customers including front-line medical workers. **We innovated insurance products supply, fully supported the resumption of work and production,** launched "10 measures" for enterprise safety production liability insurance, comprehensive liability insurance for resumption of work and production and "Micro Enterprise Guardians" insurance product portfolio, initially created the public health emergency assistance insurance, and promoted the establishment of catastrophe insurance mechanism on public health emergencies covering 30.20 million people in 32 provinces and 17 thousand insured enterprises for comprehensive insurance for resumption of work and production. **We stepped**

**up our efforts in supplying insurance capital, injected vitality into real economy and reduced its negative impact**, invested RMB12.23 billion in key enterprises in Hubei Province, and actively participated in investment in specific local government bonds and corporate bonds, with local government bond investment amounted to RMB46.68 billion and corporate bond investment amounted to RMB32.35 billion for the first half of the year. **We implemented the requirements of stable production and supply of the central government, optimised the agricultural insurance supply**, actively promoted index insurance and price/income insurance, expanded the coverage of hog insurance business, fully supported the “Vegetable Basket”, “Rice Bag” and “Fruit Plate” projects in various regions, and provided 62.025 million farmers with agricultural risk protection of RMB1.6 trillion. **We made every effort to alleviate poverty, served and secured the bottom line of the people's livelihood**, launched 97 exclusive products for poverty alleviation in “three districts and three states”, and provided risk protection of RMB31.18 billion to local farmers, with our designated poverty alleviation work recognised by State Council Leading Group Office of Poverty Alleviation and Development; actively improved our critical illness insurance and social insurance processing businesses, and undertook 1,414 social insurance business projects, covering 30 provinces, 295 cities and 0.74 billion people.

**Fourthly, we consolidated our risk prevention fundamentals with strengthened bottom line thinking.** We solidly carried out the “Year of Risk Control and Compliance Construction” throughout the system, strengthened the internal control, compliance and risk management, and kept the bottom line of no occurrence of systematic risk. **We strictly complied with the regulatory requirements**, executed the “integration of reporting and implementation” for motor vehicle insurance in terms of P&C insurance, regulated the expenses payments of agricultural insurance, and improved the consumer protection mechanism; in terms of life and health insurance, we strengthened the prevention of illegal fund-raising risk, and established a long-term mechanism for risk prevention and control of cases with both punishment and prevention. **We strengthened the integrated risk management**, intensified the operation of the risk and compliance committee at all levels of the Group, improved the assessment system of risk performance, optimised the evaluation methodology of economic capital risk, initiated the establishment of the unified stress-testing framework of the Group, promoted the formulation of unified risk policies of the Group, and facilitated the implementation of risk appetite and constraints. **We focused on rectifying hidden risks**, carried out specific rectification for P&C insurance financial business, conducted comprehensive investigation on existing hidden risks, actively reduced businesses with substantial risks and losses, promoted the centralised, systematic and standardised management of product terms, underwriting authority and use of seals, and accelerated the online accessibility of policy information and special agreement; gradually improved the investment grades of non-standard products in the investment sector, launched the unified credit rating management system for the Group, and enhanced the post-investment risk assessments and tests. **We strengthened the management of asset liability matching**, proactively optimised the duration matching, and reduced the scale of life and health insurance products with medium and short duration, with life insurance business with medium and short duration reduced by 45.6%, to prevent and dissolve the risk of long-term loss from interest rate spread.

In July 2020, Mr. Miao Jianmin resigned as the Executive Director and Chairman of the Company due to work-related reasons. During his term of office, Mr. Miao Jianmin was dedicated to his duties, always strived for pioneering, persisted in exploration and innovation, resolutely implemented the new development concept, comprehensively promoted the “3411 Project” of the Group's transformation to high-quality development, and pushed forward the completion of the Group's overall listing of A shares. Under a complex and ever-changing external environment, we successfully attained hard-won achievements. On behalf of the Board of the Company, I would like to hereby express my sincere gratitude to Mr. Miao Jianmin for his great contribution during his tenure of service.

Looking ahead, the development of the pandemic is still difficult to predict, and the development environment faced by the Group remains complicated and severe, which requires us to scientifically analyse the situation, ride the trend of development, enhance confidence in development, and firmly stabilise the expectation of high-quality development. We have to increase our overall consciousness and put our mission and responsibilities into practice while implementing the “stability on the six fronts and security in the six areas” policy. We have to increase our awareness of crisis and accelerate the business model reform. We have to elevate our bottom-line thinking and accelerate the enhancement of our risk prevention, control and mitigation capabilities, strive to create opportunities in crises, achieve new breakthroughs amid changes, in order to seize opportunities through transformation and tackle challenges through reform. In the second half of the year, the Group will adhere to the objectives and missions set at the beginning of the year, the overall keynote of seeking progress while maintaining stability and the “3411 Project” that focuses on the transformation of high-quality development. At the same time, the Group will also seek new opportunities, achieve new breakthroughs, promote innovation and urge transformation.

## President's Statement

**The Group will overcome difficulties and make every effort to achieve the goals and missions of the year.** **In terms of P&C insurance,** the Group will strive to closely align its motor vehicle insurance business with the market, comprehensively carry out integrated reform of motor vehicle insurance and respond to various tasks. The Group will ensure that its motor vehicle insurance business remains the first in the market in terms of growth, with the household automobile insurance business growing faster than the motor vehicle insurance business as a whole, and will achieve an 80% online customer rate of the household automobile insurance business. The Group will accelerate the reform of the non-motor vehicle insurance business model based on “insurance + technology + services”, strive to closely align its development with the market and attain quality that is above market average. **In terms of life insurance,** the Group will resolve on the “three shifts”, keep forging ahead while keeping an eye on the present, work on the business planning for the second half of the year and narrow the gap between the plan and the result; the Group will also keep an eye on the future, based on its high-quality team composition, optimise product system, boost investment results, gradually reduce the cost difference and loss, and accelerate the improvement of profit structure and improved the long-term mechanism of value growth. **In terms of health insurance,** the Group will put more efforts on achieving the requirement of “professional, capable, efficient and flatten”, accelerate innovation of professional products based on “health insurance + health management + technology empowerment”, improve refined management system and solidly promote the commercialisation of health management services. **In terms of investment,** in consideration of the overall asset liability matching, the Group will seize opportunities in the short term and strengthen matching in the long term, prevent risks at all times, strengthen the investment and research capabilities as well as the construction of market-oriented system and mechanism, enhance the income contribution, and expand the wealth management market.

**The Group will focus on major projects and promote the implementation of the “3411 Project”.** **In terms of digital strategies,** the Group will promote the construction of new IT architecture, new backbone network and core system according to schedule, push forward the construction of middle office services based on the new structure, focus on layout optimisation and functional synergy to accelerate customer online migration, speed up the construction of IT governance system which adapts to the new business models, and further improve the data-driven capabilities. **In terms of integrated strategies,** the Group will insist on being customer-oriented, focus on sales system, service platform, customer resource management and other key areas, and push forward business collaboration and integration of resources. **In terms of innovation-driven development strategies,** the Group will complete the preparation of technology innovation map of the Group, improve the innovation-driven top-level design, accelerate the application of new science and technology innovation results, and facilitate the transformation of business model. **In terms of international strategies,** the Group will steadily expand the scope of short-term export credit insurance, continuously improve the overseas services support network, participate in the construction of “Belt and Road” reinsurance community, and strengthen the prevention of risks from international businesses.

**The Group will adhere to prioritise the efficiency, and strive to achieve cost reduction, efficiency enhancement and refined management.** We will also maintain the quality of front-end business, improve the professional capability of risk pricing, and strengthen the construction of underwriting capacity. **The Group will promote refined claims,** solidly urge the professional, digital and vertical construction of claims, build a long-term mechanism for claims management and control and effectively control interest leakage. **We will strengthen the construction of independent channels,** insist on “dis-intermediary, lower costs”, strengthen the construction of direct sales teams, strategically promote the development of P&C insurance direct sales channels, urge the standardisation of life insurance team, the normalised operation of the basic management measures on agents and the refined management of expenses, encourage the coordination and development of the independent platform of health insurance e-commerce channels and the third party channels, and actively promote cross-selling.

**The Group will adhere to keep the bottom line on security and solidly work on the prevention, control and mitigation of significant risks. We will comprehensively strengthen the product development and operation management of system,** pay close attention to the centralised, systematic and standardised management of product terms, underwriting authority and use of seals, accelerate and unify the construction of IT systems such as systems and platforms of product centre and core system for business, and strengthen the underwriting risk prevention. **We will focus on strengthening the prevention of credit risks,** continue to promote the rectification of credit guarantee insurance business at the liability side and accelerate the promotion of the special rectification of financial business. The Group will strictly control the investment threshold at the asset side, strengthen post-investment management, **strictly practise the investment credit rating requirements,** insist on not sinking the centre of credit, and continue to optimise the credit structure of positions. We will strictly bear the responsibility for risk compliance, keep a close eye on key persons in charge and key processes, improve the management mechanism for key positions, improve the balance of powers and the separation mechanism of incompatible positions and responsibilities, and strengthen the construction of long-term responsibility mechanism for risk compliance. The Group will strengthen the risk compliance assessment of branches and strengthen the management of linking risk compliance and performance assessment. The Group will strictly enforce the accountability mechanism, seriously handle and investigate for responsibility of operators and the personnel who are responsible for the issue, have zero tolerance and impose severe punishment to strive for a business atmosphere that complies with laws and regulations.

There is no difficulty that we cannot overcome, and no future that we cannot reach. 2020 is a critical year for the PRC to complete the building of a moderately prosperous society in all respects and for PICC to accelerate its in-depth transformation to high-quality development. In face of the challenges caused by the novel coronavirus pneumonia epidemic and complicated situations, the Group will implement the new development concept with determination, put the “stability on the six fronts and security in the six areas” policy into practice thoroughly, speed up the implementation of the “3411 Project” and ensure the goals and missions of the year to be completed in high quality, in order to achieve success in preventing and controlling the epidemic as well as the reform and development of the Group!

Beijing, PRC

21 August 2020



# Management Discussion and Analysis

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

The Group engages in three main businesses, namely P&C insurance business, life and health insurance business and asset management business. The Group’s businesses are composed of four main operating segments: the P&C insurance business consists of P&C insurance segment of the Group and includes PICC P&C and PICC Hong Kong, in which the Company holds 68.98% and 75.00% equity interests, respectively; the life and health insurance business consists of two separate segments, including life insurance segment and health insurance segment, among which the life insurance segment includes PICC Life, in which the Company holds 80.00% equity interest directly and indirectly, and the health insurance segment includes PICC Health, in which the Company holds 95.45% equity interest directly and indirectly; and the asset management business consists of asset management segment and primarily includes PICC AMC, PICC Investment Holding, PICC Capital, and PICC AMHK, which are all wholly owned by the Company. The Company also holds 100.00% equity interest in PICC Financial Services, directly and indirectly holds 100.00% equity interest in PICC Reinsurance and holds 100.00% equity interest in PICC Pension.

## I. Business Overview of the Company

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

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

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

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

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

### (I) Key Operating Data

Unit: RMB million

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

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

Unit: RMB million

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

(1) The market share was independently calculated based on the original premiums income in the PRC published by the CBIRC, and the market share of PICC P&C represents its market share among all P&C insurance companies, and the market share of PICC Life and PICC Health represents their respective market share among all life and health insurance companies.



## Management Discussion and Analysis

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

### (II) Key Financial Indicators

Unit: RMB million

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

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

Unit: RMB million

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

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

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

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

Unit: RMB million

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

Explanation for major adjustments:

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

**II. BUSINESS ANALYSIS****(I) P&C Insurance Business****1. PICC P&C**

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

## Management Discussion and Analysis

### (1) Analysis by Product

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

Unit: RMB million

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

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

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

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

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

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

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

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

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

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

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

## (2) Analysis by Channel

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

Unit: RMB million

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

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



## Management Discussion and Analysis

### (3) Analysis by Region

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

Unit: RMB million

	For the six months ended 30 June		
	2020	2019	(% of change)
Jiangsu Province	22,869	21,081	8.5
Guangdong Province	22,383	24,189	(7.5)
Zhejiang Province	17,272	15,272	13.1
Shandong Province	15,782	14,268	10.6
Hebei Province	15,146	13,859	9.3
Sichuan Province	11,641	10,746	8.3
Hunan Province	10,934	9,249	18.2
Hubei Province	10,903	11,522	(5.4)
Anhui Province	10,209	9,092	12.3
Fujian Province	9,516	9,319	2.1
Other regions	98,984	96,738	2.3
<b>Total</b>	<b>245,639</b>	<b>235,335</b>	<b>4.4</b>

### (4) Business Information on Major Insurances

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

Unit: RMB million

	For the six months ended 30 June 2020					
	Gross written premiums	Amount of insurance	Net claims	Liability balance of reserve	Underwriting profits	Combined ratio (%)
Motor vehicle insurance	131,019	42,131,075	62,288	200,390	6,631	94.8
Accidental injury and health insurance	49,691	358,865,402	20,509	48,453	(465)	101.6
Agricultural insurance	25,695	1,608,828	6,829	25,878	203	98.0
Liability insurance	15,934	87,982,522	4,645	26,835	329	96.6
Credit insurance	4,318	943,180	9,459	19,763	(2,948)	138.6
Commercial property insurance	9,411	20,343,727	2,299	14,833	608	86.8
Cargo insurance	2,020	6,995,832	523	2,534	226	83.2
Other PICC P&C insurances	8,216	28,127,138	1,669	19,799	755	79.4
<b>Total</b>	<b>246,304</b>	<b>546,997,704</b>	<b>108,221</b>	<b>358,485</b>	<b>5,339</b>	<b>97.3</b>

## (5) Financial Analysis

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

Unit: RMB million

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

## Net earned premiums

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

## Investment income

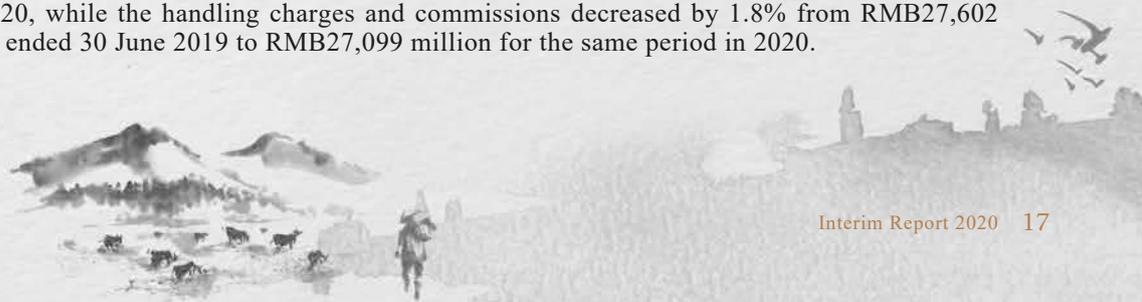
Investment income of the PICC P&C decreased by 4.4% from RMB7,931 million for the six months ended 30 June 2019 to RMB7,581 million for the same period in 2020. It was associated with the impairment resulted from the risk of some equity projects being fully accrued.

## Net claims and policyholders' benefits

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

## Handling charges and commissions

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



## Management Discussion and Analysis

### Finance costs

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

### Income tax expense

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

### Net profit

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

## 2. *PICC Hong Kong*

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

## (II) Life and Health Insurance

### 1. *PICC Life*

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

*(1) Analysis by Product*

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

*Unit: RMB million*

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

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

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

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

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

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



## Management Discussion and Analysis

### (2) Analysis by Channel

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

Unit: RMB million

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

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

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

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

In terms of TWPs, the TWPs from the bancassurance channel, individual insurance channel and group insurance channel amounted to RMB28,816 million, RMB37,620 million and RMB3,588 million, respectively, for the six months ended 30 June 2020. As at 30 June 2020, the number of sales agents for “Comprehensive individual life insurance” was 512,304. The first-year TWPs per capita from sales agent per month amounted to RMB2,968 and the average number of new life insurance policies per capita was 0.84 per month.

### (3) Persistency Ratios of Premiums

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

Item	For the six months ended 30 June	
	2020	2019
13-month premium persistency ratio <sup>(1)</sup> (%)	91.3	93.0
25-month premium persistency ratio <sup>(2)</sup> (%)	90.5	92.2

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

### (4) Analysis by Region

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

Unit: RMB million

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



## Management Discussion and Analysis

### (5) Top Five Products

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

Unit: RMB million

	For the six months ended 30 June 2020		Original premiums income
	Type of insurance	Sales channels	
PICC Life Xin An Endowment Insurance (Participating) (Type C)	Participating life insurance	Bancassurance	11,154
PICC Life Ru Yi Bao Endowment Insurance (Participating)	Participating life insurance	Individual insurance/ Bancassurance	10,275
PICC Life Zun Ying Ren Sheng Annuity Insurance (Participating)	Participating life insurance	Individual insurance/ Bancassurance	4,842
PICC Life Ju Cai Bao Retirement Annuity Insurance (Participating)	Participating life insurance	Individual insurance	4,745
PICC Life Le Xiang Sheng Huo Annuity Insurance	General life insurance	Individual insurance/ Bancassurance	4,265

### (6) Financial Analysis

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

Unit: RMB million

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

#### Net earned premiums

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

### Investment income

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

### Other income

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

### Net claims and policyholders' benefits

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

### Handling charges and commissions

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

### Finance costs

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

### Income tax expense

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

### Net profit

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



### 2. PICC Health

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

#### (1) Analysis by Product

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

Unit: RMB million

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

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

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

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

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

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

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

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

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

(2) *Analysis by Channel*

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

*Unit: RMB million*

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

## Management Discussion and Analysis

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

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

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

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

### (3) Persistency Ratios of Premiums

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

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

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

#### (4) Analysis by Region

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

Unit: RMB million

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

#### (5) Top Five Products

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

Unit: RMB million

	For the six months ended 30 June 2020		
	Type of insurance	Sales channels	Original premiums income
Kang Li Ren Sheng endowment insurance (Participating)	Endowment insurance	Bancassurance channel, Individual insurance channel	5,130
PICC Health You Xiang Bao individual medical insurance	Medical insurance	Individual insurance channel	4,567
Group critical illness medical insurance for urban and rural residents (Type A)	Medical insurance	Group insurance channel	3,931
He Xie Sheng Shi large amount supplementary group medical insurance for urban employees	Medical insurance	Group insurance channel	3,350
Social security supplementary group medical insurance for nursing care experts	Medical insurance	Group insurance channel	651



## Management Discussion and Analysis

### (6) Financial Analysis

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

Unit: RMB million

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

#### Net earned premiums

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

#### Investment income

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

#### Other income

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

#### Net claims and policyholders' benefits

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

#### Handling charges and commissions

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

### Finance costs

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

### Net profit

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

### (III) Asset Management Business

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

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

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

*Unit: RMB million*

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

#### *Investment income*

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



## Management Discussion and Analysis

### Other income

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

### Net profit

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

## (IV) Investment Portfolio and Investment Income

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

### 1. Investment Portfolio

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

Unit: RMB million

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

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

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

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

*(1) Classified by investment object*

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

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

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

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

*(2) Classified by investment purpose*

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



## Management Discussion and Analysis

### 2. Investment income

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

Unit: RMB million

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

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

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

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

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

### III. SPECIFIC ANALYSIS

#### (I) Liquidity Analysis

##### 1. Liquidity Analysis

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

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

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

##### 2. Statement of Cash Flows

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

Unit: RMB million

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

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

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

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



## Management Discussion and Analysis

### (II) Solvency

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

Unit: RMB million

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

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

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

#### IV. PROSPECTS AND RISK ANALYSIS

##### (I) Prospects

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

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

The Group will adhere to the objectives and missions set at the beginning of the year, the overall keynote of seeking progress while maintaining stability and the "3411 Project" that focuses on the transformation to high-quality development. At the same time, the Group will also seek new opportunities, achieve new breakthroughs, promote innovation and urge transformation. **First is to overcome difficulties**, to comprehensively carry out integrated reform of motor vehicle insurance, respond to various tasks, accelerate the reform of the non-motor vehicle insurance business model based on "insurance + technology + services", resolve on the "three changes" in life insurance, and solidly promote the commercialisation of health management services. Also, we have to strengthen the investment and research capabilities as well as the construction of market-oriented system and mechanism, expand the wealth management market, and make every effort to achieve the goals and missions of the year. **Second is to focus on major projects**, to promote the construction of new IT architecture, new backbone network and core system according to schedule, focus on sales system, service platform, customer resource management and other key areas, push forward business collaboration and integration of resources, improve innovation-driven top-level design, and accelerate the application of new science and technology innovative results in order to speed up the implementation of the "3411 Project". **Third is to comply with efficiency as priority**, to maintain the quality of front-end business, promote refined claims, strengthen the construction of independent channels, and strive to promote cost reduction, efficiency improvement and refined management. **Fourth is to adhere to the bottom risk line**, to further promote the construction of a comprehensive risk management system, increase the risk performance assessment, compact risk responsibilities on a level-by-level basis, focus on the prevention of credit risk and asset-liability matching risk, focus on key businesses and aspects with weak performance, as well as strengthen process management and control. In addition, the Group should also resolve outstanding risks and steadily carry out the "Year of Risk Control and Compliance" so as to continuously strengthen internal control and compliance.



## Management Discussion and Analysis

### (II) Major Potential Risks and Countermeasures

First, macro environment risk. With the global spread of the novel coronavirus pneumonia pandemic, the macroeconomic environment continues to fluctuate, and the downward pressure on the domestic economy still exists. Adverse effects caused by the pandemic, changes in the external macroeconomic environment and other comprehensive factors would influence aspects including the operation management, business development and investment of the Group to a certain extent. The Group had a high regard for its research on the global macroeconomic environment and internal and external economic situation, and took the initiative to perform analysis on the macroeconomic environment and changes of the pandemic, and conducted research on the impacts of such factors to aspects including the operation management and investment in order to actively respond to such impacts.

Second, capital use risk. The domestic equity market continued to fluctuate, and the low interest rate environment led to a higher risk of negative interest spread. As a result, it was more difficult to perform asset-liability matching, and the re-investment stress increased, causing a certain impact on the efficiency of capital use and investment earnings. The Group continued to conduct research and optimisation work on the allocation to major assets, strengthen the research and exploration capabilities of the securities held by the Group, diversify market risk through a diversified investment portfolio, establish a “white list” mechanism targeting specific industries, perform stress test and other risk evaluation work on a regular basis, and implement investment risk budget management and dynamic tracking.

Third, investment credit risk. With an increase in uncertainties of the global political and economic environment, the domestic and external environment continued to change, credit quality was affected and incidents related to default risk occurred frequently. The Group continued to strengthen daily credit risk tracking, enhanced the credit risk analysis to key industries, proactively carried out risk inspection of key trade counterparties, and improved the credit risk management and control capabilities of investment business.

Fourth, insurance risk. Insurance business is one of the principal businesses operated by the Group. Where the actual circumstances of relevant assumptions on the claim level, loss incurred, costs and surrenders deviate adversely from expectations, the Group will be exposed to insurance risk. The Group adopted techniques including sensitivity analysis and stress tests to assess and monitor insurance risk, and strengthened the process management of insurance business through the continuous optimisation of business structure and implementation of effective product development management systems, multi-level reinsurance mechanisms, reasonable and prudent cost policies and other measures, continued to strengthen the risk management and control in underwriting, claim verification and other stages to control insurance risk.

### V. BORROWINGS

Besides the capital supplementary bonds issued by the Group, the repurchase business disposed of in the investment business and bank borrowings of RMB149 million due within one year as at 30 June 2020, the Group had no other borrowings. Details of the capital supplementary bonds are set out in Note 26 to the consolidated financial statements.

### VI. NO MATERIAL CHANGES

Save as disclosed in this interim report, after the publication of the annual report 2019, there are no material changes affecting the Company’s performance that need to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules of the Stock Exchange.

## I. CORPORATE GOVERNANCE

### (I) Corporate Governance

The Company always abides by the relevant laws such as the Company Law and the Insurance Law, earnestly performs the relevant legal requirements issued by regulatory authorities and the Articles of Association, insists on keeping good corporate governance principles, and strives to enhance the corporate governance standard continuously to ensure the stable development of the Company and to enhance shareholders' value.

In the first half of 2020, the Company has complied with the relevant provisions of the SSE on corporate governance for listed companies and the Corporate Governance Code in Appendix 14 of the Listing Rules of the Stock Exchange, and continued to improve its corporate governance structure. The shareholders' general meeting, the Board of Directors, Board of Supervisors and senior management independently performed their respective rights and obligations pursuant to the Articles of Association, in compliance with laws and regulatory requirements.

During the reporting period, the Company convened two shareholders' general meetings, three meetings of the Board of Directors, and three meetings of the Board of Supervisors. In accordance with regulatory requirements, the announcements concerning the resolutions adopted at the above meetings were published on the website of the SSE, the HKExnews website of Hong Kong Stock Exchange and relevant information disclosure media.

There are five committees under the Board of Directors, namely the Audit Committee, the Nomination and Remuneration Committee, the Strategy and Investment Committee, the Risk Management & Consumers' Rights and Interests Protection Committee<sup>1</sup> and the Related Party Transactions Control Committee. Each committee provides advice and suggestions to the Board of Directors with respect to the matters within their scopes of responsibilities. The duties and operation process are explicitly stipulated in the terms of reference of each committee. During the reporting period, the Audit Committee held three meetings, the Nomination and Remuneration Committee held three meetings, the Strategy and Investment Committee held three meetings, the Risk Management & Consumers' Rights and Interests Protection Committee held three meetings and the Related Party Transactions Control Committee held one meeting.

The Board of Supervisors of the Company established the Duty Performance and Due Diligence Supervision Committee, and the Financial and Internal Control Supervision Committee. During the reporting period, the Duty Performance and Due Diligence Supervision Committee convened three meetings, the Financial and Internal Control Supervision Committee convened three meetings.

### (II) Shareholders' General Meeting

On 6 January 2020, the Company convened the 2020 first extraordinary general meeting in Beijing. The meeting adopted a combined voting mode of on-site voting and online voting, which considered and reviewed two resolutions including the Resolution in relation to the Remuneration Scheme for the Company's Directors and Supervisors for the Year 2018 and the Resolution in relation to the Election of Mr. Huang Liangbo as a Shareholder Representative Supervisor to Serve the Third Session of the Board of Supervisors of the Company.

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<sup>1</sup> In accordance with the relevant regulations and requirements under the Guiding Opinions on Strengthening the Mechanism and System Building of Consumer Rights and Interests of Banking and Insurance Institutions issued by the CBIRC, the board of directors of bank and insurance institutions shall bear the ultimate responsibility for protection of rights and interests of consumers and shall establish a consumer rights protection committee under the board of directors. On 29 April 2020, the 19th meeting of the third session of the Board of Directors of the Company considered and approved "Adjustment and Establishment of the Risk Management & Consumers' Rights and Interests Protection Committee of the Board of Directors", and the original "Risk Management Committee of the Board of Directors" was replaced by this committee.

## Significant Events

On 23 June 2020, the Company convened the 2019 annual general meeting in Beijing. The meeting adopted a combined voting mode of on-site voting and online voting, which considered and reviewed eleven resolutions including the Resolution in relation to the Report of the Board of Directors for the Year 2019, the Resolution in relation to the Report of the Board of Supervisors for the Year 2019, the Resolution in relation to the Final Financial Accounts for the Year 2019, the Resolution in relation to the Profit Distribution for the Year 2019, the Resolution in relation to the Budget of Fixed Asset Investment for the Year 2020, the Resolution in relation to the Engagement of Auditor for Financial Statements and Internal Control for the Year 2020, the Resolution in relation to the Engagement of Auditor for Financial Statements and Internal Control for the Year 2021, the Resolution in relation to the Work Report of the Independent Directors for the Year 2019 and the Appraisal of Performance, the Resolution in relation to the Amendments to the Procedural Rules for the Board Meetings of The People's Insurance Company (Group) of China Limited, the Resolution in relation to the Election of Mr. Wang Tingke as Executive Director to Serve the Third Session of the Board of Directors of the Company, the Resolution in relation to the Grant of a General Mandate to the Board of Directors to Issue Shares, and reviewed three resolutions including the Performance Report of the Directors for the Year 2019, the Report on the Related Party Transactions and the Evaluation of Internal Transactions for the Year 2019 and the Report on the Solvency-related Condition of the Group for the Year 2019.

Session of the meeting	Date of the meeting	Index for websites on which resolutions were published	Date of publication of resolution
2020 First Extraordinary General Meeting	6 January 2020	www.sse.com.cn www.hkexnews.hk www.picc.com	6 January 2020
2019 Annual General Meeting	23 June 2020	www.sse.com.cn www.hkexnews.hk www.picc.com	23 June 2020

### (III) Profit Distribution

#### 1. Profit Distribution Plan for the First Half of 2020

In order to provide better return to our shareholders and share the development results of the Company with them, according to the profit distribution policy for the first half of 2020 approved by the Board on 21 August 2020, it is proposed to distribute a cash dividend of RMB0.36 per 10 shares (tax inclusive) to all shareholders, amounting to a total of approximately RMB1.592 billion (tax inclusive), on the basis of 44,223,990,583 shares in issue, representing approximately 12.63% of the net profit attributable to owners of the Company as contained in the 2020 interim consolidated financial statements of the Company. The above profit distribution plan shall become effective upon the approval of the shareholders' general meeting. If approved at the general meeting, the interim dividend is expected to be paid around 18 December 2020.

Independent opinion issued by Independent Directors: The Company's profit distribution plan for the first half of 2020 has fully considered the solvency margin ratio, business development situation and demand, operating results and shareholders' return of the Company and its subsidiaries. The plan is in line with the interest of the Company and shareholders as a whole, especially the medium and small shareholders, and complies with relevant laws, regulations and the Articles of Association. It is legal and valid.

#### 2. Implementation of Profit Distribution Plan for the Year 2019

According to the Profit Distribution Plan of the Company for the Year 2019 approved at the 2019 annual general meeting held on 23 June 2020, with the profit distribution ratio of 22.90% of the net profit for the year 2019 under the financial statements of parent company, based on a total of 44,223,990,583 shares in issue, the Company distributed a cash dividend of RMB1.16 per 10 shares (tax inclusive) to all shareholders of the Company, totaling approximately RMB5.130 billion. For details of the dividend payment arrangements for H Shares, please refer to the Circular of the 2019 Annual General Meeting dated 8 May 2020 and announcement on Poll Results of the 2019 Annual General Meeting held on 23 June 2020 dated 23 June 2020 published on the website of the Hong Kong Stock Exchange. For details of the profit distribution of A Shares, please refer to the announcement on Implementation of Profit Distribution of A Shares of The People's Insurance Company (Group) of China Limited for the Year 2019 dated 13 August 2020 published on the website of the SSE.

## II. MATERIAL LAWSUITS AND ARBITRATION

The Company had no material lawsuits or arbitration during the reporting period.

## III. RELATED PARTY TRANSACTIONS

### (I) Connected Transactions under the Regulatory Calibre of the Hong Kong Stock Exchange

During the reporting period, the Company had not conducted any connected transactions or continuing connected transactions which need to comply with the reporting, announcement and independent shareholders' approval requirements as set out in Chapter 14A "Connected Transactions" of the Listing Rules of the Stock Exchange.

### (II) Related Party Transactions under the Regulatory Calibre of the SSE

In accordance with the SSE Listing Rules and other regulatory requirements, the SSF constitutes a related party of the Company under the regulatory rules of the SSE. Since 2017, the SSF has entrusted PICC AMC to manage part of its assets. As of 30 June 2020, the assets under the management of PICC AMC were RMB7.993 billion. During the reporting period, the provision made by PICC AMC for assets management fee income was RMB5.6763 million. The above-mentioned transactions do not constitute major related party transactions and have not yet reached the disclosure standard of related party transactions.

### (III) Overall Situation of Related Party Transactions under the Regulatory Calibre of the CBIRC

During the reporting period, the types of related party transactions of the Company mainly include: use of funds, insurance business, services, leasing and others. According to the requirements of the Administrative Measures for Related Party Transactions of Insurance Companies, the types of related party transactions between the holding subsidiaries of the Company (excluding listed companies or financial institutions that have been regulated by the industry) and related parties of the Company under the calibre of the CBIRC mainly include the use of funds and the provision or receipt of services.

During the reporting period, the Company further improved the organisational structure of related party transaction management, and carried out the identification, review, disclosure and reporting of related party transactions in accordance with laws and regulations. The pricing of related party transactions was in line with the fairness requirements.



## Significant Events

### IV. COMMITMENTS OF THE COMPANY, SHAREHOLDERS, DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OR OTHER RELATED PARTIES DURING OR CONTINUED IN THE REPORTING PERIOD

Background	Commitment	Commitment party	Commitment	Time and term of commitment	Performance term or no	Performed in time and strictly or not
Commitment in the report on changes in equity	Restriction on sale of A Shares	SSF	The SSF, in respect of the shares transfer, shall fulfil the obligation of lock-up period of not less than 3 years from the date of transfer of the shares to its account.	Not less than 3 years from 26 September 2019	Yes	Yes
Commitments related to the initial public offering	Restriction on sale of A Shares	MOF	Restrictions on the stock circulation and shareholders' voluntary lock-up commitment to the shares held by them in the Company's Prospectus.	16 November 2018 to 15 November 2021	Yes	Yes
	Others	MOF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
		SSF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company and related Directors and senior management	Measures for stabilising stock prices after listing in the Company's Prospectus.	16 November 2018 to 15 November 2021	Yes	Yes
	Dividend	The Company	The dividend commitment in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment to take remedial measures for the dilution impact on immediate return in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
		Directors and senior management	Commitment to take remedial measures for the dilution impact on immediate return in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment in relation to the contents of the Prospectus in the Company's Prospectus.	Effective from 5 November 2018	Yes	Yes
	Directors, Supervisors and Senior Management	Commitment in relation to the contents of the Prospectus in the Company's Prospectus.	Effective from 5 November 2018	Yes	Yes	

### V. PENALTIES AND RECTIFICATIONS OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND CONTROLLING SHAREHOLDERS

During the reporting period, the Company and its Directors, Supervisors, senior management and controlling shareholders have not been investigated by relevant authority, and the judicial body or discipline inspection departments have not taken coercive measures on them, nor were they transferred to the judicial body or pursued criminal responsibility and filed by the CSRC to investigate or impose administrative punishment, banned to enter the market, identified as an inappropriate candidate, given major administrative penalties by other administrative departments such as environmental protection, safety supervision, taxation, and been publicly condemned by the stock exchange.

The current Directors, Supervisors and senior management of the Company and those who resigned during the reporting period have not been punished by the securities regulatory authorities during the reporting period.

## **VI. EXPLANATION OF THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS DURING THE REPORTING PERIOD**

During the reporting period, the Company and its controlling shareholders did not report any failure to perform the effective judgement of the court, or to pay outstanding debts with a large amount when due.

## **VII. ENGAGEMENT OF ACCOUNTING FIRM**

As confirmed in 2019 annual general meeting convened on 23 June 2020, the Company reappointed Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the auditors of the domestic and international financial statements of the Company for the year 2020, respectively.

As confirmed in 2019 annual general meeting convened on 23 June 2020, the Company appointed PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, the member firm in PwC international network, as the auditors of the domestic and international financial statements of the Company for the year 2021, respectively.

## **VIII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company or its subsidiaries during the reporting period.

## **IX. MATERIAL CONTRACTS**

During the reporting period, the Company neither acted as trustee, contractor or lessee of other companies' assets, nor entrusted, contracted or leased its assets to other companies, the profit or loss from which accounted for 10% or more of the Company's total profits for the reporting period, nor were there any such matters occur or those that occurred in previous periods but subsisted during the reporting period, and there were no other material contracts.

## **X. EXTERNAL GUARANTEES AND MATERIAL GUARANTEES**

During the reporting period, the Company and its subsidiaries did not have external guarantees, and there were no guarantees provided by the Company and its subsidiaries to subsidiaries.

## **XI. ENVIRONMENTAL INFORMATION**

The Company does not belong to high pollution and high emissions enterprise. The main energy and resource consumption concentrates on water, electricity, gasoline, diesel and natural gas. The main emissions are greenhouse gas and waste gas emissions, discharge of wastewater and solid waste from offices. In the first half of 2020, the Company continued to respond to the national call of construction of ecological civilisation, strictly followed the national and local laws and regulations on regulatory compliance requirements such as energy conservation, emission reduction and recycling of resources, and promoted policies on resource conservation and energy consumption reduction.



## Significant Events

### **XII. COMPLIANCE WITH LAWS AND REGULATIONS**

The Company had complied with relevant laws and regulations which had significant impact on the businesses and operations of the Company in all material aspects.

### **XIII. REVIEW OF INTERIM RESULTS**

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

### **XIV. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has formulated the guidelines on transactions of the Company's securities that are applicable to Directors, Supervisors and all employees. The terms of such guidelines are no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules of the Stock Exchange. The Company enquired with all the Directors and Supervisors and they all confirmed that they complied with the requirements under the Model Code and such guidelines during the first half of 2020.



## Movements in Ordinary Shares and Shareholders

### Shareholdings of the Top Ten Shareholders Not Subject to Selling Restrictions

Unit: Share

Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares Class	Number
HKSCC Nominees Limited	8,702,974,698	H shares	8,702,974,698
National Council for Social Security Fund, PRC	3,801,567,019	A shares	3,801,567,019
China Construction Bank Corporation-E Fund 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	74,850,000	A shares	74,850,000
Bank of China Limited-China Merchants 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	53,214,606	A shares	53,214,606
New China Life Insurance Company Ltd.-Dividend-Personal dividend-018L-FH002 SH	47,188,500	A shares	47,188,500
Hong Kong Securities Clearing Company Limited	41,169,607	A shares	41,169,607
Industrial and Commercial Bank of China-Shanghai 50 Transactional Open Index Securities Investment Fund	14,432,700	A shares	14,432,700
Mo Jianrong	11,533,729	A shares	11,533,729
Truvalue Asset Management-ICBC-Foreign Trade Trust-Foreign Trade Trust • WENFU FOF Single Fund Trust	10,952,971	A shares	10,952,971
Huo Wenliang	6,765,360	A shares	6,765,360
Details of the above shareholders who are connected to each other or acting in concert	The Company is not aware of any connected relationship among the above shareholders or any parties acting in concert as defined by the Measures for the Administration of the Takeover of Listed Companies.		

#### Notes:

- In addition to the 6,791,185,975 A Shares of the Company held by it, the National Council for Social Security Fund, PRC holds 524,279,000 H Shares as a beneficial owner and 146,000 H Shares through overseas manager.
- HKSCC Nominees Limited holds shares on behalf of securities firm customers in Hong Kong and other CCASS participant. Relevant regulations of the Hong Kong Stock Exchange do not require such persons to declare whether their shareholdings are pledged or frozen. Hence, HKSCC Nominees Limited is unable to calculate or provide the number of shares that are pledged or frozen.
- The shares under Hong Kong Securities Clearing Company Limited are held by the shareholders of the Shanghai Stock Connect.

### Number of Shares Held by Top Ten Shareholders Subject to Selling Restrictions and Selling Restrictions

Unit: Share

No.	Name of shareholders subject to selling restrictions	Number of shares held subject to selling restrictions	Time available for listing and trading	Shares subject to selling restrictions available for listing and trading	Number of additional shares available for listing and trading	Selling restrictions
1	MOF	26,906,570,608	16 November 2021	–	–	Within 36 months from the listing date of the Company's A Shares
2	SSF	2,989,618,956	26 September 2022	–	–	No less than 3 years from the date of transfer of the shares to MOF's account
Details of the above shareholders who are connected to each other or acting in concert		The Company is not aware of any connected relationship among the above shareholders or any parties acting in concert as defined by the Measures for the Administration of the Takeover of Listed Companies.				

### 3. Strategic Investors or General Legal Persons who Become the Top Ten Shareholders due to the Placement of New Shares

Name of strategic investors or general legal persons	Agreed shareholding start date	Agreed shareholding end date
China Construction Bank Corporation-E Fund 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	16 November 2018	–
Bank of China Limited-China Merchants 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	16 November 2018	–
New China Life Insurance Company Ltd.-Dividend-Personal dividend-018L-FH002 SH	16 November 2018	–

### (II) CHANGES IN CONTROLLING SHAREHOLDER

During the reporting period, there was no change in the controlling shareholder of the Company.

### III. INTERESTS AND SHORT POSITIONS REQUIRED TO BE DISCLOSED BY SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As far as the Directors of the Company are aware, as at 30 June 2020, the following persons (other than the Directors, Supervisors and senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Sections 2 and 3 of Part XV of the Securities and Futures Ordinance, or is required to be recorded in the register to be kept by the Company under Section 336 of the Securities and Futures Ordinance:

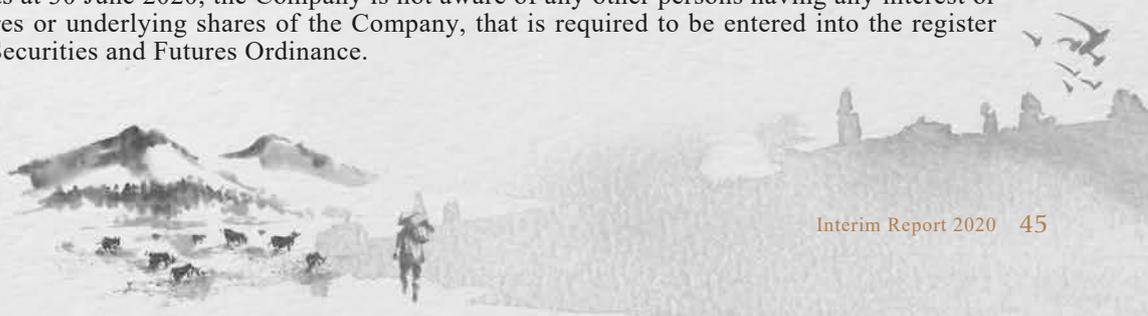
Name of shareholder	Capacity	Number of A Shares	Nature of interests	Percentage of total issued A Shares	Percentage of total issued shares
MOF	Beneficial owner	26,906,570,608	Long position	75.80%	60.84%
SSF	Beneficial owner	6,791,185,975	Long position	19.13%	15.36%

Name of shareholder	Capacity	Number of H Shares	Nature of interests	Percentage of total issued H Shares	Percentage of total issued shares
The Capital Group Companies, Inc. (note 1)	Interest of controlled corporation	965,381,215	Long position	11.06%	2.18%
JPMorgan Chase & Co. (note 1)	Interest of controlled corporation, person	664,519,869	Long position	7.62%	1.50%
	having a security	54,870,427	Short position	0.63%	0.12%
	interest in shares, trustee, approved lending agent	588,377,814	Lending shares	6.74%	1.33%
SSF (note 2)	Beneficial owner	524,425,000	Long position	6.01%	1.19%

Notes:

- The Company's H shares are held through certain controlled subsidiaries.
- SSF, as the beneficial owner, holds 524,279,000 H Shares. In addition, SSF holds 146,000 H Shares via the overseas manager. Accordingly, SSF is deemed to be interested in the aforementioned H Shares.

Save as disclosed above, as at 30 June 2020, the Company is not aware of any other persons having any interest or short positions in the shares or underlying shares of the Company, that is required to be entered into the register under Section 336 of the Securities and Futures Ordinance.



# Directors, Supervisors and Senior Management

## I. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, changes in the Directors, Supervisors and senior management of the Company were as follows:

### New Directors, Supervisors and senior management members appointed in the first half of 2020

Name	Position	Change and cause
Wang Tingke	Executive Director, Vice Chairman and President	The appointment has been approved by the CBIRC
Huang Liangbo	Shareholder Representative Supervisor, Chairman of the Board of Supervisors	The appointment has been approved by the CBIRC
Yu Ze	Vice President	The appointment has been approved by the CBIRC
Li Zhuyong	Secretary to the Board	The appointment has been approved by the CBIRC and this adjustment is due to division of responsibilities
Yu Ze	Responsible Compliance Officer and Chief Risk Officer	The appointment has been approved by the CBIRC and this adjustment is due to division of responsibilities

*Note:* The qualifications of Mr. Wang Tingke as the President and Director have been approved in July and August 2020 respectively. The qualification of Mr. Li Zhuyong as the Secretary to the Board has been approved in July 2020 and he obtained the qualification certificate of Secretary to the Board of SSE in August 2020. The qualification of Mr. Yu Ze as Responsible Compliance Officer was approved in August 2020.

### Directors and senior management members resigned in the first half of 2020

Name	Position	Change and cause
Bai Tao	Executive Director, Vice Chairman and President	Resigned due to job changes
Tang Zhigang	Executive Director, Vice President and Secretary to the Board	Resigned due to job changes
Hua Rixin	Non-Executive Director	Retired due to age

In addition, according to the election results of the staff representative meeting of the Company on 10 July 2020, Ms. Zhang Yan and Mr. Wang Yadong were elected as the employees representative Supervisors of the Company. Their qualifications are subject to the approval of the CBIRC and the term of office shall commence upon receiving the qualification approvals by CBIRC. On 10 July 2020, Mr. Wang Dajun and Mr. Ji Haibo resigned as employees representative Supervisors of the Company due to personal work arrangement. Prior to the qualifications of Mr. Wang Yadong and Ms. Zhang Yan as employees representative Supervisors being approved by the CBIRC, Mr. Wang Dajun and Mr. Ji Haibo will continue to perform their duties as Supervisors and members of the professional committees of the Board of Supervisors. Mr. Miao Jianmin, the Chairman and Executive Director of the Company resigned as the Chairman and Executive Director due to changes in work on 15 July 2020.

## II. CHANGES IN DIRECTORS' AND SUPERVISORS' INFORMATION

During the period from 1 January 2020 to the date of this report, except for the changes in Directors and Supervisors, there is no change in the information of the Directors and Supervisors of the Company which is required to be disclosed under Rule 13.51B(1) of the Listing Rules of the Stock Exchange.

### III. SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, there were no changes in shareholdings of the Directors, Supervisors and senior management of the Company. As at 30 June 2020, Mr. Wang Dajun, a Supervisor of the Company, held 50,000 H shares of the Company. Save as disclosed above, no other Directors, Supervisors and senior management had any interests or short positions in any shares, underlying shares or securities of the Company or any of its associated corporations (as defined in the Securities and Futures Ordinance) which were required, pursuant to Section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules of the Stock Exchange, to be notified to the Company and the Hong Kong Stock Exchange.



## Embedded Value

Our consolidated financial statements set forth in our interim report are prepared in accordance with the relevant accounting standards. These financial statements measure our results of operations for a specific time period. An alternative method of measuring the value and profitability of a life or health insurance company is the embedded value method. Embedded value is an estimate of the economic value of the life and health insurance businesses of an insurance company that is determined based on a particular set of assumptions and a valuation model-based forecast of future distributable profits, excluding any value attributable to any future new business. While, under the relevant accounting standards, there is a time lag between the sale of policies and the recognition of profits, embedded value recognises the contribution of future profits from existing policies as of the date of the embedded value calculation. Since life and health insurance policies usually extend over more than one fiscal year, embedded value is a technique that attempts to quantify the total financial impact of these policies, including the impact in future fiscal years, in order to provide an alternative assessment of potential shareholder value.

Embedded value does not include the economic value of future new business. The value of half year's new business provides an indication of the value created for investors by new business activity based on the assumptions used and hence the potential of the business.

Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch, independent consulting actuaries, have prepared actuarial consultants' review reports on the estimates of the embedded value of PICC Life and PICC Health, respectively, as of 30 June 2020, and the value of half year's new business of PICC Life and PICC Health, respectively, in respect of our new life and health insurance businesses written for the 6 months ended 30 June 2020, on a range of assumptions. Copies of consulting actuaries' review reports are included in our interim report. These reports do not constitute an audit opinion of the financial information used in the report.

The value of in-force business and the value of half year's new business in respect of new life and health insurance businesses have been calculated using a valuation model under a range of assumptions. Given the particular uncertainties associated with the future investment environment and future business operations, you should carefully consider the range of values arising from the sensitivity analysis, which reflect the impact of different assumptions on these values. Moreover, the values do not necessarily include the full range of potential outcomes.

The estimates of value of in-force business and the value of half year's new business necessarily make numerous assumptions with respect to industry performance, business and economic conditions, investment returns, reserving standards, taxation, life expectancy and other matters, many of which are beyond our control. As a result, actual future experience may vary from that assumed in the calculation, and these variations may be material. Calculated values will vary, possibly materially, as key assumptions are varied. Moreover, as actual market value is determined by investors based on a variety of information available to them, these calculated values should not be construed as a direct reflection of actual market value. Furthermore, in the current environment of the PRC market, material uncertainty exists with respect to asset valuations, which may have material impact on the embedded value.



## INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC LIFE

PICC Life Insurance Company Limited (“PICC Life”) has retained Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch to review its embedded value as at 30 June 2020. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch (“Deloitte Actuarial” or “we”).

### SCOPE OF WORK

Our scope of work covers:

- Review the methodology of the embedded value and value of half year’s new business as at 30 June 2020;
- Review the assumptions of the embedded value and value of half year’s new business as at 30 June 2020;
- Review the various embedded value results as at 30 June 2020, including the embedded value, value of half year’s new business, and the sensitivity tests of value of in-force business and value of half year’s new business under alternative assumptions;
- Review the value of half year’s new business as at 30 June 2019 recalculated based on the assumptions as at 31 December 2019;
- Review the breakdown of value of half year’s new business as at 30 June 2020 and 30 June 2019 by distribution channels.

### BASIS OF OPINION, RELIANCE AND LIMITATION

We carried out our review work based on “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance”, which was issued by China Association of Actuaries (“CAA”) in November 2016.

In carrying out our work, we have relied upon the accuracy and completeness of the audited and unaudited data and information provided by PICC Life.

The determination of embedded value is based on a range of assumptions on future operations and investment performance. Many of these assumptions are not entirely controlled by PICC Life. They are affected by internal and external factors. Hence the actual experience may deviate from these assumptions.

This report is addressed solely to PICC Life in accordance with the terms of our engagement letter. We have agreed that PICC Life can provide this review report to the People’s Insurance Company (Group) of China Limited to be disclosed in its interim report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Life for or in connection with our review work, the opinions we have formed, or for any statements set forth in this report.



### OPINION

Based on our work, we concluded that:

- The methodology adopted by PICC Life to determine the embedded value results is in line with the “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance” issued by CAA in November 2016. This method is one that is commonly used by life and health insurance companies in China;
- The economic assumptions used by PICC Life have taken into account the current investment market conditions and the investment strategy of PICC Life;
- The operating assumptions used by PICC Life have been taken into account the past experience and the expectation of future experience; and
- The various embedded value results are consistent with its methodology and assumptions used. The overall result is reasonable.

On behalf of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch

**Eric Lu**  
*FIAA, FCAA*

**Yu Jiang**  
*FSA, FCAA*

30 JUNE 2020

## EMBEDDED VALUE REPORT OF PICC LIFE INSURANCE COMPANY LIMITED

## 1. DEFINITION AND METHODOLOGY

## 1.1 Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value (“EV”)**: this is the sum of the adjusted net worth and value of in-force business as at the valuation date;
- **Adjusted Net Worth (“ANW”)**: this is the fair value of the assets attributable to shareholders in excess of liabilities of the business as at the valuation date;
- **Value of In-Force Business (“VIF”)**: this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;
- **Cost of Required Capital (“CoC”)**: this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;
- **Value of Half year’s New Business (“VHNB”)**: this is equal to the present value as at the policy issue dates of the future cash flows from the policies issued in the specified half year period and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of new policies. The value associated with top-up premium not expected from the in-force business is included in the value of half year’s new business; and
- **Expense Overrun**: the amount of actual expenses in excess of the assumed expenses.

## 1.2 Methodology

China Association of Actuaries (“CAA”) issued “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance” in November 2016. PICC Life has determined the embedded value and the value of half year’s new business based on “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance”.

PICC Life has adopted the commonly used embedded value approach in the industry. Both value of in-force business and value of half year’s new business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the embedded value and value of new business disclosed by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.



## 2. RESULTS SUMMARY

In this section PICC Life has shown the results of this year as well as those of last year for comparison purpose. All figures shown in this section are based on risk discount rate at 10%.

### 2.1 Overall Results

**Table 2.1.1 Embedded Value of PICC Life as at 30 June 2020 and 31 December 2019 (Unit: RMB Million)**

	30/06/2020	31/12/2019
<b>Risk Discount Rate</b>	<b>10.0%</b>	10.0%
Adjusted Net Worth	<b>61,427</b>	55,324
Value of In-Force Business before CoC	<b>51,033</b>	42,853
Cost of Required Capital	<b>(11,495)</b>	(9,092)
Value of In-Force Business after CoC	<b>39,538</b>	33,761
<b>Embedded Value</b>	<b>100,966</b>	89,086

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

**Table 2.1.2 Value of Half year's New Business of PICC Life for the 6 months up to 30 June 2020 and 30 June 2019 (Unit: RMB Million)**

	30/06/2020	30/06/2019
<b>Risk Discount Rate</b>	<b>10.0%</b>	10.0%
Value of Half year's New Business before CoC	<b>5,670</b>	4,950
Cost of Required Capital	<b>(1,594)</b>	(1,534)
<b>Value of Half year's New Business after CoC</b>	<b>4,076</b>	3,416

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

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

## 2.2 Results by Distribution Channels

PICC Life split the value of half year's new business by distribution channel. The results of the value of half year's new business by distribution channel as at 30 June 2020 and 30 June 2019 are summarised in the table below.

**Table 2.2.1 Value of Half year's New Business of PICC Life for the 6 months up to 30 June 2020 and 30 June 2019 by Distribution Channel (Unit: RMB Million)**

Distribution Channel	Bancassurance	Individual insurance agent	Group sales	Reinsurance	Total
<b>Value of Half year's New Business after CoC (2020)</b>	<b>153</b>	<b>3,809</b>	<b>113</b>	–	<b>4,076</b>
Value of Half year's New Business after CoC (2019)	90	2,987	339	–	3,416

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

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

The expense assumptions used by PICC Life represent the expected long-term expense level in the future in the calculation of the value of in-force business and value of half year's new business. As PICC Life is still enhancing fundamental developments and increasing strategic budgets, the expense breakeven is only able to be achieved in future years. The expense overrun is the expenses over breakeven level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of CAA. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

## 3. ASSUMPTIONS

The assumptions below are used for the valuation of the embedded value and value of half year's new business as at 30 June 2020.

### 3.1 Risk Discount Rate

A 10% risk discount rate has been used to calculate the embedded value and value of half year's new business.

### 3.2 Rate of Investment Return

A 5.25% p.a. investment return assumption has been used.

### 3.3 Policy Dividend

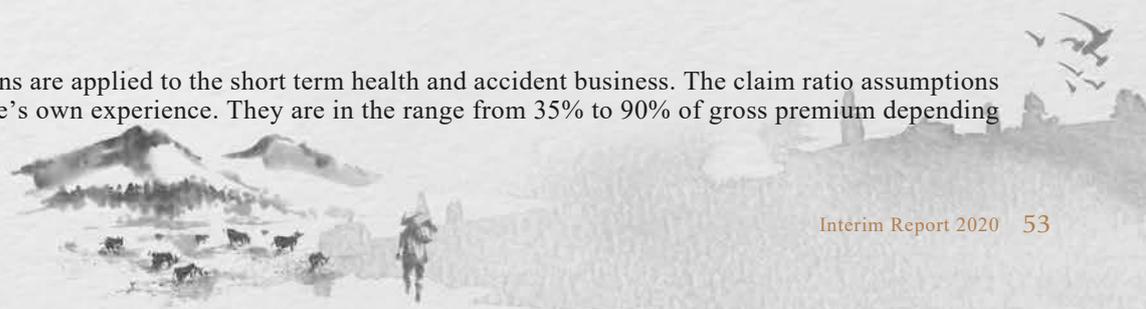
The expected level of participating policy dividend is based on the participating policy of PICC Life. The impact on the value of in-force business and value of half year's new business, which may be caused by the change in the level of participating policy dividend, is listed in the sensitivity test results.

### 3.4 Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Life's own experience and the reinsurance rates obtained by PICC Life.

### 3.5 Claim Ratio

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on PICC Life's own experience. They are in the range from 35% to 90% of gross premium depending on the lines of business.



## Embedded Value

### 3.6 Lapse Rates

Lapse rate assumptions are based on PICC Life's own lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium holiday assumptions are also set for regular premium universal life business.

### 3.7 Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Life. It is assumed that the future inflation rate is 2.5% p.a..

Commission assumptions are set based on overall commission level of PICC Life and vary by business lines.

### 3.8 Tax

The corporate income tax rate is assumed to be 25% of the taxable income. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

## 4. SENSITIVITY TESTS

PICC Life has conducted sensitivity tests on the value of in-force business and value of half year's new business. In each of these 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 are summarised in Table 4.1.

**Table 4.1 Value of In-Force Business and Value of Half year's New Business of PICC Life as at 30 June 2020 under Alternative Assumptions (Unit: RMB Million)**

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

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

## INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC HEALTH

PICC Health Insurance Company Limited (“PICC Health”) has retained Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch to review its embedded value as at 30 June 2020. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch (“Deloitte Actuarial” or “we”).

### SCOPE OF WORK

Our scope of work covers:

- Review the methodology of the embedded value and value of half year’s new business as at 30 June 2020;
- Review the assumptions of the embedded value and value of half year’s new business as at 30 June 2020;
- Review the various embedded value results as at 30 June 2020, including the embedded value, value of half year’s new business, and the sensitivity tests of value of in-force business and value of half year’s new business under alternative assumptions;
- Review the breakdown of value of half year’s new business as at 30 June 2020 by distribution channels.

### BASIS OF OPINION, RELIANCE AND LIMITATION

We carried out our review work based on “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance”, which was issued by China Association of Actuaries (“CAA”) in November 2016.

In carrying out our work, we have relied upon the accuracy and completeness of the audited and unaudited data and information provided by PICC Health.

The determination of embedded value is based on a range of assumptions on future operations and investment performance. Many of these assumptions are not entirely controlled by PICC Health. They are affected by internal and external factors. Hence the actual experience may deviate from these assumptions.

This report is addressed solely to PICC Health in accordance with the terms of our engagement letter. We have agreed that PICC Health can provide this review report to the People’s Insurance Company (Group) of China Limited to be disclosed in its interim report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Health for or in connection with our review work, the opinions we have formed, or for any statements set forth in this report.



### OPINION

Based on our work, we concluded that:

- The methodology adopted by PICC Health to determine the embedded value results is in line with the “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance” issued by CAA in November 2016. This method is one that is commonly used by life and health insurance companies in China;
- The economic assumptions used by PICC Health have taken into account the current investment market conditions and the investment strategy of PICC Health;
- The operating assumptions used by PICC Health have been taken into account the past experience and the expectation of future experience; and
- The various embedded value results are consistent with its methodology and assumptions used. The overall result is reasonable.

On behalf of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch

**Eric Lu**  
*FIAA, FCAA*

**Yu Jiang**  
*FSA, FCAA*

30 JUNE 2020

## EMBEDDED VALUE REPORT OF PICC HEALTH INSURANCE COMPANY LIMITED

### 1. DEFINITION AND METHODOLOGY

#### 1.1 Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value (“EV”)**: this is the sum of the adjusted net worth and value of in-force business as at the valuation date;
- **Adjusted Net Worth (“ANW”)**: this is the fair value of the assets attributable to shareholders in excess of liabilities of the business as at the valuation date;
- **Value of In-Force Business (“VIF”)**: this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;
- **Cost of Required Capital (“CoC”)**: this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;
- **Value of Half year’s New Business (“VHNB”)**: this is equal to the present value as at the policy issue dates of the future cash flows from the policies issued in the specified half year period and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of new policies. The value associated with top-up premium not expected from the in-force business is included in the value of half year’s new business; and
- **Expense Overrun**: the amount of actual expenses in excess of the assumed expenses.

#### 1.2 Methodology

China Association of Actuaries (“CAA”) issued “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance” in November 2016. PICC Health has determined the embedded value and the value of half year’s new business based on “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance”.

PICC Health has adopted the commonly used embedded value approach in the industry. Both value of in-force business and value of half year’s new business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the embedded value and value of new business disclosed by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.



## 2. RESULTS SUMMARY

In this section PICC Health has shown the results of this year as well as those of last year for comparison purpose. All figures shown in this section are based on risk discount rate at 10%.

### 2.1 Overall Results

**Table 2.1.1 Embedded Value of PICC Health as at 30 June 2020 and 31 December 2019 (Unit: RMB Million)**

	30/06/2020	31/12/2019
<b>Risk Discount Rate</b>	<b>10.0%</b>	10.0%
Adjusted Net Worth	7,525	5,898
Value of In-Force Business before CoC	6,461	6,810
Cost of Required Capital	(1,523)	(1,275)
Value of In-Force Business after CoC	4,939	5,534
<b>Embedded Value</b>	<b>12,464</b>	11,432

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

**Table 2.1.2 Value of Half year's New Business of PICC Health for the 6 months up to 30 June 2020 and 30 June 2019 (Unit: RMB Million)**

	30/06/2020	30/06/2019
<b>Risk Discount Rate</b>	<b>10.0%</b>	10.0%
Value of Half year's New Business before CoC	1,076	597
Cost of Required Capital	(593)	(256)
<b>Value of Half year's New Business after CoC</b>	<b>483</b>	341

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

### 2.2 Results by Distribution Channels

PICC Health split the value of half year's new business by distribution channel. The results of the value of half year's new business by distribution channel as at 30 June 2020 and 30 June 2019 are summarised in the table below.

**Table 2.2.1 Value of Half year's New Business of PICC Health for the 6 months up to 30 June 2020 and 30 June 2019 by Distribution Channel (Unit: RMB Million)**

<b>Risk Discount Rate</b>		<b>10.0%</b>			
<b>Distribution Channel</b>	<b>Bancassurance</b>	<b>Individual insurance agent</b>	<b>Group sales</b>	<b>Reinsurance</b>	<b>Total</b>
<b>Value of Half year's New Business after CoC (2020)</b>	<b>136</b>	<b>412</b>	<b>(66)</b>	-	<b>483</b>
Value of Half year's New Business after CoC (2019)	14	290	38	-	341

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

The expense assumptions used by PICC Health represent the expected long-term expense level in the future in the calculation of the value of in-force business and value of half year's new business. During the reporting period of year 2020, PICC Health has achieved the expected long-term expense level. The maintenance expense overrun will no longer be calculated in accordance with the guidelines of CAA.

### 3. ASSUMPTIONS

The assumptions below are used for the valuation of the embedded value and value of half year's new business as at 30 June 2020.

#### 3.1 Risk Discount Rate

A 10% risk discount rate has been used to calculate the embedded value and value of half year's new business.

#### 3.2 Rate of Investment Return

A 5.25% p.a. investment return assumption has been used.

#### 3.3 Policy Dividend

The expected level of participating policy dividend is based on the participating policy of PICC Health. The impact on the value of in-force business and value of half year's new business, which may be caused by the change in the level of participating policy dividend, is listed in the sensitivity test results.

#### 3.4 Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Health's own experience and the reinsurance rates obtained by PICC Health.

#### 3.5 Claim Ratio

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on PICC Health's own experience. They are in the range from 45% to 94.5% of gross premium depending on the lines of business.

#### 3.6 Lapse Rates

Lapse rate assumptions are based on PICC Health's own lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium holiday assumptions are also set for regular premium universal life business.

#### 3.7 Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Health.

It is assumed that the future inflation rate is 2.5% p.a..

Commission assumptions are set based on overall commission level of PICC Health and vary by business lines.

#### 3.8 Tax

The corporate income tax rate is assumed to be 25% of the taxable income. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.



#### 4. SENSITIVITY TESTS

PICC Health has conducted sensitivity tests on the value of in-force business and value of half year's new business. In each of these 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 are summarised in Table 4.1.

**Table 4.1 Value of In-Force Business and Value of Half year's New Business of PICC Health as at 30 June 2020 under Alternative Assumptions (Unit: RMB Million)**

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

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

# Report on Review of Condensed Consolidated Financial Statements

**TO THE BOARD OF DIRECTORS OF THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED**  
*(A joint stock company incorporated in the People's Republic of China with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of The People's Insurance Company (Group) of China Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 100, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
21 August 2020



# Condensed Consolidated Income Statement

For the six months ended 30 June 2020

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Gross written premiums	4	336,841	322,875
Less: premiums ceded to reinsurers	4	(24,951)	(20,232)
Net written premiums	4	311,890	302,643
Change in unearned premium reserves		(32,369)	(40,091)
Net earned premiums		279,521	262,552
Reinsurance commission income		6,170	5,626
Investment income	5	20,774	18,370
Other income	6	1,464	1,530
<b>TOTAL INCOME</b>		<b>307,929</b>	<b>288,078</b>
Life insurance death and other benefits paid		48,200	53,085
Claims incurred		143,572	132,324
Changes in long-term life insurance contract liabilities		20,821	13,896
Policyholder dividends		2,198	1,396
Claims and policyholders' benefits	7	214,791	200,701
Less: claims and policyholders' benefits ceded to reinsurers	7	(10,882)	(8,266)
Net claims and policyholders' benefits	7	203,909	192,435
Handling charges and commissions		35,074	33,715
Finance costs	8	2,647	3,143
Exchange gains		(190)	–
Other operating and administrative expenses	9	50,515	45,054
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>		<b>291,955</b>	<b>274,347</b>
Share of profits or losses of associates and joint ventures		5,436	5,578
<b>PROFIT BEFORE TAX</b>	10	<b>21,410</b>	<b>19,309</b>
Income tax (expense)/credit	11	(3,704)	2,313
<b>PROFIT FOR THE PERIOD</b>		<b>17,706</b>	<b>21,622</b>
Attributable to:			
Owners of the Company		12,606	15,478
Non-controlling interests		5,100	6,144
		17,706	21,622
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
– Basic (in RMB Yuan)	13	0.29	0.35

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>		<b>17,706</b>	21,622
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains		5,865	12,706
– Reclassification of gains to profit on disposals		(4,614)	(2,013)
– Impairment losses	5	2,137	1,082
Portion of fair value changes attributable to participating policyholders		(401)	–
Income tax effect		(766)	(2,409)
		<b>2,221</b>	9,366
Share of other comprehensive income of associates and joint ventures		89	525
Exchange differences on translating foreign operations		30	8
<b>NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		<b>2,340</b>	9,899
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	21	134	102
Income tax effect		(34)	(26)
		<b>100</b>	76
Actuarial losses on pension benefit obligation		(80)	(11)
Share of other comprehensive income/(expense) of associates and joint ventures		5	(7)
<b>NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		<b>25</b>	58
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>2,365</b>	9,957
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>20,071</b>	31,579
Attributable to:			
– Owners of the Company		14,218	22,874
– Non-controlling interests		5,853	8,705
		<b>20,071</b>	31,579



# Condensed Consolidated Statement of Financial Position

As at 30 June 2020

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	14	81,954	76,984
Debt securities	15	386,718	333,587
Equity securities, mutual funds and trust schemes	16	157,633	150,744
Insurance receivables, net	17	97,983	55,809
Term deposits		92,480	87,009
Reinsurance assets	18, 27	37,401	29,509
Restricted statutory deposits		12,994	12,994
Investments classified as loans and receivables	19	177,657	182,858
Investments in associates and joint ventures	20	119,619	117,083
Investment properties	21	12,259	12,445
Property and equipment	22	28,553	26,340
Right-of-use assets	23	7,274	7,681
Intangible assets		2,524	2,729
Deferred tax assets		14,940	8,552
Other assets	24	36,632	28,905
<b>TOTAL ASSETS</b>		<b>1,266,621</b>	<b>1,133,229</b>
<b>LIABILITIES</b>			
Securities sold under agreements to repurchase		78,749	58,263
Payables to reinsurers	25	29,803	19,046
Income tax payable		5,812	220
Short-term bank borrowing		149	–
Bonds payable	26	56,862	48,780
Lease liabilities		2,882	3,051
Insurance contract liabilities	27	699,059	618,959
Investment contract liabilities for policyholders	28	37,694	40,030
Policyholder dividends payable		4,784	3,909
Pension benefit obligation		2,946	2,927
Deferred tax liabilities		2,491	1,486
Other liabilities	29	86,289	89,258
<b>TOTAL LIABILITIES</b>		<b>1,007,520</b>	<b>885,929</b>
<b>EQUITY</b>			
Issued capital	30	44,224	44,224
Reserves		148,343	139,228
Equity attributable to owners of the Company		192,567	183,452
Non-controlling interests		66,534	63,848
<b>TOTAL EQUITY</b>		<b>259,101</b>	<b>247,300</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,266,621</b>	<b>1,133,229</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

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

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

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

## Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2020

(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company													Subtotal	Non-controlling interests	Total
	Issued capital	Share premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve **	Agriculture catastrophic loss reserve **	Asset revaluation reserve **	Share of other comprehensive (expense)/ income of associates and joint ventures **	Foreign currency translation reserve **	Surplus reserve * **	Other reserves **	Actuarial losses on pension benefit obligation **	Retained profits **				
Balance at 31 December 2018 (Audited)	44,224	23,973	(1,832)	9,874	1,705	2,892	(5)	(8)	12,041	(15,153)	(1,071)	76,413	153,053	53,248	206,301	
Impact of change in accounting policy in associates (note 20)	-	-	-	-	-	-	120	-	-	-	-	(1,483)	(1,363)	(560)	(1,923)	
Balance at 1 January 2019 (Restated)	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 period	-	-	-	-	-	-	-	-	-	-	-	15,478	15,478	6,144	21,622	
Other comprehensive income/(expense)	-	-	6,961	-	-	52	388	6	-	-	(11)	-	7,396	2,561	9,957	
Total comprehensive income/(expense)	-	-	6,961	-	-	52	388	6	-	-	(11)	15,478	22,874	8,705	31,579	
Dividends paid to shareholders (note 12)	-	-	-	-	-	-	-	-	-	-	-	(2,021)	(2,021)	-	(2,021)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,923)	(1,923)	
Others	-	-	-	-	-	-	(86)	-	-	-	-	-	(86)	(18)	(104)	
Balance at 30 June 2019 (Unaudited)	44,224	23,973	5,129	9,874	1,705	2,944	417	(2)	12,041	(15,153)	(1,082)	88,387	172,457	59,452	231,909	

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

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

# Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

	<i>Note</i>	<b>Six months ended 30 June 2020 (Unaudited)</b>	Six months ended 30 June 2019 (Unaudited)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES</b>			
Capital expenditures		(3,222)	(2,472)
Proceeds from disposals of investment properties, property and equipment, intangible assets and right-of-use assets		117	150
Purchases of investments		(176,635)	(130,399)
Proceeds from disposal of interest in an associate		594	–
Proceeds from disposals of investments		126,387	107,611
Interests received		14,624	14,897
Dividends received		2,854	3,583
Rentals received		238	255
(Increase)/decrease in term deposits, net		(5,417)	18,943
Others		(342)	(475)
		<b>(40,802)</b>	<b>12,093</b>
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Increase/(decrease) in securities sold under agreements to repurchase, net		20,486	(2,290)
Issue of bonds payable		8,000	–
Funds from short-term bank borrowing		149	–
Interests paid		(2,060)	(2,484)
Dividends paid		–	(46)
Repayments of lease liabilities		(490)	(623)
Funds from capital invested by non-controlling shareholders		9	–
Others		–	(119)
		<b>26,094</b>	<b>(5,562)</b>
Net increase in cash and cash equivalents		4,923	17,777
Cash and cash equivalents at beginning of the period		76,984	61,601
Effects of exchange rate changes on cash and cash equivalents		47	14
Cash and cash equivalents at end of the period		<b>81,954</b>	<b>79,392</b>
Analysis of balances of cash and cash equivalents			
Securities purchased under resale agreements with original maturity of no more than three months	14	48,607	27,211
Deposits with banks with original maturity of no more than three months and money at call and short notice	14	33,347	52,181
Cash and cash equivalents at end of the period	14	<b>81,954</b>	<b>79,392</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

(Amounts in millions of Renminbi, unless otherwise stated)

## 1. CORPORATE INFORMATION

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

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

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

## 2.1 BASIS OF PREPARATION

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

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

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

## Notes to the Condensed Consolidated Financial Statements (continued)

*For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)*

### 2.2 SIGNIFICANT ACCOUNTING POLICIES

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

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

Application of amendments to IFRSs

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

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

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

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



## Notes to the Condensed Consolidated Financial Statements (continued)

*For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)*

### 3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 3. OPERATING SEGMENT INFORMATION (continued)

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

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

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020

(Amounts in millions of Renminbi, unless otherwise stated)

### 3. OPERATING SEGMENT INFORMATION (continued)

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

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

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 3. OPERATING SEGMENT INFORMATION (continued)

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

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

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



## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 4. GROSS AND NET WRITTEN PREMIUMS

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

### 5. INVESTMENT INCOME

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

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

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

## Notes to the Condensed Consolidated Financial Statements (continued)

*For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)*

### 5. INVESTMENT INCOME (continued)

#### (b) Realised gains

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

#### (c) Fair value gains

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Debt securities		
– At fair value through profit or loss	(94)	(8)
Equity securities, mutual funds and trust schemes		
– At fair value through profit or loss	203	535
Investment properties (note 21)	(51)	(34)
<b>TOTAL</b>	<b>58</b>	<b>493</b>

#### (d) Impairment losses

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



## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020

(Amounts in millions of Renminbi, unless otherwise stated)

### 6. OTHER INCOME

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Management fee	482	414
Government grants	260	224
Commission income arising from the collection of motor vehicles and vessels taxes	185	307
Management fee charged to policyholders	112	117
Disposal gains from property and equipment (note 22)	32	8
Others	393	460
<b>TOTAL</b>	<b>1,464</b>	<b>1,530</b>

### 7. CLAIMS AND POLICYHOLDERS' BENEFITS

(Unaudited)	Six months ended 30 June 2020		
	Gross	Ceded	Net
Life insurance death and other benefits paid	48,200	241	47,959
Claims incurred	143,572	9,806	133,766
– Short-term health insurance	5,973	610	5,363
– Non-life insurance	137,599	9,196	128,403
Changes in long-term life insurance contract liabilities	20,821	835	19,986
Policyholder dividends	2,198	–	2,198
<b>TOTAL</b>	<b>214,791</b>	<b>10,882</b>	<b>203,909</b>

(Unaudited)	Six months ended 30 June 2019		
	Gross	Ceded	Net
Life insurance death and other benefits paid	53,085	138	52,947
Claims incurred	132,324	7,642	124,682
– Short-term health insurance	7,121	500	6,621
– Non-life insurance	125,203	7,142	118,061
Changes in long-term life insurance contract liabilities	13,896	486	13,410
Policyholder dividends	1,396	–	1,396
<b>TOTAL</b>	<b>200,701</b>	<b>8,266</b>	<b>192,435</b>

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 8. FINANCE COSTS

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Interest expenses		
Bonds payable	1,285	1,473
Interest credited to policyholders (note 28)	720	758
Securities sold under agreements to repurchase	446	668
Interest on lease liabilities	53	82
Pension benefit obligation unwound	48	50
Others	95	112
<b>TOTAL</b>	<b>2,647</b>	<b>3,143</b>

### 9. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Employee costs	22,252	21,474
Publicity and entertainment expense	11,569	8,713
Technical service and consulting fee	4,177	2,757
Depreciation and amortisation	2,021	1,768
Contributions to China Insurance Security Fund (note)	1,848	1,817
Taxes and surcharges	1,074	1,071
Recognition of impairment losses (note 10)	583	511
Others	6,991	6,943
<b>TOTAL</b>	<b>50,515</b>	<b>45,054</b>

Note: Insurance companies in China are required to make regular contributions to China Insurance Security Fund (“CISF”) according to the types and premiums of products sold during the year. CISF was established to provide protection for policyholders in case when an insurance company in China goes into financial troubles.

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 10. PROFIT BEFORE TAX

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

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Employee costs (note)	25,841	24,654
Depreciation of property and equipment (note)	1,177	1,170
Depreciation of right-of-use assets (note)	708	531
Amortisation of intangible assets (note)	275	209
Recognition of impairment losses on insurance receivables (note 17)	606	541
Reversal of impairment losses on other assets	(23)	(30)

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

### 11. INCOME TAX EXPENSE/(CREDIT)

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

In accordance with the relevant PRC income tax rules and regulations, the Company and its subsidiaries that are registered in the PRC are subject to corporate income tax at the statutory rate of 25% (six months ended 30 June 2019: 25%) on their respective taxable income. Income taxes on taxable income elsewhere were calculated at the rates of tax prevailing in 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 the six-month period ended 30 June 2019, and therefore resulting in a tax credit for six months ended 30 June 2019.

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 12. DIVIDENDS

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

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

### 13. EARNINGS PER SHARE

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

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

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

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 14. CASH AND CASH EQUIVALENTS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Money at call and short notice	33,337	23,652
Deposits with banks with original maturity of no more than three months	10	294
Securities purchased under resale agreements with original maturity of no more than three months	48,607	53,038
<b>TOTAL</b>	<b>81,954</b>	<b>76,984</b>
Classification of cash and cash equivalents:		
Loans and receivables	81,954	76,984

The Group entered into a number of resale agreements to purchase certain securities with commitments to sell in the future, and counterparties are required to pledge certain bonds as collaterals. The securities pledged are not recognised on the condensed consolidated statement of financial position. The carrying amounts disclosed above reasonably approximate to the fair values of those collaterals as at 30 June 2020 and 31 December 2019.

### 15. DEBT SECURITIES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Classification of debt securities		
At fair value through profit or loss, at fair value	28,059	17,201
Available-for-sale, at fair value	193,820	175,988
Held-to-maturity, at amortised cost	164,839	140,398
<b>TOTAL</b>	<b>386,718</b>	<b>333,587</b>

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 16. EQUITY SECURITIES, MUTUAL FUNDS AND TRUST SCHEMES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Investments, at fair value		
Mutual funds	59,192	61,832
Shares	57,223	48,968
Equity schemes and others	34,793	33,518
Subtotal	151,208	144,318
Investments, at cost less impairment <i>(note)</i>		
Shares	120	121
Total equity securities and mutual funds	151,328	144,439
Trust scheme, at fair value	6,305	6,305
<b>TOTAL</b>	<b>157,633</b>	<b>150,744</b>

*Note:* The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Classification of equity securities and mutual funds		
At fair value through profit or loss, at fair value	8,176	9,831
Available-for-sale, at fair value	143,032	134,487
Available-for-sale, at cost less impairment	120	121
Subtotal	151,328	144,439
Classification of trust scheme		
Available-for-sale, at fair value	6,305	6,305
<b>TOTAL</b>	<b>157,633</b>	<b>150,744</b>

For the six months ended 30 June 2020, an impairment loss of RMB2,137 million was provided by the Group on equity securities, mutual funds and trust schemes (six months ended 30 June 2019: RMB1,082 million).



## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 17. INSURANCE RECEIVABLES, NET

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

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

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
At the beginning of the period	3,387	3,208
Recognition of impairment losses (note 10)	606	541
Amount written off as uncollectible	(9)	(3)
At the end of the period	3,984	3,746

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

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

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

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 18. REINSURANCE ASSETS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Reinsurers' share of		
Unearned premium reserves	16,327	10,648
Claim reserves	18,689	17,311
Long-term life insurance reserves	2,385	1,550
<b>TOTAL</b>	<b>37,401</b>	<b>29,509</b>

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

### 19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Long-term debt investment schemes	96,475	100,282
Trust schemes	69,872	67,809
Asset management products	11,421	14,767
Less: impairment provision	(111)	-
<b>TOTAL</b>	<b>177,657</b>	<b>182,858</b>

The Group considered there was no impairment indicators identified, and therefore no provision was accrued on investments classified as loans and receivables as at 31 December 2019.

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 20. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

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

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

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 21. INVESTMENT PROPERTIES

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Beginning of the period	12,445	12,782
Additions	77	9
Transfer from property and equipment	45	7
Transfer from right-of-use assets	18	24
Gains on revaluation of properties upon transfer from property and equipment	86	15
Gains on revaluation of properties upon transfer from right-of-use assets	48	87
Decrease in fair value of investment properties (note 5(c))	(51)	(34)
Transfer to property and equipment	(407)	(294)
Disposals	(2)	(7)
End of the period	12,259	12,589

The Group's investment properties were revalued as at the end of the reporting period. Valuations were carried out by the following two approaches:

- (1) The income approach determines the fair value at the evaluation point by discounting the target properties' rental income derived from existing lease agreements and the potential rental income projected by reference to the current market rental status, at an appropriate capitalisation rate; or
- (2) The direct comparison approach assumes sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

The independent valuers usually determine the fair value of the investment properties by one of these approaches according to their professional judgement.

### 22. PROPERTY AND EQUIPMENT

During current interim period, the Group acquired assets with a cost of RMB3,080 million (six months ended 30 June 2019: RMB672 million).

Assets with a net book value of RMB52 million were disposed of by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB155 million), resulting in a net disposal gain of RMB32 million (six months ended 30 June 2019: gain of RMB8 million).

During the six months ended 30 June 2020, construction in progress with an aggregate amount of RMB786 million (six months ended 30 June 2019: RMB100 million) was transferred to buildings.

Information on transfer to/from investment properties is set out in note 21.



## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
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### 23. RIGHT-OF-USE ASSETS

During the current interim period, the Group entered into some new lease agreements for the use of office building and vehicles for 1-12 years. The Group is required to make fixed payments periodically from the respective lease commencement dates. On the commencement date or effective date of modification of the respective leases, the Group recognised RMB506 million of right-of-use asset (six months ended 30 June 2019: RMB637 million) and RMB481 million lease liability (six months ended 30 June 2019: RMB478 million) relating to these new or modified leases.

As at 30 June 2020, the carrying amounts of right-of-use assets included RMB4,272 million of prepaid land premiums (31 December 2019: RMB4,374 million).

### 24. OTHER ASSETS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Interest receivables	10,902	9,941
Deductible input value-added tax	4,125	3,992
Policy loans (a)	4,815	4,508
Co-insurance receivables	2,227	2,060
Prepaid insurance underwriting commission	871	1,161
Other receivables	2,904	1,613
Commission receivables arising from collection of motor vehicles and vessels taxes	575	585
Dividends receivables	2,145	78
Others	9,542	6,467
<b>TOTAL</b>	<b>38,106</b>	<b>30,405</b>
Less: impairment provision on other assets	(1,474)	(1,500)
<b>NET VALUE</b>	<b>36,632</b>	<b>28,905</b>

(a) Policy loans are secured by cash values of the relevant insurance policies and carry interest rates at 5.22% – 6.35% per annum as at 30 June 2020 (31 December 2019: 5.22% – 6.35%).

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
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### 25. PAYABLES TO REINSURERS

The reinsurance payables are non-interest-bearing and are due within three months from the settlement dates or repayable on demand.

### 26. BONDS PAYABLE

As at 30 June 2020, bonds payable are capital supplementary bonds.

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Carrying amount repayable in		
– More than five years	56,862	48,780
<b>TOTAL</b>	<b>56,862</b>	<b>48,780</b>

As at 23 March 2020, PICC P&C issued capital supplementary bond of RMB8,000 million.

Original terms of these capital supplementary bonds are ten years. With proper notice to the counterparties, the Group has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rates of the Group's capital supplementary bonds are 3.59% – 5.05% in the first five years (2019: 3.65% – 5.05%) and 4.59% – 6.05% in the second five years (2019: 4.65% – 6.05%).

### 27. INSURANCE CONTRACT LIABILITIES

(Unaudited)	30 June 2020		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts	323,247	2,385	320,862
Short-term health insurance contracts			
– Claim reserves	7,221	125	7,096
– Unearned premium reserves	7,306	1	7,305
Non-life insurance contracts			
– Claim reserves	168,607	18,564	150,043
– Unearned premium reserves	192,678	16,326	176,352
<b>Total insurance contract liabilities</b>	<b>699,059</b>	<b>37,401</b>	<b>661,658</b>



## Notes to the Condensed Consolidated Financial Statements (continued)

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### 27. INSURANCE CONTRACT LIABILITIES (continued)

(Audited)	31 December 2019		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts	302,025	1,550	300,475
Short-term health insurance contracts			
– Claim reserves	6,723	173	6,550
– Unearned premium reserves	2,681	14	2,667
Non-life insurance contracts			
– Claim reserves	148,278	17,138	131,140
– Unearned premium reserves	159,252	10,634	148,618
<b>Total insurance contract liabilities</b>	<b>618,959</b>	<b>29,509</b>	<b>589,450</b>

When measuring the insurance contract liabilities, the Group determines actuarial assumptions such as discount rates, mortality rates, morbidity rates, disability rates, lapse rates, expense assumptions and policy dividend assumptions based on information currently available as at the period end date.

As a result of such changes in assumptions, net long-term life insurance contract liabilities increased by RMB1,672 million for the six months ended 30 June 2020 (six months ended 30 June 2019: decreased by RMB8 million) and the profit before tax for the six months ended 30 June 2020 was decreased by RMB1,672 million (six months ended 30 June 2019: increased by RMB8 million).

### 28. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Interest-bearing deposits	36,014	38,347
Non-interest-bearing deposits	1,680	1,683
<b>TOTAL</b>	<b>37,694</b>	<b>40,030</b>

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
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### 28. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS (continued)

The movements in investment contract liabilities for policyholders are as follows:

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Beginning of the period	40,030	41,808
Deposits received after deducting fees	3,986	4,415
Deposits withdrawn	(7,042)	(8,544)
Interest credited to policyholders (note 8)	720	758
End of the period	37,694	38,437

### 29. OTHER LIABILITIES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Premiums received in advance (a)	15,483	26,798
Salaries and welfare payable	17,232	15,829
Claims payable	9,751	10,272
Net value added tax and other taxes payable	8,245	8,334
Handling charges and commission payable	9,168	8,240
Premium payable (b)	4,413	5,709
Dividend payable	8,311	–
Insurance security fund	997	1,076
Interests payable	727	1,042
Others	11,962	11,958
TOTAL	86,289	89,258

- (a) Premiums received in advance represent amounts collected from policies not yet effective as at the 30 June 2020 and 31 December 2019, and will be recognised as premium income with corresponding unearned premium reserves when the relevant policies become effective.
- (b) Premium payable mainly includes premium refundable to policyholders and premium payable to co-insurers in co-insurance business.



## Notes to the Condensed Consolidated Financial Statements (continued)

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(Amounts in millions of Renminbi, unless otherwise stated)

### 30. ISSUED CAPITAL

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

### 31. RISK MANAGEMENT

The Group's activities are exposed to insurance risk and varieties of financial risks. The Group issues contracts that transfer insurance risk or financial risk or both. The key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund the obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are credit risk, liquidity risk and market risk.

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

There have been no significant changes in the Group's risk management processes since 31 December 2019 or in any risk management policies.

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
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### 32. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

#### Determination of fair value and the fair value hierarchy

The Group's financial instruments mainly consist of cash and cash equivalents, term deposits, debt securities, equity securities, mutual funds and trust schemes, investments classified as loans and receivables, securities sold under agreement to repurchase and bonds payable and etc. The Group holds various other financial assets and liabilities which directly arose from insurance operations, such as insurance receivables, investment contract liabilities for policyholders and etc. The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

	Carrying amount		Fair value	
	30 June 2020 (Unaudited)	31 December 2019 (Audited)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b>Financial Assets</b>				
Cash and cash equivalents	81,954	76,984	81,954	76,984
At fair value through profit or loss				
– Equity securities, mutual funds and trust schemes	8,176	9,831	8,176	9,831
– Debt securities	28,059	17,201	28,059	17,201
Available-for-sale				
– Equity securities, mutual funds and trust schemes	149,337	140,792	149,337	140,792
– Debt securities	193,820	175,988	193,820	175,988
Held-to-maturity investment				
– Debt securities	164,839	140,398	172,205	147,628
Loans and receivables				
– Insurance receivables, net	97,983	55,809	97,983	55,809
– Term deposits	92,480	87,009	92,480	87,009
– Restricted statutory deposits	12,994	12,994	12,994	12,994
– Investments classified as loans and receivables	177,657	182,858	190,737	194,559
– Other financial assets	31,090	23,263	31,090	23,263
<b>Total financial assets</b>	<b>1,038,389</b>	<b>923,127</b>	<b>1,058,835</b>	<b>942,058</b>
<b>Financial Liabilities</b>				
Other financial liabilities measured at amortised cost				
– Short-term bank borrowing	149	–	149	–
– Securities sold under agreements to repurchase	78,749	58,263	78,749	58,263
– Payables to reinsurers	29,803	19,046	29,803	19,046
– Bonds payable	56,862	48,780	60,268	51,461
– Investment contract liabilities for policyholders	37,694	40,030	37,694	40,030
– Policyholder dividends payable	4,784	3,909	4,784	3,909
– Other financial liabilities	45,329	38,297	45,329	38,297
<b>Total financial liabilities</b>	<b>253,370</b>	<b>208,325</b>	<b>256,776</b>	<b>211,006</b>

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020

(Amounts in millions of Renminbi, unless otherwise stated)

### 32. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### Determination of fair value and the fair value hierarchy (continued)

This note provides information on how the Group determines the fair values of various financial assets and liabilities. Details of fair value measurements of investment properties are disclosed in note 21 to the condensed consolidated financial statements.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### (a) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

Items	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2020 (Unaudited)	31 December 2019 (Audited)		
At fair value through profit or loss equity securities and mutual funds	7,742	9,424	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss equity securities and mutual funds	434	407	Level 3	The fair value is determined with reference to the latest private transaction price or net assets value.
At fair value through profit or loss debt securities	9,135	4,758	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss debt securities	18,924	12,443	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale debt securities	15,034	13,251	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	178,786	162,737	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities and mutual funds	92,678	86,970	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities, mutual funds, trust schemes and others	34,254	30,645	Level 2	Discounted cash flow with future cash flows that are estimated based on expected amounts and dividend yield, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities and mutual funds	16,227	15,144	Level 3	The fair value is determined with reference to the latest private transaction price or net assets value.
Available-for-sale equity securities and mutual funds	2,449	4,112	Level 3	Relative value that are assessed based on average price-to-earnings ratio from comparable companies and earnings per share of target company.
Available-for-sale equity securities, mutual funds, trust schemes and others	3,729	3,921	Level 3	Fair value of the investments is based on the use of internal discounted cash flow valuation models.

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 32. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### (a) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

During the six months ended 30 June 2020, the Group transferred certain available-for-sale debt securities with a carrying amount of RMB6,067 million (six months ended 30 June 2019: RMB4,682 million) from Level 1 to Level 2 as the Group could not obtain quoted prices in active markets. The Group transferred debt securities with a carrying amount of RMB7,570 million (six months ended 30 June 2019: RMB3,741 million) from Level 2 to Level 1 during the current interim period as the Group is able to obtain quoted prices in active markets.

#### (b) Fair value of financial assets and liabilities not carried at fair value

Some of the Group's financial assets and financial liabilities are not carried at fair value at the end of each reporting period but their fair values are disclosed in the table set out at the beginning of this note. The level of fair value in the fair value hierarchy in respect of these fair values disclosed are as follows:

(Unaudited)	Fair value hierarchy at 30 June 2020			Total
	Level 1	Level 2	Level 3	
Financial assets				
Held-to-maturity financial assets	3,187	169,018	–	172,205
Investments classified as loans and receivables	–	190,737	–	190,737
Financial liabilities				
Bonds payable	–	60,268	–	60,268

(Audited)	Fair value hierarchy at 31 December 2019			Total
	Level 1	Level 2	Level 3	
Financial assets				
Held-to-maturity financial assets	2,068	145,560	–	147,628
Investments classified as loans and receivables	–	194,559	–	194,559
Financial liabilities				
Bonds payable	–	51,461	–	51,461

The fair values of the debt instruments reported as financial assets and financial liabilities and included in the Level 2 category above have been determined in accordance with generally accepted pricing models for such debt instruments based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties obtained from China Bond Yield Curves published by China Central Depository & Clearing Co., Ltd..



## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 32. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### (c) Reconciliation of Level 3 fair value measurements

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Unlisted financial assets		
Beginning of the period	23,584	21,050
Unrealised gains recognised in other comprehensive income	846	370
Additions	782	4,276
Losses recognised in profit or loss	(1,969)	–
Transfer from Level 3 to Level 2	(404)	–
End of the period	22,839	25,696

As the fair values of all investment properties are categorised as Level 3, reconciliation of the fair value movements are presented in note 21 to these condensed consolidated financial statements.

### 33. CONTINGENCIES AND COMMITMENTS

#### (a) Contingencies

Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Group believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group for the six months ended 30 June 2020 and the year ended 31 December 2019.

#### (b) Capital commitments

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Property and equipment commitments:		
Contracted, but not provided for	1,267	1,634

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 34. RELATED PARTY DISCLOSURES

- (a) The Company is a state-owned enterprise and its controlling shareholder is MOF.
- (b) During the six months ended 30 June 2020 and 30 June 2019, the Group had the following significant related party transactions:

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Transactions with associates		
Industrial Bank		
Gross written premiums	12	218
Investment income	681	567
Claims and policyholders' benefits	259	358
Handling charges and commissions	31	49
Finance costs	-	20
Hua Xia Bank		
Gross written premiums	121	101
Investment income	17	199
Claims and policyholders' benefits	323	270
Handling charges and commissions	-	1
Finance costs	-	3
Other associates		
Gross written premiums	17	14
Investment income	36	58
Other income	12	9
Claims and policyholders' benefits	12	9
Purchase of spare parts	201	162
Other operating and administrative expenses	24	-

Transactions with these associates were conducted on a basis with reference to prevailing rates with other third parties.

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 34. RELATED PARTY DISCLOSURES (continued)

#### (c) Balances with related parties

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Receivables from associates		
Industrial Bank		
Cash and cash equivalents	3,325	1,566
Debt securities	1,498	1,509
Equity securities, mutual funds and trust schemes	728	728
Term deposits	22,087	21,266
Restricted statutory deposits	593	1,179
Other assets	541	351
Hua Xia Bank		
Cash and cash equivalents	369	69
Debt securities	619	616
Term deposits	10	6,010
Restricted statutory deposits	100	100
Other assets	14	35
Other associates		
Debt securities	2,347	2,222
Other assets	45	81
	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Payables to associates		
Other associates		
Other liabilities	1	12

#### (d) Key management personnel

Key management personnel include directors, supervisors and senior management team members.

No transactions have been entered with the key management personnel during the six months ended 30 June 2020 and the six months ended 30 June 2019 other than the emoluments paid to them (being the key management personnel compensation).

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 34. RELATED PARTY DISCLOSURES (continued)

#### (e) Transactions with state-owned entities in the PRC

The Company is a state-owned enterprise which is subject to the control of the State Council of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly controlled, jointly controlled or significantly influenced by the government through its authorities, affiliates or other organisations (collectively the “government-related entities”).

Transactions with government-related entities include insurance policies sold, reinsurance purchased, deposits placed with banks, investments in debts or bonds and commissions paid to banks and postal offices for insurance policies distributed.

Management considers that transactions with government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group.

### 35. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9

According to Amendments to IFRS 4, the Group and the Company performed an assessment during the year ended 31 December 2016. The carrying amount of the Group’s liabilities connected with insurance exceeded 90% of the carrying amount of the Group’s total liabilities and, as such, the Group concluded that its activities were predominantly connected with insurance as at 31 December 2015, and is eligible to apply the temporary exemption from IFRS 9. There had been no significant change in the activities of the Group and the Company since then that requires reassessment. The Group and the Company have decided to apply the temporary exemption in its reporting period commencing on 1 January 2018.

As disclosed in Note 20, the Group’s material associate, Industrial Bank and Hua Xia Bank applied PRC new financial instrument accounting standards (which is equivalent to IFRS 9), retrospectively from 1 January 2019, with the practical expedients permitted under the standard.

As permitted by Amendments to IFRS 4, the Group elects not to apply uniform accounting policies when using the equity method for Industrial Bank and Hua Xia Bank. Except for Industrial Bank and Hua Xia Bank, the Group has applied uniform accounting policies in accounting for its subsidiaries, other associates and joint venture in these condensed consolidated financial statements.

The additional disclosures about the temporary exemption from IFRS 9 are as follows:



## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020

(Amounts in millions of Renminbi, unless otherwise stated)

### 35. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 (continued)

#### (i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under IFRS 9 as at 30 June 2020 and 31 December 2019 and fair value changes for the six months ended 30 June 2020 and 2019:

	Fair value as at 30 June 2020 RMB million	Fair value as at 31 December 2019 RMB million
Held for trading financial assets (A)	35,569	26,308
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	666	724
Financial assets other than A and B		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”) (C)	495,962	448,296
– Financial assets with contractual terms that do not meet SPPI terms (D)	210,137	210,792
<b>Total</b>	<b>742,334</b>	<b>686,120</b>

	Fair value changes for the six months ended 30 June 2020 RMB million	Fair value changes for the six months ended 30 June 2019 RMB million
Held for trading financial assets (A)	149	307
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	27	–
Financial assets other than A and B		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”) (C)	2,528	1,431
– Financial assets with contractual terms that do not meet SPPI terms (D)	7,249	9,640
<b>Total</b>	<b>9,953</b>	<b>11,378</b>

*Note:* The table above includes only debt securities, equity securities and mutual funds and investments classified as loans and receivables. As all other financial assets (including cash, term deposits, insurance receivables and other assets) held by the Group are financial assets that meet SPPI criterion, and their carrying amounts approximate their fair value. Accordingly, they have not been included in the table above.

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 35. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 (continued)

#### (ii) Credit risk exposure

For the financial assets that meet SPPI criterion (included in C above), the credit rating of financial assets are assessed by qualified rating agencies in the PRC except for overseas bonds. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion (other than overseas bonds)

	Carrying amount as at 30 June 2020 (Note 1) RMB million	Carrying amount as at 31 December 2019 RMB million
AAA	357,510	338,764
AA+	2,353	9,744
AA	1,875	1,643
A+	104	–
A-1	61	30
Not rated*	115,410	81,130
<b>Total</b>	<b>477,313</b>	<b>431,311</b>

\* Included in the not rated category, there is an aggregate carrying amount of RMB114,376 million (31 December 2019 RMB75,326 million) of government bonds and certain financial bonds issued by policy banks, with low credit risks and the remaining financial assets with carrying amount of RMB1,034 million (31 December 2019: RMB5,804 million) without any credit rating do not have low credit risk.

For the overseas bonds that meet SPPI criterion (included in C above), Moody's credit rating is used. The credit risk exposure is listed below:

Credit rating of overseas bonds that meet SPPI criterion

	Carrying amount as at 30 June 2020 (Note 1) RMB million	Carrying amount as at 31 December 2019 RMB million
Aaa	171	207
Aa (include Aa1, Aa2 and Aa3)	40	34
A (include A1, A2 and A3)	648	89
Baa (include Baa1, Baa2 and Baa3)	391	464
<b>Total</b>	<b>1,250</b>	<b>794</b>



## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2020  
(Amounts in millions of Renminbi, unless otherwise stated)

### 35. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 (continued)

#### (ii) Credit risk exposure (continued)

	Carrying amount		Fair value	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Financial assets that do not have low credit risk (those that meet SPPI criterion (included in C above)) (Note 2)	5,484	17,221	6,016	17,838

Note 1: For financial assets measured at amortised cost, carrying amount before adjusting impairment allowance is disclosed here.

Note 2: Financial assets that do not have low credit risk refer to financial assets with either credit rating for those assets rated by qualified rating agencies in the PRC below AAA or Moody's credit rating below Baa3.

### 36. THE IMPACT OF COVID-19

As a result of the strict prevention measures taken throughout the country, work and production have gradually resumed, the order of social life has been gradually restored and the economy has been back in a growing trend. Covid-19 has directly and indirectly affected the insurance industry. Premium income and claims continued to grow in the first half of the year but at a slower pace. More insurers are launching online services vigorously. As a leading insurance group offering a wide range of products to the market, the Group actively tackled the impact of relevant factors. The directors of the Company consider that the impact of Covid-19 is not significant to the Group's financial position as at 30 June 2020 and for the six months results then ended. The Group will continue monitoring and assessing the impact of Covid-19 and actively takes measures to mitigate any future impact that might be caused by Covid-19.

### 37. EVENTS AFTER THE REPORTING PERIOD

On 21 Aug 2020, the Board of Directors of the Company proposed an interim dividend of RMB3.60 cents per ordinary share for the six months ended 30 June 2020, amounting to a total of approximately RMB1,592 million. The above proposal is subject to approval by the shareholders at the forthcoming general meeting.

# Corporate Information

Chinese name:	中國人民保險集團股份有限公司	Place for listing of A Shares:	Shanghai Stock Exchange
Abbreviation of Chinese name:	中國人保集團	Short form for A Share:	PICC
English name:	THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED	A Share stock code:	601319
Abbreviation of English name:	PICC Group	Place for listing of H Shares:	The Stock Exchange of Hong Kong Limited
Person in charge of the Company:	Wang Tingke	Short form for H Share:	PICC Group
Secretary to the Board:	Li Zhuyong	H Share stock code:	01339

Securities affairs representative: Zhang Yanhai

Company Secretary: Ng Sau Mei

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Postal code: 100031

Website: [www.picc.com](http://www.picc.com)

Designated newspapers for the Company's announcement (A Shares): China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily

Designated website for the Company's A Share announcement: [www.sse.com.cn](http://www.sse.com.cn)

Promotional video of PICC image:



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Department of the Company

Designated website for the Company's H Share announcement:  
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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