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**中国人民保险集团股份有限公司**

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

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

**(Stock Code: 1339)**

**ANNOUNCEMENT OF THE ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

The Board of Directors (the “Board”) of The People’s Insurance Company (Group) of China Limited (the “Company”) announces the following audited annual results of the Company and its subsidiaries (the “Group) for the year ended 31 December 2012 together with the comparative figures for the previous year, which should be read in conjunction with the following management discussion and analysis:

**FINANCIAL STATEMENTS AND MATERIAL NOTES**

## CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

in RMB million

	Notes	2012	2011
Gross written premiums	6	265,216	249,047
Less: Premiums ceded to reinsurers	6	(31,406)	(39,200)
Net written premiums	6	233,810	209,847
Change in unearned premium reserves		(8,993)	(3,499)
Net earned premiums		224,817	206,348
Reinsurance commission income		10,438	13,304
Investment income	7	20,043	13,799
Other income		2,051	2,840
<b>TOTAL INCOME</b>		<b>257,349</b>	<b>236,291</b>
Claims and policyholders' benefits		170,411	160,287
Life insurance death and other benefits paid		15,213	19,557
Claims incurred		102,255	90,082
Changes in long-term life insurance contract liabilities		50,072	48,254
Policyholder dividends		2,871	2,394
Handling charges and commissions		20,205	18,109
Finance costs		4,989	4,665
Exchange losses, net		50	424
Other operating and administrative expenses		48,945	43,424
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>		<b>244,600</b>	<b>226,909</b>
Share of profits and losses of associates		571	828
<b>PROFIT BEFORE TAX</b>	8	<b>13,320</b>	<b>10,210</b>
Income tax expense	9	(3,176)	(2,313)
<b>PROFIT FOR THE YEAR</b>		<b>10,144</b>	<b>7,897</b>
Attributable to:			
Equity holders of the parent		6,832	5,185
Non-controlling interests		3,312	2,712
		<b>10,144</b>	<b>7,897</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	10		
– Basic and diluted (in RMB)		<b>0.20</b>	<b>0.16</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***(in RMB million)*

	<i>Notes</i>	<b>2012</b>	2011
PROFIT FOR THE YEAR		<b>10,144</b>	7,897
OTHER COMPREHENSIVE INCOME	<i>11</i>		
Fair value gains/(losses) on available-for-sale investments		<b>7,479</b>	(10,736)
Net gains/(losses) on cash flow hedges		<b>(100)</b>	286
Net gains on revaluation of properties and prepaid land premiums upon transfer to investment properties		<b>235</b>	899
Share of other comprehensive income of associates		<b>149</b>	(91)
Actuarial losses on pension benefit obligation		<b>(52)</b>	(118)
Exchange differences on translating foreign operations		–	(27)
Income tax relating to components of other comprehensive income		<b>(544)</b>	580
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<b>7,167</b>	(9,207)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<b>17,311</b>	(1,310)
Attributable to:			
– Equity holders of the parent		<b>12,354</b>	(1,810)
– Non-controlling interests		<b>4,957</b>	500
		<b>17,311</b>	(1,310)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

<i>(in RMB million)</i>	<i>Notes</i>	<b>31 December 2012</b>	31 December 2011
<b>ASSETS</b>			
Cash and cash equivalents		73,873	55,333
Derivative financial assets		73	184
Debt securities		217,369	213,996
Equity securities		119,729	71,050
Insurance receivables, net		23,305	23,437
Reinsurance assets		23,875	25,223
Term deposits		120,115	94,716
Restricted statutory deposits		7,880	7,635
Investments in associates		3,361	2,951
Investment properties		8,450	7,529
Property and equipment		21,942	19,060
Intangible assets		4,106	3,933
Deferred tax assets		2,215	2,826
Other assets		62,357	42,670
Assets of a disposal group classified as held for sale		–	14,609
		<hr/>	<hr/>
TOTAL ASSETS		<b>688,650</b>	<b>585,152</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>			
Securities sold under agreements to repurchase		71,290	54,080
Derivative financial liabilities		3	–
Income tax payable		72	520
Due to banks and other financial institutions		362	284
Subordinated debts		34,855	34,670
Insurance contract liabilities		391,577	326,281
Investment contract liabilities for policyholders		50,312	49,156
Policyholder dividends payable		5,486	3,125
Pension benefit obligation		2,952	3,056
Deferred tax liabilities		98	36
Other liabilities		48,301	57,187
Liabilities directly associated with the assets classified as held for sale		–	8,822
		<hr/>	<hr/>
TOTAL LIABILITIES		<b>605,308</b>	<b>537,217</b>
		<hr/> <hr/>	<hr/> <hr/>

<i>(in RMB million)</i>	<i>Notes</i>	<b>31 December 2012</b>	31 December 2011
<b>EQUITY</b>			
Issued capital	<i>12</i>	<b>42,424</b>	34,491
Reserves		<b>22,950</b>	(3,147)
		<hr/>	<hr/>
Equity attributable to equity holders of the parent		<b>65,374</b>	31,344
Non-controlling interests		<b>17,968</b>	16,591
		<hr/>	<hr/>
TOTAL EQUITY		<b>83,342</b>	47,935
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		<b>688,650</b>	585,152
		<hr/> <hr/>	<hr/> <hr/>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

		Attributable to equity holders of the parent										
		Reserves									Total equity	
(in RMB million)	Notes	Share capital (note 12)	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Changes in associates' equity	Revaluation surplus from acquisitions	Surplus reserve fund	Other reserves	Retained profits		Non-controlling interests
Balance at 1 January 2012		34,491	6,104	(9,873)	1,287	47	252	136	(13,418)	12,318	16,591	47,935
Profit for the year		-	-	-	-	-	-	-	-	6,832	3,312	10,144
Other comprehensive income	11	-	-	5,416	-	94	-	-	64	(52)	1,645	7,167
Total comprehensive income		-	-	5,416	-	94	-	-	64	6,780	4,957	17,311
Appropriations to general risk reserve		-	-	-	781	-	-	181	-	(962)	-	-
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	(812)	(812)
Issue of shares		7,933	13,821	-	-	-	-	-	-	-	-	21,754
Acquisition of non-controlling interests		-	-	-	-	-	-	-	(78)	-	78	-
Disposal of subsidiaries		-	-	-	(19)	-	(252)	-	-	271	(2,846)	(2,846)
Balance at 31 December 2012		<u>42,424</u>	<u>19,925</u>	<u>(4,457)</u>	<u>2,049</u>	<u>141</u>	<u>-</u>	<u>317</u>	<u>(13,432)</u>	<u>18,407</u>	<u>17,968</u>	<u>83,342</u>

		Attributable to equity holders of the parent										
		Reserves									Total equity	
(in RMB million)	Notes	Share capital (note 12)	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Changes in associates' equity	Revaluation surplus from acquisitions	Surplus reserve fund	Other reserves	Retained profits		Non-controlling interests
Balance at 1 January 2011		30,600	-	(2,399)	729	91	252	-	(13,983)	7,945	13,478	36,713
Profit for the year		-	-	-	-	-	-	-	-	5,185	2,712	7,897
Other comprehensive income	11	-	-	(7,474)	-	(44)	-	-	641	(118)	(2,212)	(9,207)
Total comprehensive income		-	-	(7,474)	-	(44)	-	-	641	5,067	500	(1,310)
Appropriations to general risk reserve		-	-	-	558	-	-	-	-	(558)	-	-
Appropriations to surplus reserve fund		-	-	-	-	-	-	136	-	(136)	-	-
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	(792)	(792)
Issue of shares		3,891	6,104	-	-	-	-	-	-	-	-	9,995
Capital contributions by non-controlling interests		-	-	-	-	-	-	-	-	-	3,777	3,777
Acquisition of non-controlling interests		-	-	-	-	-	-	-	(76)	-	(370)	(446)
Others		-	-	-	-	-	-	-	-	-	(2)	(2)
Balance at 31 December 2011		<u>34,491</u>	<u>6,104</u>	<u>(9,873)</u>	<u>1,287</u>	<u>47</u>	<u>252</u>	<u>136</u>	<u>(13,418)</u>	<u>12,318</u>	<u>16,591</u>	<u>47,935</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

(in RMB million)

	Notes	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>13,320</b>	10,210
Adjustments for:			
Investment income	7	<b>(20,043)</b>	(13,799)
Exchange losses, net		<b>50</b>	424
Share of profits and losses of associates		<b>(571)</b>	(828)
Interest income on entrusted loans		<b>(52)</b>	(26)
Depreciation of property and equipment		<b>1,621</b>	1,485
Amortisation of intangible assets		<b>188</b>	192
Disposal gains from investment properties, property and equipment and intangible assets		<b>(251)</b>	(176)
Finance costs except for interest credited to policyholders		<b>3,061</b>	2,905
Impairment losses		<b>210</b>	298
Share issuance finance cost		<b>57</b>	–
Investment expenses		<b>128</b>	88
Increase in insurance receivables, net		<b>(104)</b>	(13,424)
Increase in other assets and prepayment, net		<b>(1,244)</b>	(2,939)
Increase/(decrease) in payables to reinsurers		<b>(9,873)</b>	17,319
Increase in other liabilities and accruals		<b>3,072</b>	13,432
Increase in insurance contract liabilities, net		<b>66,642</b>	62,807
		<hr/>	<hr/>
Cash generated from operations		<b>56,211</b>	77,968
Income tax paid		<b>(3,689)</b>	(3,211)
		<hr/>	<hr/>
Net cash flow from operating activities		<b>52,522</b>	74,757
		<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>17,193</b>	12,409
Dividend received from equity securities		<b>3,152</b>	2,357
Increase in policy loans		<b>(1,215)</b>	(3,387)
Disposal of subsidiaries		<b>2,205</b>	(38)
Capital expenditures		<b>(4,491)</b>	(5,087)
Disposals of investment properties, property and equipment and intangible assets		<b>402</b>	462
Investments in associates		<b>–</b>	(64)
Purchase of investments, net		<b>(62,155)</b>	(54,763)
Payments for investment expenses		<b>(128)</b>	(88)
Collection of loans and advances		<b>265</b>	94
Placement of deposits with banks and other financial institutions with original maturity of more than three months and structured deposits		<b>(28,601)</b>	(68,329)
Maturity of deposits with banks and other financial institutions with original maturity of more than three months and structured deposits		<b>3,186</b>	16,944
		<hr/>	<hr/>
Net cash flows used in investing activities		<b>(70,187)</b>	(99,490)

<i>(in RMB million)</i>	<i>Notes</i>	<b>2012</b>	2011
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		<b>22,345</b>	9,995
Increase in securities sold under agreements to repurchase		<b>17,209</b>	24,367
Issue of subordinated debts		–	4,983
Capital contributions from non-controlling interests		–	3,777
Proceeds from borrowings		<b>98</b>	427
Repayment of debts and borrowings		<b>(90)</b>	(195)
Interest paid		<b>(2,668)</b>	(2,413)
Dividends paid to non-controlling shareholders		<b>(812)</b>	(792)
Acquisition of non-controlling interests		–	(350)
Other		<b>(23)</b>	–
		<hr/>	<hr/>
Net cash flows from financing activities		<b>36,059</b>	39,799
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		<b>18,394</b>	15,066
Cash and cash equivalents at beginning of the year		<b>55,507</b>	40,498
Effects of exchange rate changes on cash and cash equivalents		<b>(28)</b>	(57)
		<hr/>	<hr/>
Cash and cash equivalents at end of the year		<b>73,873</b>	55,507
		<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash on hand		<b>179</b>	1
Securities purchased under resale agreements with original maturity of no more than three months		<b>2,435</b>	2,652
Demand deposits and deposits with banks and other financial institutions with original maturity of less than three months		<b>71,259</b>	52,680
Cash and cash equivalents attributable to a disposal group classified as held for sale		–	174
		<hr/>	<hr/>
Cash and cash equivalents at end of the year		<b>73,873</b>	55,507
		<hr/> <hr/>	<hr/> <hr/>



**STATEMENT OF FINANCIAL POSITION**

31 December 2012

<i>(in RMB million)</i>	<i>Notes</i>	<b>31 December 2012</b>	31 December 2011
<b>ASSETS</b>			
Cash and cash equivalents		<b>22,325</b>	196
Debt securities		–	538
Equity securities		<b>2,686</b>	421
Term deposits		<b>115</b>	212
Investments in subsidiaries		<b>62,011</b>	60,955
Investments in associates		<b>3,301</b>	2,891
Investment properties		<b>1,075</b>	–
Property and equipment		<b>209</b>	759
Intangible assets		<b>93</b>	174
Other assets		<b>1,653</b>	2,066
		<hr/>	<hr/>
Total assets		<b>93,468</b>	68,212
		<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>			
Subordinated debts		<b>9,708</b>	9,708
Pension benefit obligation		<b>2,952</b>	3,056
Other liabilities		<b>3,010</b>	1,226
		<hr/>	<hr/>
Total liabilities		<b>15,670</b>	13,990
		<hr/>	<hr/>
<b>EQUITY</b>			
Share capital	<i>12</i>	<b>42,424</b>	34,491
Reserves		<b>35,374</b>	19,731
		<hr/>	<hr/>
Total equity		<b>77,798</b>	54,222
		<hr/>	<hr/>
Total equity and liabilities		<b>93,468</b>	68,212
		<hr/> <hr/>	<hr/> <hr/>

## NOTES:

### 1. CORPORATE INFORMATION

The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established on 20 October 1949 by the government of the People's Republic of China (the "PRC"). The Company was established on 22 August 1996 in the PRC and its registered office is located at No. 69, Dongheyuan Street, Xuanwu District, Beijing 100052, the PRC.

The Company is an investment holding company. During the year ended 31 December 2012, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty ("P&C") insurance, life and health insurance, asset management and other businesses.

### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost basis convention, except for investment properties and certain financial instruments, which have been measured at fair value, and insurance contract liabilities, which have been measured based on actuarial methods. Disposal groups classified as held for sale are stated at the lower of their carrying amounts and fair value less costs to sell. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

### 3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time effective for the current year's financial statements.

IFRS 7 Amendments    *Amendments to IFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets*

IAS 12 Amendments    *Amendments to IAS 12 Income Taxes (Amendment) — Deferred Taxes: Recovery of Underlying Assets*

The adoption of these revised standards did not have any material effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures in some occasions.

Further information of these revised IFRSs most relevant to the Group are as follows:

IAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in SIC 21 Income Taxes — Recovery of Revalued Non-Depreciable Assets that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

IFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g., securitisations), including information for understanding the possible effects of any risks that may remain within the entity that transfers the assets.

#### 4. DISPOSAL OF SUBSIDIARIES

On 8 June 2011, a 54.21% equity interest in Guanglian (Nanning) Investment Holding Co., Ltd (“Guanglian”) and a 55% equity interest in China Huawei Investment Holding Company Limited (“Huawen Holdings”) held by PICC Investment Holding Company Limited (“PICC Investment Holding”) were placed for sale on the Beijing Financial Assets Exchange. On 31 December 2011, the Group transferred the assets and liabilities of the respective subsidiaries, which belong to the asset management segment, to assets and liabilities of a disposal group classified as held for sale.

On 25 April 2012, PICC Investment Holding entered into share transfer agreements with Beijing International Trust Co., Ltd. (“Beijing International Trust”) to transfer the above equity interests for considerations of RMB867 million and RMB1,267 million, respectively. The consideration amounts were based on the listed price on the Beijing Financial Assets Exchange. On 31 May 2012, PICC Investment Holding entered into a share transfer agreement with Beijing International Trust to transfer the remaining 25% equity interest in Huawen Holdings for a consideration of RMB358 million. As a result, PICC Investment Holding ceased to consolidate Huawen Holdings and Guanglian (including subsidiaries indirectly held through Guanglian and Huawen Holdings).

<i>(in RMB million)</i>	Disposal date Carrying amount	31 December 2011 Carrying amount
Current assets	6,276	6,186
Non-current assets	8,402	8,523
Total assets	<u>14,678</u>	<u>14,709</u>
Current liabilities	6,122	6,385
Non-current liabilities	3,124	3,175
Total liabilities	<u>9,246</u>	<u>9,560</u>
Net assets	<u>5,432</u>	<u>5,149</u>
Equity attributable to the parent company	<u>2,421</u>	<u>2,242</u>
Consideration	2,492	
Transfer from other comprehensive income	130	
Gain on disposal of subsidiaries	<u>201</u>	

An analysis of the net cash inflows in respect of the disposal of these subsidiaries is as follows:

	2012
Cash consideration	2,492
Cash and cash equivalents disposed of	(316)
	<hr/>
Net cash inflows in respect of the disposal of subsidiaries	2,176
	<hr/> <hr/>

There were certain contingencies and guarantees related to certain companies disposed of as shown above. As the Group no longer have any responsibilities to liabilities directly associated with the disposal group, the Group is of the opinion that those contingencies and guarantees did not have any impact on the Group from the disposal date.

## 5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:

- The non-life insurance segment offers a wide variety of insurance products to both private and corporate customers including automobile insurance, non-automobile insurance and accident and health insurance.
- The life insurance segment offers a wide range of participating, endowments, annuity and universal life insurance products.
- The health insurance segment offers a wide range of health and care insurance products.
- The asset management segment comprises asset management services.
- The headquarters segment provides management and support for the Group's business through its strategy, risk management, treasury, finance, legal, and human resources functions.
- The "others" segment comprises other operating and insurance agent 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 reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Geographical information is not presented as most of the Group's customers, operations and assets and liabilities are located in Mainland China.

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

Segment income statement for the year ended 31 December 2012:

<i>(in RMB million)</i>	<b>Non-life insurance</b>	<b>Life insurance</b>	<b>Health insurance</b>	<b>Asset management</b>	<b>Head- quarters</b>	<b>Others</b>	<b>Eliminations</b>	<b>Total</b>
Net earned premiums	155,787	63,720	5,326	–	–	–	(16)	224,817
Reinsurance commission income	9,963	19	456	–	–	–	–	10,438
Investment income	7,522	11,476	418	574	2,382	264	(2,593)	20,043
Other income	935	535	147	925	16	155	(662)	2,051
<b>TOTAL INCOME</b>	<b>174,207</b>	<b>75,750</b>	<b>6,347</b>	<b>1,499</b>	<b>2,398</b>	<b>419</b>	<b>(3,271)</b>	<b>257,349</b>
– External income	174,050	75,668	6,298	1,071	149	113	–	257,349
– Intersegement income	157	82	49	428	2,249	306	(3,271)	–
Claims and policyholders' benefits	99,031	66,590	4,790	–	–	–	–	170,411
Handling charges and commissions	17,044	3,087	258	–	–	–	(184)	20,205
Finance costs	1,633	1,880	707	91	656	22	–	4,989
Exchange losses, net	13	8	–	–	29	–	–	50
Other operating and administrative expenses	43,193	3,547	1,335	710	455	274	(569)	48,945
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>	<b>160,914</b>	<b>75,112</b>	<b>7,090</b>	<b>801</b>	<b>1,140</b>	<b>296</b>	<b>(753)</b>	<b>244,600</b>
Share of profits and losses of associates	66	42	–	36	534	–	(107)	571
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>13,359</b>	<b>680</b>	<b>(743)</b>	<b>734</b>	<b>1,792</b>	<b>123</b>	<b>(2,625)</b>	<b>13,320</b>
Income tax credit/(expense)	(2,952)	80	–	(436)	21	(87)	198	(3,176)
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>10,407</b>	<b>760</b>	<b>(743)</b>	<b>298</b>	<b>1,813</b>	<b>36</b>	<b>(2,427)</b>	<b>10,144</b>

Segment income statement for the year ended 31 December 2011:

<i>(in RMB million)</i>	Non-life insurance	Life insurance	Health insurance	Asset management	Head- quarters	Others	Eliminations	Total
Net earned premiums	133,559	70,110	2,682	–	–	–	(3)	206,348
Reinsurance commission income	12,797	35	472	–	–	–	–	13,304
Investment income	3,969	8,844	672	542	1,889	166	(2,283)	13,799
Other income	820	714	324	1,215	37	275	(545)	2,840
<b>TOTAL INCOME</b>	<b>151,145</b>	<b>79,703</b>	<b>4,150</b>	<b>1,757</b>	<b>1,926</b>	<b>441</b>	<b>(2,831)</b>	<b>236,291</b>
– External income	150,690	79,696	4,146	1,402	95	262	–	236,291
– Intersegment income	455	7	4	355	1,831	179	(2,831)	–
Claims and policyholders' benefits	87,844	70,037	2,406	–	–	–	–	160,287
Handling charges and commissions	14,679	3,405	188	–	–	–	(163)	18,109
Finance costs	1,319	1,789	585	269	667	8	28	4,665
Exchange losses, net	327	84	5	2	6	–	–	424
Other operating and administrative expenses	36,753	3,935	1,448	1,007	361	256	(336)	43,424
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>	<b>140,922</b>	<b>79,250</b>	<b>4,632</b>	<b>1,278</b>	<b>1,034</b>	<b>264</b>	<b>(471)</b>	<b>226,909</b>
Share of profits and losses of associates	108	64	–	350	477	–	(171)	828
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>10,331</b>	<b>517</b>	<b>(482)</b>	<b>829</b>	<b>1,369</b>	<b>177</b>	<b>(2,531)</b>	<b>10,210</b>
Income tax credit/(expense)	(2,266)	34	–	(149)	(5)	(49)	122	(2,313)
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>8,065</b>	<b>551</b>	<b>(482)</b>	<b>680</b>	<b>1,364</b>	<b>128</b>	<b>(2,409)</b>	<b>7,897</b>

Segment assets and liabilities as at 31 December 2012, 31 December 2011, and for the years then ended are as follows:

<i>(in RMB million)</i>	Non-life insurance	Life insurance	Health insurance	Asset management	Head- quarters	Others	Eliminations	Total
31 December 2012								
Segment assets	290,594	336,495	28,927	7,348	93,468	4,644	(72,826)	688,650
Segment liabilities	244,928	318,885	27,035	1,512	15,670	965	(3,687)	605,308
Other segment information:								
Capital expenditure	2,402	1,727	42	66	218	36	–	4,491
Depreciation and amortisation expenses	1,369	79	48	18	41	31	223	1,809
Impairment losses	1,583	2,113	666	13	–	(14)	–	4,361
31 December 2011								
Segment assets	266,610	273,094	23,976	18,940	68,212	4,410	(70,090)	585,152
Segment liabilities	231,279	260,653	23,161	10,495	13,990	794	(3,155)	537,217
Other segment information:								
Capital expenditure	2,650	2,152	44	121	118	2	–	5,087
Depreciation and amortisation expenses	1,268	64	46	73	17	3	206	1,677
Impairment losses	2,344	196	84	138	–	14	113	2,889

## 6. GROSS AND NET WRITTEN PREMIUMS

<i>(in RMB million)</i>	2012	2011
(a) Gross written premiums		
Long-term life insurance premiums	64,639	69,496
Short-term life insurance premiums	6,991	5,462
Non-life insurance premiums	193,586	174,089
TOTAL	<u>265,216</u>	<u>249,047</u>

<i>(in RMB million)</i>	<b>2012</b>	2011
(b) Premiums ceded to reinsurers		
Long-term life insurance premiums ceded to reinsurers	219	111
Short-term life insurance premiums ceded to reinsurers	2,215	1,870
Non-life insurance premiums ceded to reinsurers	28,972	37,219
	<u>31,406</u>	<u>39,200</u>
(c) Net written premiums	<u>233,810</u>	<u>209,847</u>

## 7. INVESTMENT INCOME

<i>(in RMB million)</i>	<b>2012</b>	2011
Net investment income (a)	22,019	16,367
Realised gains/(losses)(b)	650	(9)
Fair value gains/(losses)(c)	1,525	32
Impairment losses(d)	(4,151)	(2,591)
	<u>20,043</u>	<u>13,799</u>

### (a) Net investment income

<i>(in RMB million)</i>	<b>2012</b>	2011
Operating lease income from investment properties	255	252
Interest income		
Current and term deposits	6,831	4,228
Debt securities		
– Held-to-maturity	4,940	3,736
– Available-for-sale	4,267	4,712
– Carried at fair value through profit or loss	101	100
Derivative financial assets	33	60
Loans and receivables	2,558	1,304
	<u>18,730</u>	<u>14,140</u>
SUBTOTAL	<u>18,730</u>	<u>14,140</u>



<i>(in RMB million)</i>	2012	2011
Dividend income		
Equity securities		
– Available-for-sale	2,757	1,913
– Carried at fair value through profit or loss	277	62
	<u>          </u>	<u>          </u>
SUBTOTAL	3,034	1,975
	<u>          </u>	<u>          </u>
TOTAL	<u>22,019</u>	<u>16,367</u>

An analysis of the dividend income from listed and unlisted equity securities is as follows:

Dividend income		
Listed equity securities	765	462
Unlisted equity securities	2,269	1,513
	<u>          </u>	<u>          </u>
TOTAL	<u>3,034</u>	<u>1,975</u>

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

<i>(in RMB million)</i>	2012	2011
Debt securities		
– Available-for-sale	(123)	(88)
– Carried at fair value through profit or loss	1	63
Equity securities		
– Available-for-sale	(332)	40
– Carried at fair value through profit or loss	903	(257)
– Gain on disposal of subsidiaries	201	233
	<u>          </u>	<u>          </u>
TOTAL	<u>650</u>	<u>(9)</u>

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

<i>(in RMB million)</i>	2012	2011
Debt securities		
– Carried at fair value through profit or loss	(26)	29
Equity securities		
– Carried at fair value through profit or loss	649	(664)
Derivative financial instruments		
– Carried at fair value through profit or loss	(13)	(21)
Investment properties	915	688
	<u>          </u>	<u>          </u>
TOTAL	<u>1,525</u>	<u>32</u>

**(d) Impairment losses**

<i>(in RMB million)</i>	2012	2011
Debt securities		
– Available-for-sale	(4)	5
Equity securities		
– Available-for-sale	4,145	2,439
– Investments in associates	10	147
	<u>          </u>	<u>          </u>
TOTAL	<u>4,151</u>	<u>2,591</u>

**8. PROFIT BEFORE TAX**

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

<i>(in RMB million)</i>	2012	2011
Employee costs (a)	17,470	17,582
Depreciation of property and equipment	1,621	1,485
Impairment loss on insurance receivables	236	307
Impairment loss on other assets	(26)	(9)
Minimum lease payments under operating leases in respect of land and buildings	706	555
Amortisation of intangible assets	188	192
Auditors' remuneration	32	24
	<u>          </u>	<u>          </u>

**(a) Employee costs**

(in RMB million)	2012	2011
Employee costs (excluding directors' and supervisors' remuneration)		
– Salaries, allowances and performance related bonuses	15,961	14,954
– Social insurance and housing fund	1,503	2,617
	<u>17,464</u>	<u>17,571</u>

**9. INCOME TAX EXPENSE**

(in RMB million)	2012	2011
Current income tax:		
Charge for the year	3,122	2,953
Under provision in prior years	3	33
Deferred income tax	51	(673)
TOTAL	<u>3,176</u>	<u>2,313</u>

In accordance with the relevant PRC income tax rules and regulations, the Company and Group's subsidiaries registered in the PRC are subject to corporate income tax ("CIT") at the statutory rate of 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.

PICC HK, registered in Hong Kong, was subject to a profits tax rate of 16.5% in 2012 (2011: 16.5%). Shanghai Xinhua Investment Limited Company, registered in Pudong, Shanghai, was subject to an income tax rate of 25% in 2012 (2011: 24%).

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

<i>(in RMB million)</i>	<b>2012</b>	2011
Profit before tax	<b>13,320</b>	10,210
Tax at the statutory tax rate	<b>3,330</b>	2,553
Adjustments in respect of current tax of previous periods	<b>3</b>	33
Profits attributable to associates	<b>(143)</b>	(207)
Income not subject to tax	<b>(917)</b>	(808)
Tax adjustment for temporary taxable difference related to disposal of subsidiaries	<b>244</b>	–
Expenses not deductible for tax	<b>348</b>	298
Utilisation of tax losses	<b>(108)</b>	(25)
Effects on opening deferred tax of changes in tax rates	–	(4)
Unrecognised deductible temporary differences	<b>422</b>	482
Effects of different tax rates applied to subsidiaries	<b>(3)</b>	(9)
	<hr/>	<hr/>
Tax charge at the Group's effective tax rate	<b>3,176</b>	2,313
	<hr/>	<hr/>
Effective tax rate	<b>23.8%</b>	22.7%
	<hr/> <hr/>	<hr/> <hr/>

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share for the years 2012 and 2011 is based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

<i>(in RMB million)</i>	<b>2012</b>	2011
Net profit attributable to ordinary equity holders of the parent for the year	<b>6,832</b>	5,185
Weighted average number of ordinary shares (in million shares)	<b>34,973</b>	32,711
Basic earnings per share (in RMB)	<b>0.20</b>	0.16
Diluted earnings per share (in RMB)	<b>0.20</b>	0.16
	<hr/> <hr/>	<hr/> <hr/>

No adjustment has been made to the basic earnings per share amounts presented for the years 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during 2012 and 2011.

## 11. OTHER COMPREHENSIVE INCOME

<i>(in RMB million)</i>	2012	2011
Available-for-sale investments:		
Gains/(losses) arising during the year	2,855	(13,336)
Less: Reclassification adjustments for gains included in the income statement		
– losses/(gains) on disposal	483	156
– impairment losses ( <i>note 7(d)</i> )	4,141	2,444
Income tax effect relating to available-for-sale investments ( <i>Note</i> )	(510)	876
	<u>6,969</u>	<u>(9,860)</u>
Cash flow hedging revaluation	(100)	286
Income tax effect relating to cash flow hedging revaluation	25	(71)
	<u>(75)</u>	<u>215</u>
Net gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	235	899
Income tax effect relating to revaluation of properties and prepaid land premiums upon transfer to investment properties	(59)	(225)
	<u>176</u>	<u>674</u>
Share of changes in associates' equity	149	(91)
Actuarial losses of a pension benefit obligation	(52)	(118)
Foreign currency translation reserve	–	(27)
TOTAL	<u><u>7,167</u></u>	<u><u>(9,207)</u></u>
Attributable to:		
Equity holders of the parent	5,522	(6,995)
Non-controlling interests	1,645	(2,212)
TOTAL	<u><u>7,167</u></u>	<u><u>(9,207)</u></u>

*Note: Income tax effect relating to available-for-sale investments for the year ended 31 December 2012 included the amount relating to available-for-sale investments that had been transferred to a disposal group classified as held for sale from 1 January 2012 to the disposal date.*

## 12. SHARE CAPITAL

As at 31 December 2012, the share capital amounted to RMB42,424 million with a nominal value of RMB1.00 per share, and the registered capital remained unchanged as RMB34,491 million.

Group and Company	31 December 2012	31 December 2011
Issued and fully paid ordinary shares of RMB1 each (in million)		
Domestic shares	33,698	34,491
H shares	8,726	—
	<u>42,424</u>	<u>34,491</u>
Share capital (in RMB million)		
Domestic shares	33,698	34,491
H shares	8,726	—
	<u>42,424</u>	<u>34,491</u>

The Company completed its initial public offering of overseas-listed foreign shares (“H shares”) and was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 7 December 2012. In this offering, the Company totally offered 7,932,940,000 H shares (including over-allotment of 1,034,731,000 H shares) with a nominal value of RMB1.00 per share each and an issuance price of HKD3.48 per share. This public offering had raised a total amount of RMB22,410 million. As at 31 December 2012, the consideration received net of issue expenses was RMB21,754 million, of which RMB7,933 million was recorded in share capital and RMB13,821 million was recorded in share premiums.

According to the “Provisional Administrative Measures on Reduction of State-owned Shares to Raise Social Security Fund” (Guo Fa [2001] No. 22) issued by the State Council and the related regulatory approvals, 793,294,000 domestic shares held by the state-owned shareholders were converted into H shares during the initial public offering of the Company.

As at 31 December 2012, the number of shares and the share capital were increased to 42,424 million shares and RMB42,424 million, respectively. The increase in share capital has been reported to the China Insurance Regulatory Commission (“CIRC”) for approval.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in three major business lines, namely property and casualty (“P&C”) insurance, life and health insurance and asset management, respectively, which are divided into four major operating segments for reporting purposes: our P&C insurance business constitutes our P&C insurance segment and includes PICC Property and Casualty Company Limited (“PICC P&C”) and The People’s Insurance Company of China (Hong Kong), Limited (“PICC Hong Kong”), in which we hold 68.98% and 75.0% equity interests, respectively. Our life and health insurance business constitutes two separate segments, namely our life insurance segment and our health insurance segment, among which our life insurance segment includes PICC Life Insurance Company Limited (“PICC Life”), in which we hold an 80.0% equity interest directly and indirectly, and our health insurance segment includes PICC Health Insurance Company Limited (“PICC Health”), in which we hold a 91.67% equity interest directly and indirectly. The asset management business constitutes our asset management segment and primarily includes PICC Asset Management Company Limited (“PICC AMC”) and PICC Investment Holding Co., Ltd. (“PICC Investment Holding”), which are 81.0% and 100.0% owned by us, respectively.

## Key Operating Indicators

### (i) Information of the principal business

Unit: RMB in millions, except for percentages

For the year ended 31 December/

As of 31 December

	2012	2011	Year-on-Year (%)
Original Premiums Income <sup>(1)</sup>			
PICC P&C	<b>193,018</b>	173,553	11.2
PICC Life	<b>64,030</b>	70,361	(9.0)
PICC Health	<b>7,600</b>	4,596	65.4
Market share <sup>(1)</sup>			
PICC P&C (%)	<b>34.9</b>	36.3	Decrease of 1.4 pt
PICC Life (%)	<b>6.4</b>	7.4	Decrease of 1.0 pt
PICC Health (%)	<b>0.8</b>	0.5	Increase of 0.3 pt
Combined ratio of PICC P&C (%)	<b>95.1</b>	94.0	Increase of 1.1 pt
Embedded Value of PICC Life	<b>30,906</b>	22,685	36.2
Embedded Value of PICC Health	<b>4,569</b>	2,907	57.2
Value of one year's new business of PICC Life	<b>4,031</b>	3,713	8.6
Value of one year's new business of PICC Health	<b>738</b>	806	(8.4)
Total investment yield	<b>4.2</b>	3.6	Increase of 0.6 pt

(1) According to the statistics and measurement of the original premiums income in the PRC (excluding Hong Kong, Macau and Taiwan) published by CIRC, the market share percentage of PICC P&C represents its market share among all P&C insurance companies, and the market share percentages of PICC Life and PICC Health represent their respective market share among all life and health insurance companies.

In 2012, leveraging upon the efficient management of various business lines of the Group and synergistic operations of different business lines, we continued to maintain a leading market position in the insurance industry of the PRC and strong competitive advantages while the businesses of P&C insurance and life and health insurance maintained a balanced development. In 2012, the market share of PICC P&C was 34.9%, the market share of PICC Life was 6.4% and the market share of PICC Health was 0.8%. According to the statistics of the total written premiums (“TWPs”), the TWPs of the PICC P&C, PICC Life and PICC Health amounted to RMB 193.018 billion, RMB77.967 billion and RMB11.631 billion, respectively. Meanwhile, we promoted cross-selling proactively, and the TWPs generated by cross-selling among our business lines grew by 45.9% to RMB15.440 billion in 2012 from RMB10.586 billion in 2011, which achieved continuous rapid growth. In 2012, the number of policyholders who purchased any two or more types of our P&C insurance, life insurance or health insurance products reached 2.07 million, representing a year-on-year growth of 42.5%, and the number of policies purchased by these policyholders increased to 3.93 on average.



(2) Key financial indicators

Unit: RMB in millions, except for percentages  
For the year ended 31 December/  
As of 31 December

	2012	2011	Year-on-Year (%)
Total assets	688,650	585,152	17.7
Total liabilities	605,308	537,217	12.7
Total equity	83,342	47,935	73.9
Gross written premiums	265,216	249,047	6.5
P&C Insurance	193,586	174,089	11.2
Life Insurance	64,030	70,361	(9.0)
Health Insurance	7,600	4,596	65.4
Profit before tax	13,320	10,210	30.5
Net profit	10,144	7,897	28.5
Net profit attributable to equity holders of the Company	6,832	5,185	31.8
Earnings per share (RMB)	0.20	0.16	22.6
Net assets per share (RMB)	1.54	0.91	69.2
Weighted average return on equity (%)	18.2%	19.0%	Decrease of 0.8 pt

Benefiting from expansion in our businesses, the total asset portfolio of the Group achieved stable growth. After our H shares were listed in 2012, the capital base and share capital of the Group were further strengthened in which total equity grew by 73.9% to RMB83.342 billion in 2012 from RMB47.935 billion in 2011. In 2012, the Group realized gross written premiums (“GWPs”) of RMB265.216 billion, representing a year-on-year growth of 6.5%. Benefiting from the fast development and the improved profitability of the P&C insurance business and the life and health insurance business, our net profit grew by 28.5% to RMB10.144 billion in 2012 from RMB7.897 billion in 2011. Profit attributable to equity holders of the company grew by 31.8% to RMB6.832 billion in 2012 from RMB5.185 billion in 2011. The weighted average return on equity in 2012 was 18.2%, which represents a decrease of 0.8 percentage points compared to the same period of last year.

After the Company completed the listing of H Shares at the end of 2012, our net assets expanded significantly. Net assets per share increased to RMB1.54 in 2012 from RMB0.91 in 2011. Benefiting from the rapid growth of profit level, there was also a substantial growth in the Group’s earnings per share, which increased by 22.6% to RMB0.20 per share in 2012 from RMB0.16 per share in 2011.

## P&C insurance business

In 2012, the P&C insurance segment of the Group followed to the operation principle of “Fostering development through a shift in approach, enhancing efficiency by strengthening control”, which further reinforced our development capability and further enhanced our internal quality with brilliant business results, and the Group continued to lead the non-life insurance market in China.

### (1) Analysis by Product

The following table sets forth by product the GWPs from P&C insurance segment of the Group for the periods indicated:

*Unit: RMB in millions, except for percentages*

**For the year ended 31 December**

	<b>2012</b>	2011	Year-on-Year (%)
Motor vehicle insurance	<b>141,751</b>	128,055	10.7
Commercial property insurance	<b>12,295</b>	11,874	3.5
Liability insurance	<b>7,413</b>	6,481	14.4
Accidental injury and health insurance	<b>6,484</b>	5,343	21.4
Cargo insurance	<b>3,848</b>	4,055	(5.1)
Other P&C insurance	<b>21,793</b>	18,281	19.2
<b>Total</b>	<b>193,586</b>	174,089	11.2

GWPs for our P&C insurance segment increased by 11.2% to RMB193.586 billion in 2012 from RMB174.089 billion in 2011. The overall steady business growth was largely driven by the motor vehicle insurance and agriculture insurance businesses, and the relatively rapid growth in the accidental injury and health insurance, liability insurance as well as credit and surety insurance etc..

GWPs for motor vehicle insurance increased by 10.7% to RMB141.751 billion in 2012 from RMB128.055 billion in 2011. In 2012, the growth of domestic automobile production and sales continued to slow down, and the “purchase restriction policy” was implemented in some cities, which resulted in intensified competition in the market of motor vehicle insurance. The P&C insurance segment has put increasing efforts to leverage on existing businesses while proactively implementing aggressive market strategies at the same time.

GWPs for commercial property insurance increased by 3.5% to RMB12.295 billion in 2012 from RMB11.874 billion in 2011. In 2012, the P&C insurance segment actively strengthened the traditional business of commercial property insurance while exploring opportunities for new businesses development.

GWPs for liability insurance increased by 14.4% to RMB7.413 billion in 2012 from RMB6.481 billion in 2011. In 2012, the P&C insurance segment has actively and extensively cooperated with competent authorities, cultivated the demand which gave strong impetus to the steady growth of medical liability insurance, safety production liability insurance, public liability insurance, employer liability insurance and freighter liability insurance businesses.

GWPs attributable to other P&C insurance in our P&C insurance segment increased by 19.2% to RMB21.793 billion in 2012 from RMB18.281 billion in 2011. In 2012, the construction of a sales and service system for the Sannong insurance business was basically completed, efforts in developing agricultural insurance supported by fiscal policies of the PRC Government and agricultural insurance with local features were enhanced, and agricultural insurance business of other P&C insurance grew continuously and rapidly.

(2) *Analysis by channel*

The following table sets forth the breakdown of original premiums income of PICC P&C by distribution channel for the periods indicated, which can be specifically divided into insurance agency, direct sales and insurance brokerage. By increasing contributions from new channels including telemarketing and online sales, the original premiums income from telemarketing and online sales has reached RMB28.090 billion in 2012.

*Unit: RMB in millions, except for percentages*  
**For the year ended 31 December**

	2012		Growth rate (%)	2011	
	Amount	Percentage (%)		Amount	Percentage (%)
Insurance agents	124,389	64.5	1.8	122,171	70.4
Among which :					
Individual insurance agents	69,279	35.9	(4.2)	72,304	41.7
Ancillary insurance agents	45,729	23.7	13.6	40,238	23.2
Professional insurance agents	9,381	4.9	(2.6)	9,629	5.5
Direct sales	57,599	29.8	40.4	41,034	23.6
Insurance brokerage	11,030	5.7	6.6	10,348	6.0
<b>Total</b>	<b>193,018</b>	<b>100.0</b>	<b>11.2</b>	<b>173,553</b>	<b>100.0</b>

### (3) Financial Analysis

The following table sets forth certain selected key financial information of the P&C insurance segment for the periods indicated:

*Unit: RMB in millions, except for percentages*  
**For the year ended 31 December**

	<b>2012</b>	2011	Year-on-Year (%)
Net earned premiums	<b>155,787</b>	133,559	16.6
Investment income	<b>7,522</b>	3,969	89.5
Other income	<b>935</b>	820	14.0
Total income	<b>174,207</b>	151,145	15.3
Claims and policyholders' benefits	<b>99,031</b>	87,844	12.7
Handling charges and commissions	<b>17,044</b>	14,679	16.1
Finance costs	<b>1,633</b>	1,319	23.8
Other operating and administrative expenses	<b>43,193</b>	36,753	17.5
Insurance business expenses and other expenses	<b>160,914</b>	140,922	14.2
Profit before tax	<b>13,359</b>	10,331	29.3
Income tax expense	<b>(2,952)</b>	(2,266)	30.3
Net profit	<b>10,407</b>	8,065	29.0

#### *Net earned premiums*

Benefiting from the growth of motor vehicle insurance and agricultural insurance as well as the rapid development in the businesses of accidental injury and health insurance, liability insurance and credit and surety insurance, net earned premiums from our P&C insurance segment increased by 16.6% to RMB155.787 billion in 2012 from RMB133.559 billion in 2011.

#### *Investment income*

Investment income of the P&C insurance segment increased by 89.5% to RMB7.522 billion in 2012 from RMB3.969 billion in 2011. In 2012, while the P&C insurance segment was optimizing the structure of investment assets allocation, it effectively enhanced the efficiency of capital utilization, expanded the scale of its investment assets and increased its allocation of negotiated deposits continuously, constantly improved the yield rate of debt securities held. Through optimizing equity investment types and actively participating in infrastructure debt investment programs, the P&C insurance segment was able to lower the risks of the investment assets portfolio and uplift investment returns effectively.

### *Claims and policyholders' benefits*

Claims and policyholders' benefits for the P&C insurance segment increased by 12.7% to RMB99.031 billion in 2012 from RMB87.844 billion in 2011. The claim ratio of PICC P&C decreased by 2.2 percentage points to 63.6% in 2012 from 65.8% in 2011, which was mainly due to the decrease in the claim ratio of motor vehicle insurance, liability insurance, accidental and health insurance and cargo insurance.

### *Handling charges and commissions*

Handling charges and commissions of the P&C insurance segment increased by 16.1% to RMB17.044 billion in 2012 from RMB14.679 billion in 2011. In 2012, with the increasing pressure of the slowdown of the macro-economic growth in China, implementation of macro-economic control policies over real estates and motor vehicles in some cities and continuous influx of new market players, the competition of the domestic P&C insurance market was intensified while there was an increase in handling charges and commissions in the P&C insurance segment.

### *Finance costs*

Finance costs of the Group's P&C insurance segment of the Group increased by 23.8% to RMB1.633 billion in 2012 from RMB1.319 billion in 2011, mainly caused by the increase of interest expenses on subordinated debts and securities sold under the agreements to repurchase.

### *Net Profit*

As a result of the foregoing, there was a substantial growth in the overall profit of the P&C insurance segment in 2012, as its net profit increased by 29.0% to RMB10.407 billion in 2012 from RMB8.065 billion in 2011.

## Life and health insurance

### (1) Life insurance

Under the tough market conditions in 2012, the life insurance segment of the Group adhered to the guiding ideology of “economies of scale” and competitive strategy of differentiation, established diversified channels, improved the organization structure, enhanced team-building, improved management and control as well as service capability continuously, resulting in a steady business growth, a significant increase in its operating benefit and further enhancing its the overall value. As the TWPs generated from new insurance policies of PICC Life amounted to RMB 71.093 billion in 2012, it ranked second in this field for three consecutive years.

#### 1. Analysis by product

The following table sets forth the original premiums income from various products of the Group’s life insurance segment for the periods indicated:

*Unit: RMB in millions, except for percentages*  
**For the year ended 31 December**

	2012		2011	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
<b>Life insurance products</b>				
Traditional insurance	1,419	2.2	587	0.8
Participating insurance	60,332	94.2	67,947	96.6
Universal insurance	81	0.1	76	0.1
Accidental injury and short-term health insurance	2,198	3.4	1,752	2.5
<b>Total</b>	<b>64,030</b>	<b>100.0</b>	<b>70,361</b>	<b>100.0</b>

TWPs of RMB75.769 billion of our life insurance business were from products with a term of one year or more, among which 87.1% were from single premium products.

## 2. Analysis by channel

The following table sets forth the breakdown of the original premiums income of life insurance segment by distribution channel for the periods indicated, which can be specifically divided into bancassurance, individual insurance and group insurance. The number of bancassurance outlets has continuously increased from 80,763 in 2011 to 109,296 in 2012.

*Unit: RMB in millions, except for percentages*

**For the year ended 31 December**

	2012		2011	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Bancassurance	46,103	72.0	60,038	85.3
Individual insurance	11,478	17.9	9,109	12.9
Group insurance	6,449	10.1	1,214	1.7
Total	64,030	100.0	70,361	100.0

In 2012, the TWPs of bancassurance amounted to RMB50.306 billion, and we ranked second for four consecutive years in the field in terms of the TWPs generated from new insurance policies. The TWPs of individual insurance amounted to RMB18.597 billion, and average monthly first year life insurance TWPs per agent reached RMB6,731. The TWPs of group insurance amounted to RMB9.064 billion.

## 3. Persistency ratio

The following table sets forth the 13-month and 25-month persistency ratios for individual customers of the life insurance segment of the Group for the periods indicated:

**For the year ended 31 December**

Item	2012	2011
Individual life insurance customer persistency ratio (%)		
13-month persistency ratio <sup>(1)</sup> (%)	91.9	95.6
25-month persistency ratio <sup>(2)</sup> (%)	91.3	92.7

(1) The 13-month persistency ratio for a given year is the proportion of the total number of long-term individual life insurance policies issued in the preceding year that remain in force as of the 13th month following issuance.

(2) The 25-month persistency ratio for a given year is the proportion of the total number of long-term individual life insurance policies issued in the penultimate year that remain in force as of the 25th month following issuance.

#### 4. Financial Analysis

The following table sets forth certain selected key financial information of the life insurance segment for the periods indicated:

*Unit: RMB in millions, except for percentages*

**For the year ended 31 December**

	<b>2012</b>	2011	Year-on-Year (%)
Net earned premiums	<b>63,720</b>	70,110	(9.1)
Investment income	<b>11,476</b>	8,844	29.8
Other income	<b>535</b>	714	(25.1)
Total income	<b>75,750</b>	79,703	(5.0)
Claims and policyholders' benefits	<b>66,590</b>	70,037	(4.9)
Handling charges and commissions	<b>3,087</b>	3,405	(9.3)
Finance costs	<b>1,880</b>	1,789	5.1
Other operating and administrative expenses	<b>3,547</b>	3,935	(9.9)
Insurance business and other expenses	<b>75,112</b>	79,250	(5.2)
Profit before tax	<b>680</b>	517	31.5
Income tax expense	<b>80</b>	34	135.3
Net Profit	<b>760</b>	551	37.9

##### *Net earned premiums*

Net earned premiums of the life insurance segment of the Group decreased by 9.1% to RMB63.720 billion in 2012 from RMB70.110 billion in 2011, which were principally caused by factors such as the high benchmark interest rate for one-year bank deposits and the diversification of customers' investment channels.

##### *Investment income*

The investment income of the life insurance segment of the Group increased by 29.8% to RMB11.476 billion in 2012 from RMB8.844 billion in 2011, which was mainly due to the increase in interest income from fixed-income investment assets such as bonds, term deposits and negotiated deposits, as well as increase in dividend income.

##### *Other income*

Other income of the life insurance segment decreased by 25.1% to RMB535 million in 2012 from RMB714 million in 2011, which was mainly due to the decrease in policy initiation fees.



### *Claims and policyholders' benefits*

Claims and policyholders' benefits for the life insurance segment of the Group decreased by 4.9% to RMB66.590 billion in 2012 from RMB70.037 billion in 2011, which was mainly caused by the decrease in insurance premiums.

### *Handling charges and commissions*

Handling charges and commissions of the Group's life insurance segment decreased by 9.3% to RMB3.087 billion in 2012 from RMB3.405 billion in 2011, which was mainly caused by the decrease in premium income.

### *Finance costs*

Finance costs of the life insurance segment of the Group increased by 5.1% to RMB1.880 billion in 2012 from RMB1.789 billion in 2011, which was mainly caused by the increase in interest expenses on investment contracts.

### *Net Profit*

As a result of the foregoing, the net profit of the life insurance segment of the Group increased by 37.9% to RMB760 million in 2012 from RMB551 million in 2011.

## (2) Health Insurance

In 2012, through in-depth research and close monitoring of market trends, the health insurance segment of the Group promoted the “Zhanjiang Model” and “Taicang Project” to further strengthen its competitive advantages of the government-entrusted business, and its fundamental management, enhance the service standards, leading to a business development trend of stable growth.

### 1. Analysis by product

The following table sets forth the original premiums income of various products of the health insurance segment for the periods indicated:

*Unit: RMB in millions, except for percentages*

**For the year ended 31 December**

	2012		2011	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
<b>Health insurance products</b>				
Illness insurance	154	2.0	150	3.3
Medical insurance	4,213	55.4	3,171	69.0
Disability losses insurance	71	0.9	6	0.1
Nursing care insurance	257	3.4	352	7.7
Accidental injury insurance	464	6.1	485	10.5
Participating endowment insurance	2,440	32.1	433	9.4
<b>Total</b>	<b>7,600</b>	<b>100.0</b>	<b>4,596</b>	<b>100.0</b>

## 2. Analysis by channel

The following table sets forth the breakdown of the original premiums income of the health insurance segment by distribution channel for the periods indicated, which are specifically divided into bancassurance, individual insurance and group insurance.

*Unit: RMB in millions, except for percentages*

	<b>Year ended 31 December</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Amount</b>	<b>Percentage of total (%)</b>	<b>Amount</b>	<b>Percentage of total (%)</b>
Bancassurance	2,461	32.4	450	9.8
Individual insurance	358	4.7	450	9.8
Group insurance	4,781	62.9	3,697	80.4
<b>Total</b>	<b>7,600</b>	<b>100.0</b>	<b>4,596</b>	<b>100.0</b>

## 3. Persistency ratio

The following table sets forth the 13-month and 25-month persistency ratios for individual customers of the health insurance segment of the Group for the periods indicated:

<b>Item</b>	<b>For the year ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
Individual health insurance customer persistency ratio (%)		
13-month persistency ratio <sup>(1)</sup> (%)	<b>89.7</b>	89.1
25-month persistency ratio <sup>(2)</sup> (%)	<b>87.2</b>	70.7

(1) The 13-month persistency ratio for a given year is the proportion of the total number of long-term individual health insurance policies issued in the preceding year that remain in force as of the 13th month following issuance.

(2) The 25-month persistency ratio for a given year is the proportion of the total number of long-term individual health insurance policies issued in the penultimate year that remain in force as of the 25th month following issuance.

#### 4. Financial Analysis

The following table sets forth certain selected key financial information of the health insurance segment for the periods indicated:

*Unit: RMB in millions, except for percentages*

**For the year ended 31 December**

	<b>2012</b>	2011	Year-on-Year (%)
Net earned premiums	<b>5,326</b>	2,682	98.6
Investment income	<b>418</b>	672	(37.8)
Other income	<b>147</b>	324	(54.6)
Total income	<b>6,347</b>	4,150	52.9
Claims and policyholders' benefits	<b>4,790</b>	2,406	99.1
Handling charges and commissions	<b>258</b>	188	37.2
Finance costs	<b>707</b>	585	20.9
Other operating and administrative expenses	<b>1,335</b>	1,448	(7.8)
Insurance business expenses and other expenses	<b>7,090</b>	4,632	53.1
Profit before tax	<b>(743)</b>	(482)	54.1
Income tax expense	–	–	–
Net profit	<b>(743)</b>	(482)	54.1

##### *Net earned premiums*

Net earned premiums from the health insurance segment increased by 98.6% to RMB5.326 billion in 2012 from RMB2.682 billion in 2011, primarily due to the positive outcome by the continued promotion of the “Zhanjiang Model” in the Group’s health insurance segment, benefiting from the further reform of the medical and health system, the favorable policies such as the “Guidance on Implementation of Critical-illness Insurance for Urban and Rural Residents” (《關於開展城鄉居民大病保險工作的指導意見》), and the exploration and promotion of the “Taicang Project”, and as a result, the rapid growth in the premiums from government-entrusted business generated premiums income of RMB3.920 billion, representing an increase of 44.6% compared to the same period of the previous year. Furthermore, adjustment of product strategy and the sales of participating insurance products through bancassurance distribution channel also generated premiums income of RMB2.44 billion in 2012.

##### *Investment income*

Investment income from the health insurance segment decreased by 37.8% to RMB418 million in 2012 from RMB672 million in 2011, primarily due to the higher proportion of the equity assets in the health insurance segment, resulting in a corresponding increase in impairment losses on financial assets recorded at fair value.

### *Other income*

Other income from the health insurance segment decreased by 54.6% to RMB147 million in 2012 from RMB324 million in 2011, primarily due to a decrease of the business scale of universal insurance products from the health insurance segment, as well as a decrease in the policy initiation fees and the management fees charged to policyholders.

### *Claims and policyholders' benefits*

Claims and policyholders' benefits from the health insurance segment increased by 99.1% to RMB4.790 billion in 2012 from RMB2.406 billion in 2011, which were in line with the changes in net earned premiums from the health insurance segment.

### *Handling charges and commissions*

Handling charges and commissions from the health insurance segment increased by 37.2% to RMB258 million in 2012 from RMB188 million in 2011, primarily due to the sales of participating insurance products through the bancassurance distribution channels of the health insurance segment, which generated an increase of RMB2.007 billion premiums income.

### *Finance costs*

Finance costs from the health insurance segment increased by 20.9% to RMB707 million in 2012 from RMB585 million in 2011, primarily due to the interest expenses of the investment contracts of existing and new policyholders and the interest expenses of financial assets sold under the agreements to repurchase.

### *Net profit*

As a result of the foregoing, our net profit from the health insurance segment decreased by 54.1% to RMB-743 million in 2012 from RMB-482 million in 2011.

## Analysis of income from the insurance business by region

The following table sets forth the original premiums income from the insurance business of the Group in the PRC by region for the periods indicated:

*Unit: RMB in millions*

**For the year  
ended 31 December**

	<b>2012</b>	2011
Guangdong Province	<b>22,603</b>	21,236
Jiangsu Province	<b>21,964</b>	20,964
Zhejiang Province	<b>19,139</b>	17,731
Shandong Province	<b>18,724</b>	17,643
Hebei Province	<b>16,636</b>	16,975
Sichuan Province	<b>14,181</b>	13,712
Beijing	<b>13,301</b>	10,514
Henan Province	<b>11,779</b>	13,153
Liaoning Province	<b>10,154</b>	10,128
Hubei Province	<b>9,411</b>	8,302
Other regions	<b>106,757</b>	98,152
<b>Total</b>	<b>264,648</b>	248,510

## Asset management business

The investment income of the asset management segment of the Group does not include the 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 our asset management segment on behalf of our other segments are included in the investment income of the relevant segment.

PICC AMC is one of the main issuers of the infrastructure debt investment plans in the insurance industry, which continuously provides infrastructure debt investment plans with stable revenue to the insurance funds of the Group and other insurance institutions. PICC AMC is engaged in third-party asset management business of the insurance industry and the enterprise annuity investment management business by implementing segregated account management and issuing investment products, which leads to a continuous growth in asset management scale.

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

*Unit: RMB in millions, except for percentages*

**For the year ended 31 December**

	<b>2012</b>	2011	Year-on-Year (%)
Investment income	<b>574</b>	542	5.9
Other income	<b>925</b>	1,215	(23.9)
Total income	<b>1,499</b>	1,757	(14.7)
Finance costs	<b>91</b>	269	(66.2)
Other operating and administrative expenses	<b>710</b>	1,007	(29.5)
Total expenses	<b>801</b>	1,278	(37.3)
Profit before tax	<b>734</b>	829	(11.5)
Income tax expense	<b>(436)</b>	(149)	192.6
Net profit	<b>298</b>	680	(56.2)

### *Investment income*

Investment income from our asset management segment increased by 5.9% to RMB574 million in 2012 from RMB542 million in 2011, primarily due to the revaluation surplus of the investment properties.

### *Other income*

Other income from our asset management segment decreased by 23.9% to RMB925 million in 2012 from RMB1.215 billion in 2011, primarily due to the decrease in the number of associated companies within the scope of consolidation.

## Finance costs

Finance costs for our asset management segment decreased by 66.2% to RMB91 million in 2012 from RMB269 million in 2011, primarily due to a decrease in the number of associated companies within the scope of consolidation and the corresponding reduction in finance costs.

## Net profit

As a result of the foregoing, net profit of our asset management segment was RMB298 million in 2012.

## Investment portfolio and investment income

### (1) Investment portfolio

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

*Unit: RMB in millions, except for percentages*  
**As of 31 December**

	2012		2011	
	Carrying amount	Percentage of total (%)	Carrying amount	Percentage of total (%)
<b>Investment assets</b>				
Cash and cash equivalents	73,873	12.4	55,333	11.5
Fixed-income investments	351,363	59.0	321,132	66.8
Term deposits	120,115	20.2	94,716	19.7
Fixed-income securities	217,369	36.5	213,996	44.5
Government bonds	20,860	3.5	20,631	4.3
Finance bonds	126,589	21.2	123,316	25.6
Corporate bonds	69,920	11.7	70,049	14.6
Other fixed-income investments <sup>(1)</sup>	13,879	2.3	12,420	2.6
Equity and fund investments at fair value	93,479	15.7	59,997	12.5
Security investment funds	44,859	7.5	26,083	5.4
Equity securities	48,620	8.2	33,914	7.0
Other investments <sup>(2)</sup>	77,244	13.0	44,619	9.3
<b>Total investment assets</b>	<b>595,959</b>	<b>100.0</b>	<b>481,081</b>	<b>100.0</b>

(1) Primarily consist of restricted statutory deposits and loan against insurance policies.

(2) Primarily consist of investment properties, derivative financial assets, subordinated debts and debt investment plans, investment in affiliates and associates, and equity investments recorded at cost as well as trust plans.



(2) *Investment income*

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

*Unit: RMB in millions, except for percentages*

<b>Items</b>	<b>For the year ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
Cash and cash equivalents	<b>251</b>	489
Fixed-income securities	<b>16,224</b>	12,767
Interest income	<b>16,368</b>	12,768
Net realized gains/(losses)	<b>(122)</b>	(25)
Net unrealized gains/(losses)	<b>(26)</b>	29
Impairment	<b>4</b>	(5)
Equity and fund investments at fair value	<b>(60)</b>	(1,486)
Dividend income	<b>2,894</b>	1,942
Net realized gains/(losses)	<b>542</b>	(325)
Net unrealized gains/(losses)	<b>649</b>	(664)
Impairment	<b>(4,145)</b>	(2,439)
Other investment income/(loss)	<b>4,198</b>	2,857
Total investment income	<b>20,614</b>	14,627
Total investment yield <sup>(1)</sup> (%)	<b>4.2</b>	3.6
Net investment yield <sup>(2)</sup> (%)	<b>4.6</b>	4.3

- (1) Total investment yield refers to the ratio of total investment income (excluding interest expenses on securities sold under the agreements to repurchase) to the average of total investment assets (excluding the relevant liabilities of the securities sold under agreements to repurchase) as of beginning and end of the period.
- (2) Net investment yield refers to the ratio of net investment income (total investment income – net realized financial assets income – net unrealized financial assets income – impairment loss of financial assets – interest expenses on securities sold under the agreements to repurchase) to the average of total investment assets (excluding the relevant liabilities of the securities sold under agreements to repurchase) as of beginning and end of the period.

## Specific analysis

### (1) Liquidity analysis

#### 1. Statement of cash flows

*Unit: RMB in millions, except for percentages*

**For the year ended 31 December**

	<b>2012</b>	2011	Year-on-Year (%)
Net cash flow from operating activities	<b>52,522</b>	74,757	(29.7)%
Net cash flow from investment activities	<b>(70,187)</b>	(99,490)	(29.5)%
Net cash flow from financing activities	<b>36,059</b>	39,799	(9.4)%

#### 2. Liquidity analysis

The Group implemented unified liquidity management. The cash inflow of the Company, as a holding company, was mainly derived from the investment income arising from the investment activities, the cash flow generated by financing activities and the dividends from its subsidiaries.

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

Since the Group generally collects premiums before the payment of insurance claims or benefits, the cash inflow from operating activities of the Group generally records a net inflow. In addition, the Group maintains a certain proportion of assets with high liquidity in our investment assets through our strategic asset allocation management to satisfy the demand for liquidity. The Group also obtains additional liquidity from the disposal of securities sold under repurchase agreement and other financing activities.

The Company believes that we have sufficient liquidity to meet the liquidity requirements of the Company in the foreseeable future.

(2) Solvency

The Company calculated and disclosed the actual capital, the minimum capital and the solvency margin ratio in accordance with the relevant requirements of CIRC. According to the requirements of CIRC, the solvency margin ratio of domestic insurance companies in the PRC shall reach the required level.

*Unit: RMB in millions, except for percentages*

	<b>As of 31 December</b>		
	<b>2012</b>	2011	Year-on-Year (%)
<b>PICC P&amp;C</b>			
Actual capital	<b>43,260</b>	37,768	14.5
Minimum capital	<b>24,771</b>	20,523	20.7
Solvency margin ratio (%)	<b>175</b>	184	Decrease of 9 pt
<b>PICC Life</b>			
Actual capital	<b>13,955</b>	11,497	21.4
Minimum capital	<b>10,773</b>	8,678	24.1
Solvency margin ratio (%)	<b>130</b>	132	Decrease of 2 pt
<b>PICC Health</b>			
Actual capital	<b>2,050</b>	1,075	90.7
Minimum capital	<b>1,263</b>	1,003	25.9
Solvency margin ratio (%)	<b>162</b>	107	Increase of 55 pt

As of 31 December 2012, the solvency margin ratio of PICC P&C was 175%, representing a decrease of 9 percentage points as compared to the corresponding period in 2011 and was above the level of the Adequate Solvency II category as classified by CIRC. The solvency margin ratio of PICC Life was 130%, remaining basically at the same level as the corresponding period in 2011 and remained in the Adequate Solvency I category as classified by CIRC. The solvency margin ratio of PICC Health was 162%, representing an increase of 55 percentage points as compared to the corresponding period in 2011 and was above the level of the Adequate Solvency II category as classified by CIRC. The increase in solvency margin ratio of PICC Health was mainly attributable to the capital contributions from its shareholders.

## Prospects

### *(1) Market Environment*

In 2012, the insurance industry in China adhered to the principle of scientific development focusing on the acceleration in the transformation of its development, and the insurance sector demonstrated steady development. According to the statistics released by CIRC, the original premiums income in China for 2012 amounted to RMB1.55 trillion, representing an increase of 8.0% as compared to the previous year, in which, the original premiums income of the P&C insurance companies and life and health insurance companies recorded an increase of 15.7% and 4.2%, respectively, as compared to the previous year, and total insurance assets exceeded RMB7.35 trillion. China's insurance market is still one of the fastest growing insurance markets in the world.

In respect of the current market, the internal and external environment of the insurance industry in China are becoming more complex with increasing uncertainties that affect its development. The development of the insurance industry, especially the life insurance sector, has a more critical situation. However, the rapid growth in the income of urban and rural residents has accelerated and promoted the transformation and upgrading of consumption patterns, while adjustments on the marketing channels and product structure continues, providing development opportunities for the continuous and steady growth of the insurance industry.

In respect of the direction of regulatory policies, the regulatory environment of the insurance industry has been improved and the insurance investment channel has further expanded. Since the second half of 2012, CIRC has rolled out a series of insurance funds investment management policies and has further broadened the utilization of insurance funds, allowing insurance companies to have more flexibility in matching their assets and liabilities, which helps improve the investment returns of deployed insurance funds within the insurance industry.

In general, as China will still be at a stage of economic development with key strategic opportunities in the foreseeable future, the fundamentals of sustaining China's economic and social development have remained stable. Given that there is still a relative large gap in insurance density and insurance depth between China and the world's average standard, and the living standards and awareness of risk protection are rising, which provide a favorable external environment for the development of the insurance industry in China, China's insurance industry is at its golden age of development and shall continue to maintain stable growth.

(2) *Business plans*

The year 2013 is the first full year of operation of the Company after listing. The Company will continue to further strengthen its foundation, optimize the structure, innovate its system and enhance product quality during its business development and continuously drive the steady growth of its overall value. The Company will not only focus on seizing opportunities and striving to achieve a steady expansion of its businesses, but will also continue to enhance its operation quality and the creation of value. In terms of industry benchmarking development, along with maintaining stable business growth, the Company will ride on the trend of restructuring of the industry, proactively adjust and optimize its structure and continue to strengthen its ability to achieve sustainable growth.

Amid various challenges and changes, the Company will, according to the actual conditions of its subsidiaries, continue to strive for cost saving, further control various expenses and fully execute the budget dynamic management. In 2013, PICC P&C will pursue innovative products and services in overall planning, enhance its risk selection and risk pricing power, continue to optimize the business structure and consolidate its market position. PICC Life will maintain its competitive advantage in the bancassurance channel, put great efforts to develop non-bancassurance channels and promote coordinated development in protection insurance business and financial management insurance business, single premium product business and regular premium business according to consumer demand to increase the embedded value of the business. PICC Health will enhance its quality business expansion capability to boost the profitability of the government-entrusted business, develop profitable products, improve the control of medical care risks and formulate a stable profit model. With its diversified investment platform, the assets management business can develop projects in the equity, real estates and elderly-care business segments and vigorously expand third party business and innovative business in order to increase its investment income. Each of the business segments of the Group will continue to carry on synergistic operations and enhance its overall value.

## EMBEDDED VALUE

### Result Summary

At a risk discount rate of 10%, the following table sets forth the embedded value as at 31 December 2012 and the Value of One Year's New Business for the 12 months prior to 31 December 2012 of PICC Life and PICC Health (unit: RMB in millions):

	<b>PICC Life</b>	<b>PICC Health</b>
Value of In-Force Business before CoC	16,739	2,989
Cost of Capital	(1,824)	(228)
Value of In-Force Business after CoC	14,915	2,761
Adjusted Net Worth	15,991	1,807
<b>Embedded Value</b>	<b>30,906</b>	<b>4,569</b>
Value of One Year's New Business before CoC	4,646	780
Cost of Capital	(615)	(42)
<b>Value of One Year's New Business after CoC</b>	<b>4,031</b>	<b>738</b>

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

The above results are based on 100% equity interest of PICC Life and PICC Health.

### Assumptions

The risk discount rate of the above results is assumed to be 10%. The annual rate of investment return is assumed to be 5.75%. The rate of corporate income tax is assumed to be 25% on taxable profits. The short-term accidental insurance business is subject to 5.5% business tax and additional tax rate.

The assumption of mortality rate, morbidity rate, lapse rate, expenses and commissions are based on factors such as the operating experiences and prospectus of PICC Life and PICC Health.

### Sensitivity Test

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

The results of sensitivity tests of PICC Life as at 31 December 2012 are indicated as follows (unit: RMB in millions):

<b>Scenarios</b>	<b>Risk Discount Rate at 10.0% (Note)</b>	
	<b>VIF after CoC</b>	<b>V1NB after CoC</b>
Base Scenario	14,915	4,031
Risk Discount Rate at 9.0%	16,091	4,343
Risk Discount Rate at 11.0%	13,882	3,749
Investment rate of return plus 50 bps	18,605	5,040
Investment rate of return less 50 bps	11,254	3,039
Expenses increased by 10%	14,773	3,725
Expenses reduced by 10%	15,057	4,337
Lapse rates increased by 10%	14,636	3,957
Lapse rates reduced by 10%	15,216	4,111
Mortality increased by 10%	14,864	4,020
Mortality reduced by 10%	14,967	4,042
Morbidity increased by 10%	14,904	4,030
Morbidity reduced by 10%	14,926	4,032
Short-term business claim ratio increased by 10%	14,876	3,956
Short-term business claim ratio reduced by 10%	14,954	4,106
Participating Ratio (80/20)	13,446	3,400
150% of Minimum Solvency Requirement	13,566	3,598

*Note: Except scenarios with specified risk discount rates, other scenarios have a risk discount rate of 10%.*

The results of sensitivity tests of PICC Health as at 31 December 2012 are indicated as follows (unit: RMB in millions):

Scenarios	Risk Discount Rate at 10.0% (Note)	
	VIF after CoC	VINB after CoC
Base Scenario	2,761	738
Risk Discount Rate at 9.0%	2,966	772
Risk Discount Rate at 11.0%	2,586	706
Investment rate of return plus 50 bps	3,290	821
Investment rate of return less 50 bps	2,231	655
Expenses increased by 10%	2,697	703
Expenses reduced by 10%	2,826	772
Lapse rates increased by 10%	2,636	716
Lapse rates reduced by 10%.	2,897	760
Mortality increased by 10%	2,758	737
Mortality reduced by 10%	2,765	738
Morbidity increased by 10%	2,749	736
Morbidity reduced by 10%	2,774	739
Short-term business claim ratio increased by 10%	2,279	504
Short-term business claim ratio reduced by 10%	3,240	971
Participating Ratio (80/20)	2,738	719
150% of Minimum Solvency Requirement	2,577	696

Note: Except scenarios with specified risk discount rates, other scenarios have a risk discount rate of 10%.

## CORPORATE GOVERNANCE

Save for the requirement that “every Director should be subject to retirement by rotation at least once every three years” under the code provision A.4.2 of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company had complied with all other code provisions of the Corporate Governance Code in 2012 and adopted recommended best practices under appropriate circumstances.

The terms of directorship of Mr. Wu Yan, Mr. Wang Yincheng, Mr. Li Liangwen, Mr. Cao Guangsheng, Mr. Liu Yeqiao, Mr. Qi Shaojun, Mr. Xiang Huaicheng, Mr. Cai Weiguo and Mr. Xu Dingbo should have expired respectively since 28 September 2012. According to the requirements of the Company Law of the People’s Republic of China and the Articles of Association of the Company, where a company has not yet re-elected a director upon the expiry of his/her term of office or the number of directors is less than the required quorum due to the resignation of a director, the existing director shall continue to serve as a director. Accordingly, each of the above directors has continued to serve as a director until the newly elected director commences his/her term of office.



## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES**

The annual general meeting of the Company will be held on 21 June 2013 (Friday) at No. 28 Qinghua West Road (W), Haidian District, Beijing, the PRC.

In order to determine the list of holders of H shares who are entitled to attend the annual general meeting of the Company, the H share register of members of the Company will be closed from 22 May 2013 (Wednesday) to 21 June 2013 (Friday), both days inclusive. Holders of H shares who wish to attend the annual general meeting must deposit the share certificates together with the transfer documents at the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on 21 May 2013 (Tuesday).

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY**

Other than the shares issued pursuant to the global offering, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities in 2012.

## **RECOMMENDATION OF FINAL DIVIDEND, CLOSURE OF REGISTER OF MEMBERS FOR H SHARES, AND WITHHOLDING AND PAYMENT OF INCOME TAX FOR FOREIGN INDIVIDUAL SHAREHOLDERS AND NON-RESIDENT ENTERPRISE SHAREHOLDERS**

The Board has recommended a final dividend of RMB0.038 per 10 shares (inclusive of tax) for the year ended 31 December 2012, amounting to a total of approximately RMB163 million, subject to the approval of shareholders at the annual general meeting to be held on 21 June 2013 (Friday). If approved, the final dividend is expected to be paid on 16 August 2013 (Friday) to the holders of H shares whose names appear on the H share register of members of the Company on 2 July 2013 (Tuesday).

For the purpose of determining the entitlement of the holders of H shares to the final dividend for 2012, the H share register of members of the Company will be closed from 27 June 2013 (Thursday) to 2 July 2013 (Tuesday) (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to the final dividend for 2012, holders of H shares should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 26 June 2013 (Wednesday).

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348)(《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的

通知》(國稅函[2011]348號)) and other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the final dividend for the year 2012 to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China and Hong Kong (Macau). In this regard, the Company will implement the following arrangements in relation to the withholding and payment of dividend as individual income tax for the individual holders of H shares:

- For individual holders of H shares who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend.
- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend.
- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of the dividend.
- For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual holders of H shares in the distribution of the dividend.

If individual holders of H shares consider that the tax rate adopted by the Company for the withholding and payment of individual income tax on their behalf is not the same as the tax rate stipulated in any tax treaties between the PRC and the countries (regions) in which they are domiciled, please submit to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, on or before 27 June 2013 (Thursday), a letter of entrustment and all application and relevant proving materials showing that they are residents of a country (region) which has entered into a tax treaty with the PRC. The Company will then submit the above documents to competent tax authorities which will proceed with the subsequent tax related treatments. If individual holders of H shares do not provide the Company with the relevant proving materials before the aforesaid deadline, they could go through the relevant procedures on their own or by attorney in accordance with the relevant provisions stipulated in the tax treaties. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H shares or any disputes over the withholding mechanism or arrangements.

For non-resident enterprise holders of H shares, the Company will withhold and pay enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No.897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)).

Should the holders of H shares of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee of the Board has reviewed, in the presence of the external auditor of the Company, the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2012, including the accounting principles and practices.

## **PUBLICATION OF THE ANNUAL REPORT**

The Annual Report of the Company will be published on the website of the Company at [www.picc.com](http://www.picc.com) and the HKExnews website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) in due course.

On behalf of the Board  
**The People's Insurance Company (Group) of China Limited**  
**Wu Yan**  
*Chairman*

Beijing, the PRC  
25 March 2013

*As at the date of this announcement, the executive directors of the Company are Mr. Wu Yan, Mr. Wang Yincheng and Mr. Li Liangwen, the non-executive directors are Mr. Cao Guangsheng, Mr. Liu Yeqiao, Mr. Qi Shaojun and Ms. Zhang Hanlin, the independent non-executive directors are Mr. Xiang Huaicheng, Mr. Lau Hon Chuen, Mr. Du Jian, Mr. Cai Weiguo and Mr. Xu Dingbo.*