中国人民保险集团股份有限公司

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

Stock Code：1339

2013

Interim Report

Company Profile

Founded in October 1949, The People's Insurance Company (Group) of China Limited (the "Company") was the first nation-wide insurance company in the People's Republic of China (the "PRC") and has developed into a leading large-scale integrated insurance financial group in the PRC, ranking 256th on the Global 500 (2013) published by Fortune magazine.

The Company is an investment holding company. The Company operates its property and casualty ("P&C") insurance business in the PRC through PICC Property and Casualty Company Limited ("PICC P&C") and in Hong Kong through The People's Insurance Company of China (Hong Kong), Limited ("PICC Hong Kong"), in which the Company holds approximately 68.98% and 75.0% equity interests, respectively. The Company operates its life and health insurance businesses through PICC Life Insurance Company Limited ("PICC Life") and PICC Health Insurance Company Limited ("PICC Health"), in which the Company directly and indirectly holds 80.0% and approximately 91.67% equity interests, respectively. The Company centrally and professionally manages most of its insurance assets through PICC Asset Management Company ("PICC AMC"), in which the Company holds 81% of equity interest, and holds a 100% equity interest in PICC Investment Holding Co., Ltd ("PICC Investment Holding") which is a professional investment company specializing in real estate investments. The Company also carries out non-transactional businesses such as equity and debt investments in insurance and non-insurance capital within and outside the Group through PICC Capital Investment Management Company Limited ("PICC Capital") in which it holds a 100% equity interest. The Company has also made strategic investments in non-insurance financial businesses such as banking and trust.

The Company's principal competitive strengths include:

- We are the pioneer of the PRC insurance industry, possessing a well-recognized brand with the longest history in the industry.
- We are an integrated insurance financial group focusing on our core business, occupying a leading position in the rapidly developing Chinese insurance market.
- We have a strategically balanced business structure, an extensive nation-wide distribution and service network and a wide customer base, contributing to our ability to achieve rapid development in business and stable growth in profits.
- We have the capability to synchronize our business growth with the overall economic and social development of the PRC and develop innovative business models in response to such development.
- We have implemented efficient management at the group level to effectively improve synergies among different business lines and improve our overall operational efficiency.
- We have strong professional technical skills and product and service innovation capabilities.
- We have an industry-leading asset management platform and have undertaken strategic planning in the non-insurance financial areas.
- We have an experienced and insightful management team.

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Financial Highlights

	30 June 2013	31 December 2012	
	(RMB in millions, except for percentages)		(% of change)
Total assets	**728,785**	688,650	5.8
Total liabilities	**635,455**	605,308	5.0
Total equity	**93,330**	83,342	12.0
Net assets value per share (RMB) (1)	**1.67**	1.54	8.7

	For the six months ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Gross written premiums	**158,428**	149,224	6.2
Net profit	**9,858**	7,144	38.0
Net profit attributable to equity holders of the Company	**7,542**	4,923	53.2
Earnings per share (RMB) – Basic and diluted (1)	**0.18**	0.14	24.6
Weighted average return on equity (annualised) (%)	**22.1**	27.7	Decrease of 5.6 pt

(1) As attributable to equity holders of the Company.

The Group divides its three principal business lines of P&C insurance, life and health insurance and asset management into four operating segments for reporting purposes: P&C insurance business constitutes the 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 the Company holds 68.98% and 75.0% equity interests, respectively; The Group's life and health insurance business constitutes two separate segments, including life insurance segment and health insurance segment. The life insurance segment includes PICC Life Insurance Company Limited ("PICC Life"), in which the Company holds an 80.0% equity interest directly and indirectly, and the health insurance segment includes PICC Health Insurance Company Limited ("PICC Health"), in which the Company holds a 91.67% equity interest directly and indirectly; and the asset management business constitutes the asset management segment and primarily includes PICC Asset Management Company Limited ("PICC AMC"), PICC Investment Holding Co., Ltd. ("PICC Investment Holding") and PICC Capital Investment Management Company Limited ("PICC Capital"), in which the Company holds 81.0%, 100.0% and 100.0%, respectively.

KEY OPERATING INDICATORS

(1) Key Operating Data

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Original Premiums Income [1]			
PICC P&C	**115,341**	100,911	14.3
PICC Life	**37,731**	42,667	(11.6)
PICC Health	**4,990**	5,307	(6.0)
Combined ratio of PICC P&C (%)	**93.6**	92.4	Increase of 1.2pt
Total investment yield (annualised) (%)	**5.6**	4.5	Increase of 1.1pt

	As of 30 June 2013	As of 31 December 2012	
	(RMB in millions, except for percentages)		(% of change)
Market share [1]			
PICC P&C (%)	**35.3**	34.9	Increase of 0.4pt
PICC Life (%)	**6.0**	6.4	Decrease of 0.4pt
PICC Health (%)	**0.8**	0.8	–
Embedded Value of PICC Life	**38,100**	30,906	23.3
Embedded Value of PICC Health	**3,968**	4,569	(13.2)
Value of one year's new business of PICC Life	**4,346**	4,031	7.8
Value of one year's new business of PICC Health	**629**	738	(14.8)
Solvency margin ratio of the Group (%)	**213**	152	Increase of 61pt

(1) According to the statistics and measurement of the original premiums income in the PRC (excluding Hong Kong, Macau and Taiwan) published by China Insurance Regulatory Commission (the "CIRC"), 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 represent their respective market share among all life and health insurance companies.

For the six months ended 30 June 2013, adhering to its key aspiration of "maintaining steady growth and focusing on value creation", the business of the Group has grown steadily with ever-rising profitability and strengthening synergies, despite of economic slowdown and intensifying industry competition. For the six months ended 30 June 2013, the market share of PICC P&C in the P&C insurance market was 35.3%, the market share of PICC Life in life and health insurance market was 6.0% and the market share of PICC Health in life and health insurance market was 0.8%, respectively. In terms of the total written premiums (the "TWPs"), the TWPs of the PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB115,341 million, RMB48,515 million, RMB8,453 million and HKD73 million, respectively, for the six months ended 30 June 2013. The Group has enhanced the capacity of its teams and institutions, continuously promoted the diversification of channels and further developed its cross-selling ability to further strengthen its foundation. The TWPs generated by cross-selling among the Group's business lines grew by 28.9% to RMB10,845 million for the six months ended 30 June 2013 from RMB8,414 million for the same period in 2012. In the first half of 2013, the number of policyholders who purchased two or more types of insurance products in PICC P&C, PICC Life and PICC Health reached 2.403 million, a 36% increase compared to the same period in 2012, and the number of policies purchased by these policyholders increased to 4.32 per person on average.

(2) Key Financial Indicators

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Gross written premiums	**158,428**	149,224	6.2
P&C Insurance	**115,710**	101,260	14.3
Life Insurance	**37,731**	42,667	(11.6)
Health Insurance	**4,990**	5,303	(5.9)
Profit before tax	**11,904**	9,579	24.3
Net profit	**9,858**	7,144	38.0
Net profit attributable to equity holders of the Company	**7,542**	4,923	53.2
Earnings per share (RMB)	**0.18**	0.14	24.6
Weighted average return on equity (annualised) (%)	**22.1**	27.7	Decrease of 5.6pt

	As of 30 June 2013	As of 31 December 2012	
	(RMB in millions, except for percentages)		(% of change)
Total assets	**728,785**	688,650	5.8
Total liabilities	**635,455**	605,308	5.0
Total equity	**93,330**	83,342	12.0
Net assets per share (RMB)	**1.67**	1.54	8.7

The Group's capital base has been further strengthened in which total equity grew by 12.0% to RMB93,330 million as of 30 June 2013 from RMB83,342 million as of 31 December 2012. For the six months ended 30 June 2013, the Group realized gross written premiums ("GWPs") of RMB158,428 million, a 6.2% increase compared to the same period in 2012. Benefiting from rapid development and improving profitability of the business, the Group's net profit grew by 38.0% to RMB9,858 million for the six months ended 30 June 2013 from RMB7,144 million for the same period in 2012. Profit attributable to equity holders of the Company grew by 53.2% to RMB7,542 million for the six months ended 30 June 2013 from RMB4,923 million for the same period in 2012. The weighted average return on equity for the six months ended 30 June 2013 was 22.1%, a decrease of 5.6 percentage points compared to the same period in 2012.

Net assets per share of the Group increased by 8.7% to RMB1.67 as of 30 June 2013 from RMB1.54 as of 31 December 2012. Benefiting from the rapid growth of its profitability, the Group's earnings per share increased by 24.6% to RMB0.18 for the six months ended 30 June 2013 from RMB0.14 of the same period in 2012.

P&C INSURANCE BUSINESS

In the first half of 2013, the Group's P&C insurance segment further promoted its overall transformation of customer-oriented business, continuously strengthened its foundation of operation and management, continuously devoted to its vitality and initiatives of development, and constantly consolidated its balanced development pattern; in the same period, it has also maintained and increased its market share with a further enhanced capital strength. The profitability of the P&C insurance segment has reached a record high with a notable improvement of its comprehensive strength.

(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:

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Motor vehicle insurance	**79,323**	69,963	13.4
Commercial property insurance	**8,054**	7,908	1.8
Liability insurance	**4,619**	4,064	13.7
Accidental injury and health insurance	**5,302**	3,578	48.2
Cargo insurance	**2,087**	2,278	(8.4)
Other P&C insurance	**16,324**	13,469	21.2
Total	**115,710**	101,260	14.3

GWPs for the P&C insurance segment increased by 14.3% to RMB115,710 million for the six months ended 30 June 2013 from RMB101,260 million for the same period in 2012. The overall steady growth was largely driven by the development in the motor vehicle insurance and agriculture insurance businesses, and the relatively rapid growth of the liability insurance, accidental injury and health insurance as well as the credit and surety insurance.

GWPs for motor vehicle insurance increased by 13.4% to RMB79,323 million for the six months ended 30 June 2013 from RMB69,963 million for the same period in 2012. In the first half of 2013, the growth of domestic automobile production and sales was better than expected, and the P&C insurance segment enhanced its management model for new policies for automobile dealers, which improved new policy rate for motor vehicle insurance. Meanwhile, the P&C insurance segment strengthened the management on the renewal of policies to improve customers' satisfaction and loyalty, which led to the continuous steady growth in policy renewals. In addition, through vigorous development of new sales channels such as telemarketing, online sales and mobile-platform sales, the P&C insurance segment has strengthened the establishment of telemarketing and online sales services to improve the information management of relevant customers as well as relevant services. PICC P&C is the first to launch a platform of "PICC WeChat Platform for Direct Telemarketing", which has achieved satisfactory results.

GWPs for commercial property insurance increased by 1.8% to RMB8,054 million for the six months ended 30 June 2013 from RMB7,908 million for the same period in 2012. The relatively slow growth was mainly due to the macro-economic slowdown and an increase in the number of market competitors providing commercial property insurance.

GWPs for liability insurance increased by 13.7% to RMB4,619 million for the six months ended 30 June 2013 from RMB4,064 million for the same period in 2012, which was mainly due to the rapid growth of public liability insurance, natural disasters liability insurance, food safety liability insurance, medical liability insurance and environmental pollution liability insurance.

GWPs for accidental injury and health insurance increased by 48.2% to RMB5,302 million for the six months ended 30 June 2013 from RMB3,578 million for the same period in 2012. In the first half of 2013, under the backdrop of accelerating new urbanization construction and rising public awareness for disaster insurance, the accidental insurance for construction projects, borrowers, motor vehicle occupants and school children was under stable development. After "The Guidance Opinions regarding the Development of Critical Illness Insurance for Urban and Rural Residents" was jointly issued by six ministries and commissions of the State Council in 2012, the principles of relevant documents have been actively responded by local governments. By leveraging on its advantages in brandname, services and networks, the P&C insurance segment won the bids for a number of provincial, municipal and county-level illness insurance projects for urban and rural residents and new farming households.

GWPs for cargo insurance decreased by 8.4% to RMB2,087 million for the six months ended 30 June 2013 from RMB2,278 million for the same period in 2012, which was mainly due to the domestic economy slow-down and a decrease in the growth of export which resulted the decrease of the source of cargo insurance policies, and decreases in average written premiums and average written rate of cargo insurance.

GWPs attributable to other P&C insurance in the P&C insurance segment increased by 21.2% to RMB16,324 million for the six months ended 30 June 2013 from RMB13,469 million for the same period in 2012. In the first half of 2013, the P&C insurance segment accelerated the establishment of a network of an insurance service system at the basic level to serve agriculture, rural areas and farmers and sales and services platform, which promoted the agricultural insurance business continued to maintain a rapid development. Meanwhile, the P&C insurance segment vigorously expanded the short-term export credit insurance for small-, medium- and micro-export enterprises by fully leveraging on its institutional network and customer resources.

(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 further divided into insurance agents, 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 was RMB18,558 million for the six months ended 30 June 2013, an increase of 58.1% compared to the same period in 2012.

	For the Six Months Ended 30 June				
	2013			2012	
	Amount	(% of total)	(% of change)	Amount	(% of total)
	(RMB in millions, except for percentages)				
Insurance agents	67,978	58.9	4.4	65,111	64.6
Among which:					
Individual insurance agents	38,704	33.6	2.9	37,596	37.3
Ancillary insurance agents	23,804	20.6	4.4	22,797	22.6
Professional insurance agents	5,470	4.7	15.9	4,718	4.7
Direct sales	40,165	34.8	37.6	29,196	28.9
Insurance brokerage	7,198	6.3	9.0	6,604	6.5
Total	115,341	100.0	14.3	100,911	100.0

(3) Financial Analysis

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

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Net earned premiums	**87,718**	73,835	18.8
Investment income	**6,055**	3,680	64.5
Other income	**374**	314	19.1
Total income	**98,897**	83,166	18.9
Net claims incurred	**53,936**	45,363	18.9
Handling charges and commissions	**9,651**	8,718	10.7
Finance costs	**974**	827	17.8
Other operating and administrative expenses	**23,693**	19,885	19.2
Total benefits, claims and expenses	**88,263**	74,773	18.0
Profit before tax	**11,027**	8,455	30.4
Income tax expense	**(2,006)**	(1,879)	6.8
Net profit	**9,021**	6,576	37.2

Net earned premiums

Benefiting from the relatively rapid development in the businesses of motor vehicle insurance and agricultural insurance business, net earned premiums from the P&C insurance segment increased by 18.8% to RMB87,718 million for the six months ended 30 June 2013 from RMB73,835 million for the same period in 2012.

Investment income

Investment income of the P&C insurance segment increased by 64.5% to RMB6,055 million for the six months ended 30 June 2013 from RMB3,680 million for the same period in 2012, mainly due to the increased investment in securities purchased under resale agreements and held-to-maturity debt securities and the further optimized portfolio of equity investment.

Net claims incurred

Net claims incurred for the P&C insurance segment increased by 18.9% to RMB53,936 million for the six months ended 30 June 2013 from RMB45,363 million for the same period in 2012. The loss ratio of PICC P&C was 61.5% in the first half of 2013, remaining at the same level as the same period in 2012. In the first half of 2013, the rising price of auto spare parts and the costs of repair and maintenance as well as the upgraded standards for personal injury compensation resulted in an increase in the loss ratio of motor vehicle insurance, while the loss ratios of the commercial property insurance, liability insurance and cargo insurance decreased compared to the same period in 2012.

Handling charges and commissions

Handling charges and commissions of the P&C insurance segment increased by 10.7% to RMB9,651 million for the six months ended 30 June 2013 from RMB8,718 million for the same period in 2012. The growth of handling charges and commissions was slower than that of the net earned premiums, which was mainly due to an increase in sales from direct sales channels in the first half of 2013 and a decrease in the rate of handling charges compared to the same period in 2012.

Finance costs

Finance costs of the Group's P&C insurance segment increased by 17.8% to RMB974 million for the six months ended 30 June 2013 from RMB827 million for the same period in 2012, in which, the interest expenses on securities sold under agreements to repurchase increased by RMB189 million compared to the same period in 2012.

Net Profit

As a result of the foregoing, there was a relatively large growth in the overall profit of the P&C insurance segment for the six months ended 30 June 2013, as its net profit increased by 37.2% to RMB9,021 million for the six months ended 30 June 2013 from RMB6,576 million for the same period in 2012.

LIFE AND HEALTH INSURANCE

(1) Life insurance

In the first half of 2013, PICC Life continued to adhere to the guiding ideology of "economies of scale" and furthered the strategy of differentiated competition. With "diversification" as the direction of transition, the organization structure and team building were further strengthened. The management and control as well as service capability were improved continuously which led to a steady business growth and a continuous enhancement of corporate value. The value of PICC Life further increased and its market position was further secured. TWPs of PICC Life amounted to RMB48,515 million in the first half of 2013. In the first quarter and second quarter of 2013, TWPs of PICC Life decreased by 3.8% and increased by 0.3%, respectively, as compared to the same periods in 2012. In the first half of 2013, the TWPs of new policies of PICC Life amounted to RMB44,182 million, ranking second in the industry. PICC Life sustained high capability to obtain new policies in difficult market conditions. Meanwhile, PICC Life further optimized its business structure. In the first half of 2013, the TWPs of long-term regular premium business amounted to RMB5,855 million, an increase of 9.3% compared to the same period in 2012. The percentage of regular premium business in life insurance business has increased to 12.4%, an increase of 1.4 percentage points compared to the same period in 2012. Value of one year's new business increased by 7.8% compared to the end of 2012. With the continuous expansion in rural area and the extra efforts to strengthen the sales team in the county area, the support by county-level market to the PICC Life's business increased continuously. TWPs from the county area increased by 8.1% compared to the same period in 2012.

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:

	For the Six Months Ended 30 June			
	2013		2012	
Life insurance products	RMB in millions	% of total	RMB in millions	% of total
Traditional life and health insurance	2,832	7.5	1,535	3.6
Participating life insurance	33,543	88.9	40,065	93.9
Universal life insurance	41	0.1	40	0.1
Accidental injury and short-term health insurance	1,315	3.5	1,027	2.4
Total	37,731	100.0	42,667	100.0

In terms of TWPs, for the six months ended 30 June 2013, the TWPs of traditional life and health insurance, participating life insurance, universal life insurance, accidental injury and short-term health insurance amounted to RMB2,832 million, RMB34,940 million, RMB9,428 million and RMB1,315 million, respectively, representing an increase of 84.5%, -16.9%, 92.6% and 28.0%, respectively, compared to the same period in 2012.

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 further divided into bancassurance channel, individual insurance agent channel and group insurance sales channel.

	For the Six Months Ended 30 June			
	2013		2012	
	RMB in millions	% of total	RMB in millions	% of total
Bancassurance channel	19,305	51.2	31,785	74.5
Individual insurance agent channel	13,819	36.6	5,077	11.9
Group sales channel	4,606	12.2	5,805	13.6
Total	37,731	100.0	42,667	100.0

In terms of TWPs, for the six months ended 30 June 2013, the TWPs from the bancassurance channel, individual insurance agent channel and group sales channel amounted to RMB27,537 million, RMB14,913 million and RMB6,065 million, respectively.

Bancassurance channel furthered the diversification of cooperation channels and actively promoted the integrated wealth management business. TWPs from bancassurance channel amounted to RMB25,259 million, ranking third in the market. Individual insurance agent channel continued to focus on building the outlets in rural area and strived to enhance its value-creation capabilities. The TWPs from individual insurance agent channel has a large increase of 54.5% to RMB14,913 million as compared to the same period in 2012. The TWPs from group sales insurance ranked second in the market.

3. *Persistency ratio*

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

	For the Six Months Ended 30 June	
Item	**2013**	2012
Individual life insurance customer persistency ratio (%)		
13-month persistency ratio[1] (%)	**84.3**	96.9
25-month persistency ratio[2] (%)	**90.9**	94.4

(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 tables sets forth certain selected key financial data of the life insurance segment for the periods indicated:

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Net earned premiums	**37,566**	42,510	(11.6)
Investment income	**8,200**	5,972	37.3
Other income	**287**	284	1.1
Total income	**46,070**	48,771	(5.5)
Claims and policyholders' benefits	**40,466**	42,812	(5.5)
Handling charges and commissions	**1,447**	1,897	(23.7)
Finance costs	**1,200**	1,032	16.3
Other operating and administrative expenses	**2,254**	1,957	15.2
Total benefits, claims and expenses	**45,438**	47,686	(4.7)
Profit before tax	**933**	1,092	(14.6)
Income tax expense	**73**	(180)	–
Net Profit	**1,006**	912	10.3

Net earned premium

Net earned premiums for the life insurance segment decreased by 11.6% to RMB37,566 million for the six months ended 30 June 2013 from RMB42,510 million for the same period in 2012. Mainly affected by the macroeconomic conditions and the impact of financial products (such as bank's wealth management products and trusts), the difficulty to sell bancassurance products has increased.

Investment income

The investment income of the life insurance segment increased by 37.3% to RMB8,200 million for the six months ended 30 June 2013 from RMB5,972 million for the same period in 2012, mainly due to the continuing increase in the investment assets, more effective allocation of investment assets and the increase in investment income from fixed-income assets.

Other income

Other income of the life insurance segment increased by 1.1% to RMB287 million for the six months ended 30 June 2013 from RMB284 million for the six months ended 30 June 2012.

Claims and policyholders' benefits

Claims and policyholders' benefits for the life insurance segment decreased by 5.5% to RMB40,466 million for the six months ended 30 June 2013 from RMB42,812 million for the same period in 2012, mainly due to a decrease in written premiums.

Handling charges and commissions

Handling charges and commissions of the life insurance segment decreased by 23.7% to RMB1,447 million for the six months ended 30 June 2013 from RMB1,897 million for the same period in 2012, which was mainly affected by the premium income and product structure. Such change was in line with the trend of the premium.

Finance costs

Finance costs of the life insurance segment of the Group increased by 16.3% to RMB1,200 million for the six months ended 30 June 2013 from RMB1,032 million for the same period in 2012, which was mainly due to an increase in interest expenses of financing repurchases.

Net profit

As a result of the foregoing, the net profit of the life insurance segment of the Group increased by 10.3% to RMB1,006 million for the six months ended 30 June 2013 from RMB912 million for the same period in 2012.

(2) Health Insurance

In the first half of 2013, PICC Health captured the opportunity arising from the government policy on serious illness insurance, strengthened building of professionalism, furthered promoted the detailed management and enhanced its development capability, which led to a steady business growth. The TWPs amounted to RMB8,453 million, representing an increase of 9.5% compared to the same period in 2012. There was a notable progress in reducing loss and increasing efficiency. The net loss amounted to RMB65 million, representing a decrease of loss of RMB232 million compared to the same period in 2012. PICC Health also gained big progress in serving China's medical care insurance system. PICC Health underwrote 291 government-commissioned projects, serving 74.93 million people. GWPs from these projects amounted to RMB3,528 million, with an increase of 22.5% as compared to the same period in 2012.

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:

	For the Six Months Ended 30 June			
	2013		2012	
Health insurance products	**RMB in millions**	**% of total**	RMB in millions	% of total
Illness insurance	**100**	**2.0**	85	1.6
Medical insurance	**3,665**	**73.4**	3,121	58.9
Disability losses insurance	**63**	**1.3**	49	0.9
Nursing care insurance	**148**	**3.0**	162	3.1
Accidental injury insurance	**214**	**4.3**	293	5.5
Participating endowment insurance	**800**	**16.0**	1,593	30.0
Total	**4,990**	**100.0**	5,303	100.0

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 further divided into bancassurance channel, individual insurance agent channel and group insurance sales channel.

	For the Six Months Ended 30 June			
	2013		2012	
	RMB in millions	% of total	RMB in millions	% of total
Bancassurance channel	812	16.3	1,603	30.2
Individual insurance agent channel	207	4.1	215	4.0
Group insurance sales channel	3,971	79.6	3,485	65.8
Total	4,990	100.0	5,303	100.0

3. *Persistency Ratio*

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

	For the Six Months Ended 30 June	
Item	2013	2012
Individual health insurance customer persistency ratio(%)		
13-month persistency ratio[(1)] (%)	91.4	88.7
25-month persistency ratio[(2)] (%)	86.9	87.3

(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 data of the health insurance segment for the periods indicated:

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Net earned premiums	**2,297**	2,913	(21.1)
Investment income	**626**	222	182.0
Other income	**65**	79	(17.7)
Total income	**3,224**	3,480	(7.4)
Claims and policyholders' benefits	**2,125**	2,608	(18.5)
Handling charges and commissions	**95**	155	(38.7)
Finance costs	**365**	350	4.3
Other operating and administrative expenses	**703**	664	5.9
Total benefits, claims and expenses	**3,289**	3,777	(12.9)
Profit before tax	**(65)**	(297)	(78.1)
Income tax expense	**–**	–	–
Net profit/(loss)	**(65)**	(297)	(78.1)

Net earned premiums

Net earned premiums from the health insurance segment decreased by 21.1% to RMB2,297 million for the six months ended 30 June 2013 from RMB2,913 million for the same period in 2012, primarily due to the decrease in the premium of participating insurance products.

Investment income

Investment income from the health insurance segment increased by 182.0% to RMB626 million for the six months ended 30 June 2013 from RMB222 million for the same period in 2012, primarily due to a smaller scale of investment assets in 2012, the good performance from equity market and the expansion of fixed-income allocation in the first half of 2013.

Other income

Other income from the health insurance segment decreased by 17.7% to RMB65 million for the six months ended 30 June 2013 from RMB79 million for the same period in 2012, primarily due to the decrease in policy initiation fee of certain universal products.

Claims and policyholders' benefits

Claims and policyholders' benefits from the health insurance segment decreased by 18.5% to RMB2,125 million for the six months ended 30 June 2013 from RMB2,608 million for the same period in 2012, primarily due to the decrease in the premium of participating insurance and the corresponding decrease in the amount of claim reserves as compared to the same period in 2012.

Handling charges and commissions

Handling charges and commissions from the health insurance segment decreased by 38.7% to RMB95 million for the six months ended 30 June 2013 from RMB155 million for the same period in 2012, primarily due to the decrease in premium of participating insurance and the strengthened control of PICC Health in the handling charges of intermediary channels.

Finance costs

Finance costs from the health insurance segment increased by 4.3% to RMB365 million for the six months ended 30 June 2013 from RMB350 million for the same period in 2012, primarily due to the increase in interest expenses of financial assets sold under the agreements to repurchase.

Net profit/(loss)

As a result of the foregoing, the net loss from the health insurance segment decreased by 78.1% to RMB65 million for the six months ended 30 June 2013 from a net loss of RMB297 million for the same period in 2012.

Analysis of Original Premiums Income 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:

	For the Six Months Ended 30 June	
	2013	2012
	(RMB in millions)	
Jiangsu Province	**12,368**	12,337
Guangdong Province	**12,100**	11,785
Shandong Province	**11,038**	10,421
Zhejiang Province	**11,003**	10,614
Hebei Province	**9,784**	9,435
Sichuan Province	**8,188**	7,456
Beijing	**8,037**	7,813
Henan Province	**6,607**	6,664
Liaoning Province	**6,148**	5,888
Fujian Province	**6,010**	5,287
Other regions	**66,779**	61,181
Total	**158,062**	148,881

Asset management business

Investment income of the asset management segment of the Group does not include the investment income generated by the investment assets managed by the 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 the other segments are included in the investment income of the relevant segment.

Assets under the management of the Group's asset management segment continued to increase. 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. Alternative investment business channel has been further expanded. PICC Investment Holding completed its registration process of property investment capacity and property investment plan product innovation capabilities. PICC Capital completed its registration process of equity investment capacity and infrastructure investment plan product innovation capabilities.

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

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Investment income	**283**	492	(42.5)
Other income	**337**	511	(34.1)
Total income	**620**	1,003	(38.2)
Finance costs	**1**	86	(98.8)
Other operating and administrative expenses	**286**	285	0.4
Total expenses	**288**	371	(22.4)
Profit before tax	**332**	668	(50.3)
Income tax expense	**(63)**	(415)	(84.8)
Net profit	**269**	253	6.3

Investment income

Investment income from the asset management segment decreased by 42.5% to RMB283 million for the six months ended 30 June 2013 from RMB492 million for the same period in 2012, primarily due to the higher investment income realized in the transfer of a subsidiary by PICC Investment in the same period in 2012.

Other income

Other income from the asset management segment decreased by 34.1% to RMB337 million for the six months ended 30 June 2013 from RMB511 million for the same period in 2012, primarily due to the decrease in income from asset transfer. However, other income from asset management fee increased by 11.4% to RMB240 million for the six months ended 30 June 2013 from RMB215 million for the same period in 2012, and the asset management fee from entrusted third-party asset management increased by 33.2% to RMB94 million in the six months ended 30 June 2013 from RMB71 million in the same period in 2012, mainly due to rapid increases in entrusted third-party assets under PICC AMC's management and entrusted assets under the Group's management, especially the entrusted third-party assets under PICC AMC's management which increased by 41.4% to RMB62,092 million as of 30 June 2013 from RMB43,920 million as of 31 December 2012.

Finance costs

Finance costs for the asset management segment decreased by 98.8% to RMB1 million for the six months ended 30 June 2013 from RMB86 million for the same period in 2012, 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 the asset management segment increased by 6.3% to RMB269 million for the six months ended 30 June 2013 from RMB253 million for the same period in 2012.

INVESTMENT PORTFOLIO AND INVESTMENT INCOME

(1) Investment portfolio

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

Investment assets	As of 30 June 2013 Carrying amount	As of 30 June 2013 % of total	As of 31 December 2012 Carrying amount	As of 31 December 2012 % of total
	(RMB in millions, except for percentages)			
Cash and cash equivalents	60,120	9.7	73,873	12.4
Fixed-income investments	373,733	60.1	351,363	59.0
Term deposits	123,219	19.8	120,115	20.2
Fixed-income securities	235,440	37.9	217,369	36.5
Government bonds	19,910	3.2	20,860	3.5
Finance bonds	117,532	18.9	126,589	21.2
Corporate bonds	97,998	15.8	69,920	11.7
Other fixed-income investments[1]	15,074	2.4	13,879	2.3
Equity and fund investments at fair value	69,057	11.1	93,479	15.7
Securities investment funds	46,668	7.5	44,859	7.5
Equity securities	22,389	3.6	48,620	8.2
Other investments[2]	118,864	19.1	77,244	13.0
Subordinated debts and debts investment plans	58,448	9.4	39,110	6.6
Others	60,416	9.7	38,134	6.4
Total investment assets	621,774	100.0	595,959	100.0

(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.

(2) Investment income

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

Items	For the Six Months Ended 30 June 2013	2012
	(RMB in millions, except for percentages)	
Cash and cash equivalents	233	142
Fixed-income securities	8,782	7,976
Interest income	8,749	7,974
Net realized gains/(losses)	28	(4)
Net unrealized gains/(losses)	5	6
Impairment		
Equity and fund investments at fair value	4,475	206
Dividend income	2,048	1,164
Net realized gains/(losses)	3,637	(306)
Net unrealized gains/(losses)	77	327
Impairment	(1,287)	(979)
Other investment income/(loss)	2,773	2,197
Total investment income	16,263	10,521
Total investment yield (annualised)(1) (%)	5.6	4.5
Net investment yield (annualised)(2) (%)	4.6	4.5

(1) Total investment yield (annualised) 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 x 2.

(2) Net investment yield (annualised) 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 x 2.

SPECIFIC ANALYSIS

(1) Liquidity Analysis

1. *Liquidity Analysis*

The Group manages its liquidity on a consolidated basis. Substantially all of the cash flows of the Group, as a holding company, derive 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 settle surrenders, withdrawals or other forms of early termination of insurance policies, insurance claims or benefits, payment of dividends to shareholders and cash required for payment of various ordinary expenses.

Since the premiums are received in advance of time when policy benefits or claim payments are to be required, 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 the investment assets through its strategic asset allocation management to meet the liquidity requirements. The Group also obtains additional liquidity from the disposal of securities sold under agreement and other financing activities.

The Company believes that it has sufficient liquidity to meet foreseeable liquidity requirements.

2. *Statement of Cash Flows*

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Net cash flow from operating activities	**31,714**	31,511	0.6%
Net cash flow used in investment activities	**(31,874)**	(28,202)	13.0%
Net cash flow (used in)/from financing activities	**(13,272)**	11,069	–

(2) Solvency

The Company calculates and discloses the actual capital, minimum capital and solvency margin ratio in accordance with relevant CIRC requirements. Under CIRC requirements, PRC insurance companies are required to maintain specified solvency margin ratios.

	As of 30 June 2013	As of 31 December 2012	
	(RMB in millions, except for percentages)		(% of change)
PICC Group			
Actual capital	**86,539**	56,075	54.3
Minimum capital	**40,666**	36,889	10.2
Solvency margin ratio (%)	**213**	152	Increase of 61 pt
PICC P&C			
Actual capital	**52,997**	43,260	22.5
Minimum capital	**27,147**	24,771	9.6
Solvency margin ratio (%)	**195**	175	Increase of 20 pt
PICC Life			
Actual capital	**22,028**	13,955	57.9
Minimum capital	**12,061**	10,773	12.0
Solvency margin ratio (%)	**183**	130	Increase of 53 pt
PICC Health			
Actual capital	**1,823**	2,050	(11.1)
Minimum capital	**1,377**	1,263	9.0
Solvency margin ratio (%)	**132**	162	Decrease of 30 pt

The H share listing of the Company was completed in December 2012 and the Company obtained the CIRC's approval and changed its registered capital in March 2013. According to the relevant CIRC requirements, the proceeds raised from IPO were accounted into the actual capital for the six months ended 30 June 2013. The solvency margin ratio of the Group presented a relatively greater increase. As of 30 June 2013, the solvency margin ratio of the Group was 213%, representing an increase of 61 percentage points as compared to 31 December 2012 and remained in the Adequate Solvency II category as classified by the CIRC.

As of 30 June 2013, the solvency margin ratio of PICC P&C was 195%, representing an increase of 20 percentage points as compared to 31 December 2012 and was within the level of the Adequate Solvency II category as classified by the CIRC. The solvency margin ratio of PICC Life was 183%, representing an increase of 53 percentage points as compared to 31 December 2012 and remained in the Adequate Solvency II category as classified by the CIRC. The solvency margin ratio of PICC Health was 132%, representing a decrease of 30 percentage points as compared to 31 December 2012 and remained in the Adequate Solvency I category as classified by the CIRC.

PROSPECT

(1) Market Environment

In the first half of 2013, the insurance industry in China demonstrated a steady development trend. According to the statistics released by the CIRC, the original premiums income of China's insurance industry for the first half of 2013 amounted to RMB951,240 million, representing an increase of 11.5% as compared to the same period in 2012, in which, the original premiums income of the P&C insurance companies and life and health insurance companies recorded an increase of 16.6 % and 9.0%, respectively, as compared to the same period in 2012. By the end of June 2013, total insurance assets of the insurance industry in China reached RMB7.88 trillion, representing a growth of 7.2% as compared with the end of 2012.

At present, the internal and external environment of the insurance industry in China is relatively complex, but still at a stage of deepening reform and developmental transformation with strategic opportunities. In the first half of 2013, the China's economy generally experienced a steady growth. Despite the slight fall in economic growth rate, China has maintained a stable foundation for keeping healthy economic development, and still possesses the potential and conditions for maintaining steady yet relatively rapid growth in the long run, which will provide the insurance industry with a favorable external environment. Given the sustained rapid growth in the income level of urban and rural residents, there is a huge development potential for relevant insurance sectors as the residents have stronger awareness on insurance which will lead to rapid increase in and substantial demands for insurance products and services including annuity insurance, medical insurance, nursing care insurance and liability insurance. By virtues of an ever-deepening marketization reform of the insurance industry, the advancing regulatory system on the solvency of the second generation, and the significantly accelerating innovation in the insurance marketing modes, product forms and investment areas, a favorable market environment for the long-term healthy development of the insurance industry in China will be created. The speeded-up progress in urbanization, comprehensive implementation of policy regarding critical illness insurance, the official implementation of "Agricultural Insurance Regulations" and other factors will directly foster the development of insurance business in relation to the state's planning and people's livelihood, such as annuity insurance, health insurance, agricultural insurance and catastrophe insurance.

(2) Key Measures

In the second half of the year, by actively responding to changing trends in the external environment and upholding the theme of "maintaining steady growth and focusing on value creation", the Group plans to complete various tasks pragmatically, maintain its achievements in transformation of operation and management pattern as well as structural adjustment and optimization of the industry sectors, and strengthen the synergy and interaction between the investment segment and the core insurance business, so as to continue the promotion for steady growth of the Group's overall value. First, the Group plans to focus on promoting the development of structural optimization for steady growth of the Group's business, innovate business models and enhance service system to further optimize the structure of its channels; the Group plans to establish a principal insurance concept which embraces both risk protection and wealth management, and accelerate product innovation for further optimization of the business structure. Second, the Group plans to focus on strengthening integrated collaboration to enhance the overall operational efficiency and effectiveness of the Group, and further raise the deployment efficiency of overlapping and interactive resources to continue the deepening of business collaboration and resources sharing; the Group plans to also further promote the integration and optimization of information technology resource for continuous improvement of management and services efficiency; and as well further clarify and optimize the positioning of its specialized investment platform for continuous capacity strengthening of support and protection for the insurance business. Third, the Group plans to focus on enhancing compliance and risk prevention efforts to effectively prevent compliance risk, cash flow risk, risk of asset-liability mismatch and credit risk to further strengthen the protection for the healthy development of the Group. Fourth, the Group plans to focus on strengthening disaster loss reduction and catastrophe claim handling to minimize the impact of catastrophe loss on the Group.

NO MATERIAL CHANGES

Saved as disclosed in this interim report, from 1 January 2013 to 30 June 2013, there are no material changes affecting the Company's performance that needs to be disclosed under Appendix 16.32 and 16.40(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Embedded Value

Our consolidated financial statements set forth in our interim report are prepared in accordance with IFRS. 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 IFRS, there is a time lag between the sale of policies and the recognition of profits, embedded value recognizes 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.

To assess the total economic value of our life and health insurance businesses, a value of future sales of new life and health insurance businesses, which reflects our ability to produce new business, should be considered in addition to the embedded value. The value of future new business is often calculated by applying a multiplying factor to the value of one year's new business. The value of one year's new business is a measure of the economic value added by life and health insurance companies during the course of the year as a result of writing new business. Assumptions regarding, among others, the future new business growth, profit margin in the future, risk discount rate, and the number of years of new business are considered to derive the multiplying factor.

Deloitte, an independent firm of consulting actuaries, has prepared an actuarial consultants' report on the estimates of the embedded value of PICC Life and PICC Health, respectively, as of 30 June 2013, and the value of one year's new business of PICC Life and PICC Health, respectively, in respect of our new life and health insurance businesses written for the 12 months ended 30 June 2013, on a range of assumptions. A copy of Deloitte's report is included in our interim report. This report does not constitute an audit opinion of the financial information used in the report.

When preparing its actuarial consultants' report, Deloitte has relied on the data and information supplied by us, including unaudited and audited data and information as of or before 30 June 2013. Deloitte's report provides further information regarding its use of, and reliance on, the data and information supplied to it.

In Deloitte's report, the value of in-force business and the value of one year's new business in respect of our 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 contained in Deloitte's report, which reflect the impact of different assumptions on these values. Moreover, the values presented in Deloitte's report do not necessarily include the full range of potential outcomes.

The estimates of value of in-force business and the value of one 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.

August 2013

The Directors
The People's Insurance Company (Group) of China Limited
28 Qing Hua Xi Lu
Haidian District, Beijing, China
100084

Dear Sirs,

CONSULTING ACTUARY'S REPORT

1. Introduction

The People's Insurance Company (Group) of China Limited ("PICC Group") has retained Deloitte Consulting (Shanghai) Limited Beijing Branch to provide actuarial opinions on matters related to the life and health insurance business of its subsidiaries, PICC Life Insurance Company Limited ("PICC Life") and PICC Health Insurance Company Limited ("PICC Health"). The task is undertaken by Deloitte Actuarial and Insurance Solutions in Deloitte Consulting (Shanghai) Limited Beijing Branch ("Deloitte Actuarial" or "we"). As part of this engagement, we have been asked to prepare a report on the embedded value as of 30 June 2013 as well as the value of one year's new business for the 12 months prior to 30 June, 2013 of PICC Life and PICC Health.

This report illustrated the work carried out and the results. The valuation approach and assumptions are also summarized in this report.

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

2. Scope of Work

Our scope of work is to prepare an embedded value report which covers:

- The embedded value of PICC Life and PICC Health as of 30 June, 2013;
- The value of one year's new business for the 12 months prior to 30 June, 2013 of PICC Life and PICC Health;
- The assumptions used in the value of in-force business and value of one year's new business of PICC Life and PICC Health.

3. Approach and Definition

3.1 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 market value of the assets in excess of the assets supporting the policy reserve and other liabilities as at the valuation date attributable to shareholders. This is equal to the shareholder equity on accounting report basis plus reserve differences between accounting report basis and solvency basis, market value adjustments and tax adjustments;

- **Value of In-Force Business ("VIF")**: this is equal to the present value as at valuation date of future net of tax statutory profits from the business in force as at the valuation date, less the Cost of Capital associated with such business;

- **Statutory Profits**: this is the profit determined based on regulatory solvency reporting basis. The key difference between this profit and the profit reported under financial reporting basis is that the policy reserve is determined based on China Insurance Regulatory Commission's ("CIRC") actuarial requirement instead of the financial reporting basis;

- **Cost of Capital ("CoC")**: this is defined as the amount of capital required from shareholders at the valuation date less (1) the present value of future releases of such capital; and (2) the present values of the after-tax earnings on the assets backing such required capital. The level of total capital required depends on the Company's internal target of capital level and is subject to the minimum of statutory requirement;

- **Value of One Year's New Business ("V1NB")**: this is equal to the present value as at the policy issue dates of the future net of tax statutory profits from the policies sold in one year prior to the valuation date less the Cost of Capital associated with such business. The value associated with top-up premium not expected from the in-force business is included in Value of One Year's New Business;

- **Expense Overrun**: the amount of actual expense in excess of the assumed expense.

3.2 *Methodology*

We carried out our work and prepared this report based on "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) ("Guidance") issued by CIRC.

Both Value of In-Force Business and Value of One Year's New Business are calculated using the same deterministic discounted cash flow method.

The method of determining the Value of In-Force Business and Value of One Year's New Business has varying degree of evolution in different markets in the last decade. The method adopted in this report is a traditional embedded value approach. Such approach is commonly used in the Embedded Value and Value of One Year's New Business disclosed by 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. Many companies in Europe have adopted approaches different from the traditional one to determine the Value of In-Force Business and Value of One Year's New Business. These new approaches directly measure the costs of options and guarantees, and use lower discount rates or even "risk-free rates" to discount future cash flows. Such approach has not been widely used in China. Such different approaches could lead to materially different results. Readers should understand such differences when comparing the results in this report against the results disclosed by other companies in other markets.

4. Result Summary

This section summarizes the Embedded Value of PICC Life and PICC Health as at 30 June, 2013, as well as the Value of One Year's New Business for the 12 months prior to 30 June, 2013.

Table 4.1 Embedded Value as at 30 June 2013 *(Unit: RMB Million)*

Risk Discount Rate	9.0%	10.0%	11.0%
PICC Life			
Value of In-Force Business before CoC	19,417	18,351	17,414
Cost of Capital	(1,938)	(2,212)	(2,454)
Value of In-Force Business after CoC	17,478	16,139	14,960
Adjusted Net Worth	21,961	21,961	21,961
Embedded Value	**39,439**	**38,100**	**36,920**
PICC Health			
Value of In-Force Business before CoC	2,707	2,576	2,459
Cost of Capital	(186)	(209)	(229)
Value of In-Force Business after CoC	2,521	2,367	2,230
Adjusted Net Worth	1,601	1,601	1,601
Embedded Value	**4,123**	**3,968**	**3,831**

Note: Figures may not add up due to rounding.

Table 4.2 Value of One Year's New Business for the 12 months prior to 30 June 2013

(Unit: RMB Million)

Risk Discount Rate	9.0%	10.0%	11.0%
PICC Life			
Value of One Year's New Business before CoC	5,310	5,044	4,804
Cost of Capital	(608)	(698)	(779)
Value of One Year's New Business after CoC	**4,702**	**4,346**	**4,025**
PICC Health			
Value of One Year's New Business before CoC	693	669	647
Cost of Capital	(35)	(40)	(45)
Value of One Year's New Business after CoC	**658**	**629**	**602**

Note: Figures may not add up due to rounding.

When calculating the Value of In-Force Business and Value of One Year's New Business of PICC Life and PICC Health, the expense assumptions represent the expected long-term expense level in the future. As the operating history of PICC Life and PICC Health is short, there is still expenditure in the development phase and the business scale has not reached the expected level. Hence the expenses incur in the near future will exceed the expected long-term expense 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 CIRC. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

5. Assumptions

5.1 Risk Discount Rate

This report uses the risk discount rates of 9%, 10% and 11%.

The risk discount rates used in this report are the aggregate risk discount rates at the corporate level. The risk discount rates are intended to reflect many factors. Fundamentally two most important elements need to be reflected in the risk discount rates:

- The time value of money, which is usually based on risk-free rates; and

- The risk premium, which is the additional return required by investors to allow for the uncertainty in the invested business achieving the projected future returns. There can be different risk premium for different business lines due to the difference in product guarantees, coverage periods and degree of uncertainty in cash flows.

The investors' perception of risks and the level of risk premium required are very subjective and vary depending on individual circumstances. Hence we illustrate the values by using a range of discount rates. The range is not exhaustive in including all possible risk discount rates used by investors.

Generally, a lot of factors can affect the timing and amount of future returns. For example, changes in the capital market can affect the market value of investment assets and investment yields of new money; the degree of matching between assets and liabilities can affect the level of impact on expected future returns brought by the changes in capital market; policyholders' behaviour can affect the policy persistence; actual mortality and morbidity experience may fluctuate or deviate from the assumptions; the actual sales expenses and management expenses may deviate from the assumptions due to changes in management practice and changes in the inflation rate of general expenses.

The Capital Asset Pricing Model ("CAPM") is used in this report to derive a reasonable range of risk discount rate. Based on the Guidance issued by CIRC, we use the ten-year government bond yield as the risk-free rate, which is 3.5145% as at the end of June 2013. For PICC Life and PICC Health, the average guaranteed interest rate for all the in-force business is less than 2.5% and the aggregate policy term is relatively short. Hence future uncertainty is relatively low, the risk of asset liability mismatch is relatively low, and re-investment risk is relatively low. These factors have been duly considered when the range of the risk discount rate is selected for illustration. The risk premium corresponding to the risk discount rate of 9%, 10% and 11% are 5.4855%, 6.4855% and 7.4855% respectively.

5.2 *Rate of Investment Return*

The assumption of rate of investment return is set based on the target investment portfolio supporting the liabilities and the expected return of each asset class in the portfolio. In the derivation of investment return assumption of PICC Life and PICC Health, the investment returns on bonds, equities and mutual funds are based on market rate of investment return; the investment returns on deposits and infrastructure debt investments are based on the current yields on the existing assets held by these two companies. As CIRC's regulation on insurance fund management develops over time, both PICC Life and PICC Health are able to capture more and more opportunities in investing in assets that provides superior investment return. The assumption on the rate of investment return used by PICC Life and PICC Health is 5.75% p.a. for the valuation at 30 June 2013.

5.3 *Policy Dividend*

The expected level of participating policy dividend is derived based on the participating policy of PICC Life and PICC Health. Readers should be aware that insurance companies need to consider a variety of factors when deciding on participating policy dividends. Hence there are some uncertainties in each year's participating policy dividends. In section 6 of this report, we have illustrated the degree of impact on the Value of In-Force Business and Value of One Year's New Business that may be caused by the change in the level of participating policy dividend.

5.4 *Mortality Rates*

Considering that both two companies have relatively short operating history, the mortality assumptions are set based on the industry experience and the reinsurance rates obtained by PICC Life:

Ultimate mortality rates (before multiplied by the selection factors):

- Non-annuity products: 65% of China Life Insurance Industry Mortality Table (2000-2003) – Non-Annuitant Table;
- Annuity products: 65% of China Life Insurance Industry Mortality Table (2000-2003) – Annuitant Table

Selection factors are used in first two policy years; while ultimate mortality rate assumptions are used from the third policy year and thereafter.

5.5 *Morbidity Rates*

Considering the short operating history of PICC Life and PICC Health, the ultimate morbidity assumption is set to be 80% of pricing morbidity rates. Selection factors are used in first two policy years; while ultimate morbidity rates apply from the third policy year and thereafter.

5.6 *Claim Ratio*

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on actual experience. They are in the range from 31% to 107% of gross premium depending on the lines of business.

5.7 *Lapse Rates*

Lapse rate assumptions are based on lapse experience of PICC Life and PICC Health. The rates vary according to product line, payment mode and policy year. As the policy terms of universal life business allow flexibility in premium payment, premium holiday assumptions are also set for regular premium universal life business.

5.8 *Expenses and Commissions*

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

5.9 *Tax*

Corporate income tax is currently levied at 25% on taxable profits. 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.

The short-term accidental insurance business is subject to 5.5% business tax.

6. Sensitivity Test

In order to help users of this report understand the impact of assumptions on the Value of In-Force Business and Value of One Year's New Business, the results of sensitivity tests using a range of alternative assumptions are illustrated in this section. The range of sensitivity tests are selected to reflect the uncertainties in China's future investment environment and other operations associated with PICC Life and PICC Health. The range is selected after considering the range of tests commonly used in the industry. In each of the 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 also change.

The range of sensitivity tests chosen does not represent the boundary of all possible outcomes. They merely illustrate how alternative assumptions may affect the results.

The results of sensitivity tests are summarized in Table 6.1 to 6.4.

Table 6.1 the Value of In-Force Business of PICC Life as at 30 June 2013 under Alternative Assumptions *(Unit: RMB Million)*

Scenarios	Risk Discount Rate at 9% VIF before CoC	Risk Discount Rate at 9% VIF after CoC	Risk Discount Rate at 10% VIF before CoC	Risk Discount Rate at 10% VIF after CoC	Risk Discount Rate at 11% VIF before CoC	Risk Discount Rate at 11% VIF after CoC
Base Scenario	19,417	17,478	18,351	16,139	17,414	14,960
Investment rate of return plus 50 bps	23,334	21,624	22,025	20,029	20,874	18,626
Investment rate of return less 50 bps	15,540	13,374	14,716	12,287	13,990	11,328
Expenses increased by 10%	19,261	17,323	18,202	15,990	17,270	14,815
Expenses reduced by 10%	19,572	17,634	18,501	16,289	17,559	15,104
Lapse rates increased by 10%	18,980	17,105	17,972	15,828	17,082	14,698
Lapse rates reduced by 10%	19,887	17,882	18,759	16,474	17,770	15,239
Mortality increased by 10%	19,338	17,403	18,280	16,072	17,349	14,898
Mortality reduced by 10%	19,496	17,554	18,423	16,207	17,479	15,021
Morbidity increased by 10%	19,400	17,462	18,336	16,124	17,400	14,946
Morbidity reduced by 10%	19,433	17,495	18,366	16,154	17,428	14,973
Short-term business claim ratio increased by 10%	19,373	17,435	18,308	16,096	17,371	14,916
Short-term business claim ratio reduced by 10%	19,460	17,522	18,395	16,183	17,457	15,003
Participating Ratio (80/20)	17,579	15,641	16,553	14,341	15,652	13,198
150% of Minimum Solvency Requirement	19,417	16,188	18,351	14,644	17,414	13,278

Table 6.2 the Value of In-Force Business of PICC Health as at 30 June 2013 under Alternative Assumptions *(Unit: RMB Million)*

Scenarios	Risk Discount Rate at 9% VIF before CoC	Risk Discount Rate at 9% VIF after CoC	Risk Discount Rate at 10% VIF before CoC	Risk Discount Rate at 10% VIF after CoC	Risk Discount Rate at 11% VIF before CoC	Risk Discount Rate at 11% VIF after CoC
Base Scenario	2,707	2,521	2,576	2,367	2,459	2,230
Investment rate of return plus 50 bps	3,145	2,986	2,990	2,805	2,850	2,645
Investment rate of return less 50 bps	2,267	2,055	2,161	1,927	2,066	1,813
Expenses increased by 10%	2,655	2,470	2,526	2,317	2,410	2,180
Expenses reduced by 10%	2,759	2,573	2,627	2,417	2,508	2,279
Lapse rates increased by 10%	2,578	2,408	2,457	2,265	2,349	2,139
Lapse rates reduced by 10%	2,845	2,643	2,703	2,475	2,576	2,327
Mortality increased by 10%	2,697	2,511	2,567	2,358	2,450	2,221
Mortality reduced by 10%	2,718	2,531	2,586	2,376	2,468	2,238
Morbidity increased by 10%	2,692	2,507	2,562	2,353	2,446	2,217
Morbidity reduced by 10%	2,722	2,536	2,590	2,381	2,472	2,243
Short-term business claim ratio increased by 10%	2,135	1,949	2,017	1,808	1,912	1,682
Short-term business claim ratio reduced by 10%	3,246	3,061	3,104	2,894	2,975	2,746
Participating Ratio (80/20)	2,678	2,493	2,548	2,339	2,431	2,202
150% of Minimum Solvency Requirement	2,707	2,376	2,576	2,198	2,459	2,040

Table 6.3 Value of One Year's New Business for the 12 months prior to 30 June 2013 of PICC Life under Alternative Assumptions *(Unit: RMB Million)*

Scenarios	Risk Discount Rate at 9%		Risk Discount Rate at 10%		Risk Discount Rate at 11%	
	V1NB before CoC	V1NB after CoC	V1NB before CoC	V1NB after CoC	V1NB before CoC	V1NB after CoC
Base Scenario	5,310	4,702	5,044	4,346	4,804	4,025
Investment rate of return plus 50 bps	6,449	5,911	6,121	5,489	5,825	5,109
Investment rate of return less 50 bps	4,187	3,509	3,982	3,217	3,797	2,954
Expenses increased by 10%	5,065	4,458	4,801	4,103	4,562	3,783
Expenses reduced by 10%	5,555	4,947	5,287	4,589	5,046	4,266
Lapse rates increased by 10%	5,197	4,607	4,943	4,265	4,712	3,955
Lapse rates reduced by 10%	5,431	4,804	5,152	4,432	4,901	4,098
Mortality increased by 10%	5,280	4,674	5,016	4,319	4,778	4,000
Mortality reduced by 10%	5,340	4,731	5,072	4,372	4,830	4,049
Morbidity increased by 10%	5,304	4,696	5,039	4,340	4,799	4,019
Morbidity reduced by 10%	5,316	4,708	5,050	4,351	4,809	4,030
Short-term business claim ratio increased by 10%	5,226	4,618	4,960	4,262	4,720	3,940
Short-term business claim ratio reduced by 10%	5,394	4,786	5,128	4,430	4,888	4,109
Participating Ratio (80/20)	4,732	4,124	4,482	3,783	4,256	3,476
150% of Minimum Solvency Requirement	5,310	4,307	5,044	3,885	4,804	3,506

Table 6.4 Value of One Year's New Business for the 12 months prior to 30 June 2013 of PICC Health under Alternative Assumptions *(Unit: RMB Million)*

Scenarios	Risk Discount Rate at 9%		Risk Discount Rate at 10%		Risk Discount Rate at 11%	
	V1NB before CoC	V1NB after CoC	V1NB before CoC	V1NB after CoC	V1NB before CoC	V1NB after CoC
Base Scenario	693	658	669	629	647	602
Investment rate of return plus 50 bps	764	735	739	704	715	675
Investment rate of return less 50 bps	621	581	600	555	581	530
Expenses increased by 10%	663	628	640	600	619	573
Expenses reduced by 10%	722	688	699	658	676	631
Lapse rates increased by 10%	661	630	640	604	620	579
Lapse rates reduced by 10%	725	687	700	656	676	627
Mortality increased by 10%	692	657	668	628	647	601
Mortality reduced by 10%	694	659	670	630	648	603
Morbidity increased by 10%	691	657	668	628	646	601
Morbidity reduced by 10%	694	659	671	630	649	603
Short-term business claim ratio increased by 10%	441	406	424	384	408	363
Short-term business claim ratio reduced by 10%	944	909	914	874	887	841
Participating Ratio (80/20)	680	645	657	617	635	590
150% of Minimum Solvency Requirement	693	626	669	591	647	559

7. Reliance and Limitation

In carrying out our work, we have relied upon information supplied to us by PICC Group, PICC Life and PICC Health at 30 June 2013 and before, as well as the information from public sources.

In particular, we have relied on the following information:

- Data record of PICC Life and PICC Health insurance policies in force as at 30 June 2013;
- Data record of PICC Life and PICC Health long-term business insurance policies issued during the period from 1 July 2012 to 30 June 2013;
- Data record of PICC Life and PICC Health short-term business premium income during the period from 1 July 2012 to 30 June 2013;
- Description and the related information on product features, terms and conditions, including cash surrender values, administrative charges, premium rates and persistency bonuses;
- Information on the mortality rates, morbidity rates, expense loading and commission loading used in pricing;
- Information on the calculation basis of statutory reserve and cash surrender value;
- Information regarding reinsurance arrangements and terms and conditions;
- Statistical data and experience investigations relating to the current and historical operating experience of PICC Life and PICC Health;
- Information on the expenses and commissions incurred by PICC Life and PICC Health in the past;
- Regulatory reports, forms and supporting valuation information of PICC Life and PICC Health submitted to regulators in the first half year of 2013;
- Information on investment assets, including asset mix, investment return, market value and book value, of PICC Life and PICC Health as at 30 June 2013;
- Information on current and future investment strategies of PICC Life and PICC Health;
- Information regarding the accrued interest service on maturity benefit provided by PICC Life, including reports to CIRC, internal operation standard, sample information of corresponding policies, etc.;
- Information on the practices of PICC Life and PICC Health in determining participating policyholder dividend, crediting rates, the total amount of participating dividend deposited in the companies and dividend collection mode;
- The audited balance sheets, income statements and solvency reports of PICC Life and PICC Health as at 30 June 2013;

- Information regarding the value of policy reserves on solvency reporting basis and financial reporting basis by product for PICC Life and PICC Health as 30 June 2013; and

- The independent real estate valuation report as at 30 June 2013 of PICC Life.

We have reviewed the reasonableness of certain information provided to us and compared them against our understanding of the insurance industry in China. It should be noted that our scope of work does not include independent verification or audit of the accuracy and completeness of the policy data and other information provided to us.

Our scope of work does not include reviewing the fair value of the asset portfolio of PICC Life and PICC Health, nor the adequacy of provisions in the balance sheets.

The results contained in this report only considered the claims made by policyholders in the normal course of business. We have not intended to determine the impact on the valuation results of PICC Life and PICC Health brought by any other claims.

The results presented in this report are not intended to imply any direct reflection of market value or potential transaction value, nor do they represent an estimate of the whole or part of the fair value of PICC Life and PICC Health. The actual market value is determined by investors based on a range of the information they obtain and their own criteria of investment standard.

The results illustrated in this report are based on a range of assumptions regarding future. The actual outcome in the future can be different from the illustrated results due to changes in the competition environment, economic environment and random fluctuation. We do not guarantee that the future experience will be the same as the assumptions.

Readers should consider all contents of this report in full, as a section or several sections in isolation do not provide sufficient information to lead to proper conclusion.

For Deloitte Consulting (Shanghai) Co. Ltd.,
Beijing Branch

Eric Lu
Principal of Deloitte Actuarial and Insurance Solutions

Independent Review Report

TO THE BOARD OF DIRECTORS OF THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 35 to 77, which comprise the interim condensed consolidated statement of financial position of The People's Insurance Company (Group) of China Limited and its subsidiaries as at 30 June 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, a summary of significant accounting policies and other explanatory notes. The Main Board Listing 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"). The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made 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*. A review of interim financial information 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
26 August 2013

Interim Condensed Consolidated Income Statement

Six months ended 30 June 2013

(in RMB million)	*Notes*	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
Gross written premiums	4	**158,428**	149,224
Less: Premiums ceded to reinsurers	4	**(14,696)**	(16,168)
Net written premiums	4	**143,732**	133,056
Change in unearned premium reserves		**(16,154)**	(13,803)
Net earned premiums		**127,578**	119,253
Reinsurance commission income		**5,003**	5,608
Investment income	5	**15,339**	10,258
Other income	6	**878**	1,036
TOTAL INCOME		**148,798**	136,155
Claims and policyholders' benefits	7	**96,527**	90,783
Life insurance death and other benefits paid		**11,801**	6,818
Claims incurred		**55,378**	46,673
Changes in long-term life insurance contract liabilities		**27,519**	35,750
Policyholder dividends		**1,829**	1,542
Handling charges and commissions		**11,097**	10,701
Finance costs	8	**2,796**	2,629
Exchange losses/(gains), net		**407**	(32)
Other operating and administrative expenses		**26,991**	22,758
TOTAL BENEFITS, CLAIMS AND EXPENSES		**137,818**	126,839
Share of profits and losses of associates		**924**	263
PROFIT BEFORE TAX	9	**11,904**	9,579
Income tax expense	10	**(2,046)**	(2,435)
PROFIT FOR THE PERIOD		**9,858**	7,144
Attributable to:			
– Equity holders of the parent		**7,542**	4,923
– Non-controlling interests		**2,316**	2,221
		9,858	7,144
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
– Basic and diluted (in RMB)		**0.18**	0.14

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2013

(in RMB million)	*Note*	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
PROFIT FOR THE PERIOD		**9,858**	7,144
OTHER COMPREHENSIVE INCOME	13		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Fair value (losses)/gains on available-for-sale Investments		**(2,623)**	5,024
Income tax effect		**98**	(444)
Net losses on cash flow hedges		**(37)**	(39)
Income tax effect		**9**	10
Share of other comprehensive income of associates		**(76)**	158
Exchange differences on translating foreign operations		**(16)**	3
NET OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**(2,645)**	4,712
Items not to be reclassified to profit or loss in subsequent periods:			
Gains on revaluation of investment properties		**87**	116
Income tax effect		**(22)**	(29)
Actuarial losses on pension benefit obligation		**(34)**	(214)
NET OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**31**	(127)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(2,614)**	4,585
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**7,244**	11,729
Attributable to:			
– Equity holders of the parent		**5,868**	8,389
– Non-controlling interests		**1,376**	3,340
		7,244	11,729

Interim Condensed Consolidated Statement of Financial Position

30 June 2013

(in RMB million)	*Notes*	**30 June 2013 (unaudited)**	31 December 2012 (audited)
ASSETS			
Cash and cash equivalents	14	**60,120**	73,873
Derivative financial assets	15	**42**	73
Debt securities	16	**235,440**	217,369
Equity securities	17	**96,807**	119,729
Insurance receivables, net	18	**32,210**	23,305
Reinsurance assets	19, 25	**23,485**	23,875
Term deposits		**123,219**	120,115
Restricted statutory deposits		**8,722**	7,880
Investments in associates	20	**24,116**	3,361
Investment properties	21	**8,508**	8,450
Property and equipment	22	**22,060**	21,942
Intangible assets		**4,129**	4,106
Deferred tax assets		**2,540**	2,215
Other assets	23	**87,387**	62,357
TOTAL ASSETS		**728,785**	688,650
LIABILITIES			
Securities sold under agreements to repurchase		**49,005**	71,290
Derivative financial liabilities	15	**1**	3
Income tax payable		**61**	72
Due to banks and other financial institutions	24	**428**	362
Subordinated debts		**43,145**	34,855
Insurance contract liabilities	25	**438,833**	391,577
Investment contract liabilities for policyholders	26	**52,398**	50,312
Policyholder dividends payable		**6,926**	5,486
Pension benefit obligation		**2,915**	2,952
Deferred tax liabilities		**252**	98
Other liabilities		**41,491**	48,301
TOTAL LIABILITIES		**635,455**	605,308
EQUITY			
Issued capital	27	**42,424**	42,424
Reserves		**28,626**	22,950
Equity attributable to equity holders of the parent		**71,050**	65,374
Non-controlling interests		**22,280**	17,968
TOTAL EQUITY		**93,330**	83,342
TOTAL EQUITY AND LIABILITIES		**728,785**	688,650

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2013

(in RMB million)	*Note*	Attributable to equity holders of the parent								Non-controlling interests	Total equity
			Reserves								
		Share capital *(note 27)*	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Changes in associates' equity	Surplus reserve fund	Other reserves	Retained profits		
Six months ended 30 June 2013 (unaudited)											
Balance at 1 January 2013		42,424	19,925	(4,457)	2,049	141	317	(13,432)	18,407	17,968	83,342
Profit for the period		–	–	–	–	–	–	–	7,542	2,316	9,858
Other comprehensive income	13	–	–	(1,577)	–	(76)	–	13	(34)	(940)	(2,614)
Total comprehensive income		–	–	(1,577)	–	(76)	–	13	7,508	1,376	7,244
Dividends declared		–	–	–	–	–	–	–	(163)	(8)	(171)
Capital contributions by non-controlling interests		–	–	–	–	–	–	–	–	2,915	2,915
Acquisition of non-controlling interests		–	–	–	–	–	–	(29)	–	29	–
Balance at 30 June 2013		42,424	19,925	(6,034)	2,049	65	317	(13,448)	25,752	22,280	93,330

(in RMB million)	*Note*	Attributable to equity holders of the parent										
			Reserves									
		Share capital *(note 27)*	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	Total equity
Six months ended 30 June 2012 (audited)												
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 period		–	–	–	–	–	–	–	–	4,923	2,221	7,144
Other comprehensive income	13	–	–	3,535	–	103	–	–	42	(214)	1,119	4,585
Total comprehensive income		–	–	3,535	–	103	–	–	42	4,709	3,340	11,729
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	(8)	(8)
Disposal of subsidiaries		–	–	–	(19)	–	(252)	–	–	271	(2,846)	(2,846)
Others		–	–	–	–	–	–	–	2	–	(2)	–
Balance at 30 June 2012		34,491	6,104	(6,338)	1,268	150	–	136	(13,374)	17,298	17,075	56,810

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2013

(in RMB million)	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
Net cash flows from operating activities	**31,714**	31,511
Net cash flows used in investing activities	**(31,874)**	(28,202)
Net cash flows (used in)/from financing activities	**(13,272)**	11,069
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(13,432)**	14,378
Cash and cash equivalents at beginning of the period	**73,873**	55,507
Effects of exchange rate changes on cash and cash equivalents	**(321)**	2
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	**60,120**	69,887

1. CORPORATE INFORMATION

The predecessor of The People's Insurance Company (Group) of China Limited (the "Company"), 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, Dongheyan Street, Xuanwu District, Beijing 100052, the PRC.

The Company is an investment holding company. During the six months ended 30 June 2013, 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. The Company and its subsidiaries are collectively referred to as the "Group".

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting.*

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2012.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments, including IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IAS 19 (Revised 2011) *Employee Benefits*, IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements. As required by IAS 34, the nature and the effect of these changes are disclosed below.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

New standards, interpretations and amendments thereof, adopted by the Group on 1 January 2013 are as follows:

IFRS 7 Amendment	*Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 13	*Fair Value Measurement*
Amendments to IFRS 10, IFRS 11 and IFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*
IAS 1 Amendment	*Presentation of Financial Statements: Other Comprehensive Income*
	Presentation of Financial Statements: Clarification of the requirement for comparative information
IAS 19 (Revised 2011)	*Employee Benefits*
IAS 27 (Revised 2011)	*Separate Financial Statements*
IAS 28 (Revised 2011)	*Investments in Associates and Joint Ventures*
IAS 32 Amendment	*Tax effects of distributions to holders of equity instruments*
IAS 34 Amendment	*Interim financial reporting and segment information for total assets and liabilities*
Annual Improvements 2009-2011 cycle	Amendments to a number of IFRSs issued in May 2012

Amendment to IFRS 7 *Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities*
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. The amendment has had no significant financial impact on the Group.

IFRS 10 *Consolidated Financial Statements*
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 has had no significant financial impact on the consolidation of investments held by the Group.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

IFRS 11 *Joint Arrangements*
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The application of this new standard has had no significant financial impact on the Group.

IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. In case of the Group, the application of this new standard has impacts on the disclosure due to the new associate. The Group provides these disclosures in note 20.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has had no significant financial impact on the Group, except for some additional disclosure in the financial statements.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in note 30.

Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*
In July 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC-12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied. The amendments have had no significant financial impact on the Group.

IAS 1 *Presentation of Items of Other Comprehensive Income – Amendment to IAS 1*
The amendment to IAS 1 introduces a grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans). The amendment affects presentation only and has had no significant financial impact on the Group.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

IAS 1 *Clarification of the requirement for comparative information – Amendment to IAS 1*
The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the "third balance sheet") must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet. The amendment has had no significant financial impact on the Group.

IAS 19 *Employee Benefits (Revised 2011) (IAS 19R)*
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in OCI and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The revised standard has had no significant financial impact on the Group.

IAS 27 (Revised 2011) *Separate Financial Statements, IAS 28* (Revised 2011) *Investments in Associates and Joint Ventures*
Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011), IAS 28 (2011), and the subsequent amendments to these standards issued in July 2012 have had no significant financial impact on the Group.

IAS 32 *Tax effects of distributions to holders of equity instruments (Amendment)*
The amendment to IAS 32 *Financial Instruments*: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there was no tax consequences attached to cash or non-cash distribution.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

IAS 34 *Interim financial reporting and segment information for total assets and liabilities (Amendment)*
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides these disclosures as total segment assets and liabilities were reported to the chief operating decision maker. Please refer to note 3.

The *Annual Improvements 2009-2011 Cycle* issued in May 2012 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had significant financial impact on the Group.

Several other new standards and amendments apply for the first time in 2013. However, they have had no impact on the 2012 annual consolidated financial statements of the Group or the 2013 interim condensed consolidated financial statements of the Group.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS and therefore, this amendment is not relevant to the Group.

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

3. 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.

3. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Segment income statement for the six months ended 30 June 2013

(in RMB million) (unaudited)	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
Net earned premiums	87,718	37,566	2,297	–	–	–	(3)	127,578
Reinsurance commission income	4,750	17	236	–	–	–	–	5,003
Investment income	6,055	8,200	626	283	938	4	(767)	15,339
Other income	374	287	65	337	1	113	(299)	878
TOTAL INCOME	98,897	46,070	3,224	620	939	117	(1,069)	148,798
– External income	98,804	46,034	3,219	414	273	54	–	148,798
– Intersegment income	93	36	5	206	666	63	(1,069)	–
Claims and policyholders' benefits	53,936	40,466	2,125	–	–	–	–	96,527
Handling charges and commissions	9,651	1,447	95	–	–	–	(96)	11,097
Finance costs	974	1,200	365	1	245	11	–	2,796
Exchange losses, net	9	71	1	1	325	–	–	407
Other operating and administrative expenses	23,693	2,254	703	286	179	135	(259)	26,991
TOTAL BENEFITS, CLAIMS AND EXPENSES	88,263	45,438	3,289	288	749	146	(355)	137,818
Share of profits and losses of associates	393	301	–	–	323	–	(93)	924
PROFIT/(LOSS) BEFORE TAX	11,027	933	(65)	332	513	(29)	(807)	11,904
Income tax credit/(expense)	(2,006)	73	–	(63)	(54)	25	(21)	(2,046)
PROFIT/(LOSS) FOR THE PERIOD	9,021	1,006	(65)	269	459	(4)	(828)	9,858

3. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Segment income statement for the six months ended 30 June 2012

(in RMB million) (audited)	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
Net earned premiums	73,835	42,510	2,913	–	–	–	(5)	119,253
Reinsurance commission income	5,337	5	266	–	–	–	–	5,608
Investment income	3,680	5,972	222	492	386	50	(544)	10,258
Other income	314	284	79	511	–	83	(235)	1,036
TOTAL INCOME	83,166	48,771	3,480	1,003	386	133	(784)	136,155
– External income	83,028	48,769	3,461	798	17	82	–	136,155
– Intersegment income	138	2	19	205	369	51	(784)	–
Claims and policyholders' benefits	45,363	42,812	2,608	–	–	–	–	90,783
Handling charges and commissions	8,718	1,897	155	–	–	–	(69)	10,701
Finance costs	827	1,032	350	86	326	8	–	2,629
Exchange gains, net	(20)	(12)	–	–	–	–	–	(32)
Other operating and administrative expenses	19,885	1,957	664	285	117	94	(244)	22,758
TOTAL BENEFITS, CLAIMS AND EXPENSES	74,773	47,686	3,777	371	443	102	(313)	126,839
Share of profits and losses of associates	62	7	–	36	227	–	(69)	263
PROFIT/(LOSS) BEFORE TAX	8,455	1,092	(297)	668	170	31	(540)	9,579
Income tax expense	(1,879)	(180)	–	(415)	4	(5)	40	(2,435)
PROFIT/(LOSS) FOR THE PERIOD	6,576	912	(297)	253	174	26	(500)	7,144

3. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Segment assets, liabilities as at 30 June 2013, 31 December 2012 and other segment information for the six months ended 30 June 2013, 30 June 2012 are as follows:

(in RMB million)	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
30 June 2013 (unaudited)								
Segment assets	318,520	345,489	33,015	7,511	101,629	4,773	(82,152)	728,785
Segment liabilities	258,967	322,482	31,401	1,922	23,738	999	(4,054)	635,455
Other segment information for the six months ended 30 June 2013:								
Capital expenditure	731	593	12	13	36	21	–	1,406
Depreciation and amortisation expenses	955	42	22	9	24	3	64	1,119
Impairment losses	788	649	25	(2)	–	–	–	1,460
31 December 2012 (audited)								
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 for the six months ended 30 June 2012:								
Capital expenditure	585	265	16	22	38	15	–	941
Depreciation and amortisation expenses	757	39	24	9	20	2	(32)	819
Impairment losses	768	412	162	(4)	–	(14)	–	1,324

4. GROSS AND NET WRITTEN PREMIUMS

(in RMB million)	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
(a) Gross written premiums		
Long-term life insurance premiums	37,430	43,449
Short-term life insurance premiums	5,290	4,520
Non-life insurance premiums	115,708	101,255
TOTAL	158,428	149,224
(b) Premiums ceded to reinsurers		
Long-term life insurance premiums ceded to reinsurers	119	82
Short-term life insurance premiums ceded to reinsurers	1,618	1,616
Non-life insurance premiums ceded to reinsurers	12,959	14,470
TOTAL	14,696	16,168
(c) Net written premiums	143,732	133,056

5. INVESTMENT INCOME

(in RMB million)	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Net investment income (a)	12,607	10,382
Realised gains/(losses) (b)	3,727	(88)
Fair value gains (c)	292	943
Impairment losses (d)	(1,287)	(979)
TOTAL	15,339	10,258

5. INVESTMENT INCOME *(CONTINUED)*

(a) Net investment income

(in RMB million)	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
Operating lease income from investment properties	**127**	121
Interest income		
Current and term deposits	**3,548**	3,266
Debt securities		
– Held-to-maturity	**2,958**	2,425
– Available-for-sale	**2,092**	2,147
– Carried at fair value through profit or loss	**40**	53
Derivative financial assets	**19**	47
Loans and receivables	**1,725**	1,139
SUBTOTAL	**10,382**	9,077
Dividend income		
Equity securities		
– Available-for-sale	**2,011**	1,068
– Carried at fair value through profit or loss	**87**	116
SUBTOTAL	**2,098**	1,184
TOTAL	**12,607**	10,382

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

Dividend income		
Listed equity securities	**233**	369
Unlisted equity securities	**1,865**	815
TOTAL	**2,098**	1,184

5. INVESTMENT INCOME *(CONTINUED)*

(b) Realised gains/(losses)

(in RMB million)	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
Debt securities		
– Available-for-sale	**10**	(6)
– Carried at fair value through profit or loss	**18**	2
Equity securities		
– Available-for-sale	**3,727**	(241)
– Carried at fair value through profit or loss	**(28)**	(44)
– Gain on disposal of subsidiaries	**–**	201
TOTAL	**3,727**	(88)

(c) Fair value gains

(in RMB million)	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
Debt securities		
– Carried at fair value through profit or loss	**5**	6
Equity securities		
– Carried at fair value through profit or loss	**77**	327
Derivative financial instruments		
– Carried at fair value through profit or loss	**8**	(8)
Investment properties *(note 21)*	**202**	618
TOTAL	**292**	943

(d) Impairment losses

(in RMB million)	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
Equity securities		
– Available-for-sale	**(1,287)**	(979)

6. OTHER INCOME

(in RMB million)	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Management fee charged to policyholders	**293**	312
Disposal gains from property and equipment, and intangible assets	**31**	72
Government grants	**37**	15
Disposal gains from investment properties	**28**	49
Others	**489**	588
TOTAL	**878**	1,036

7. CLAIMS AND POLICYHOLDERS' BENEFITS

(in RMB million)	**Six months ended 30 June 2013**		
(unaudited)	**Gross**	**Ceded**	**Net**
Life insurance death and other benefits paid	**11,808**	**7**	**11,801**
Claims incurred	**63,101**	**7,723**	**55,378**
– Short-term life insurance	**2,324**	**881**	**1,443**
– Non-life insurance	**60,777**	**6,842**	**53,935**
Changes in long-term life insurance contract liabilities	**27,507**	**(12)**	**27,519**
Policyholder dividends	**1,829**	**–**	**1,829**
TOTAL	**104,245**	**7,718**	**96,527**

(in RMB million)	Six months ended 30 June 2012		
(audited)	Gross	Ceded	Net
Life insurance death and other benefits paid	6,823	5	6,818
Claims incurred	56,962	10,289	46,673
– Short-term life insurance	2,154	844	1,310
– Non-life insurance	54,808	9,445	45,363
Changes in long-term life insurance contract liabilities	35,764	14	35,750
Policyholder dividends	1,542	–	1,542
TOTAL	101,091	10,308	90,783

8. FINANCE COSTS

(in RMB million)	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
Interest expenses		
Securities sold under agreements to repurchase	**787**	430
Subordinated debts	**893**	972
Interest credited to policyholders	**1,049**	1,042
Unwinding of pension benefit obligation	**55**	51
Others	**12**	134
TOTAL	**2,796**	2,629

9. PROFIT BEFORE TAX

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

(in RMB million)	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
Employee costs	**11,739**	9,306
Depreciation of property and equipment	**1,014**	735
Impairment loss on insurance receivables	**175**	376
Impairment loss on other assets	**(2)**	(31)
Minimum lease payments under operating leases in respect of land and buildings	**320**	291
Amortisation of intangible assets	**105**	84

10. INCOME TAX EXPENSE

(in RMB million)	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
Current income tax		
Charge for the period	**2,133**	2,083
Under provision in prior period	**–**	(2)
Deferred income tax	**(87)**	354
TOTAL	**2,046**	2,435

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.

The People's Insurance Company of China (Hong Kong) Limited, registered in Hong Kong, was subject to a profits tax rate of 16.5% for the six months ended 30 June 2013 (2012: 16.5%).

11. DIVIDENDS

A dividend in respect of 2012 of RMB0.038458 per 10 shares (inclusive of tax), totalling RMB163 million, was approved at the Annual General Meeting of the Company dated 21 June 2013.

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the periods ended 30 June 2013 and 30 June 2012 is based on the profit attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the periods.

(in RMB million)	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
Net profit attributable to ordinary equity holders of the parent for the period	**7,542**	4,923
Weighted average number of ordinary shares (in million shares)	**42,424**	34,491
Basic earnings per share (in RMB)	**0.18**	0.14
Diluted earnings per share (in RMB)	**0.18**	0.14

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2013 and 30 June 2012 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those periods.

13. OTHER COMPREHENSIVE INCOME

(in RMB million)	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
Available-for-sale investments:		
Gains/(losses) during the period	**(235)**	3,777
Less: Reclassification adjustments for gains included in the income statement		
– losses/(gains) on disposal	**(3,675)**	268
– impairment losses *(note 5(d))*	**1,287**	979
Income tax effect relating to available-for-sale investments	**98**	(444)
	(2,525)	4,580
Net losses on cash flow hedges	**(37)**	(39)
Income tax effect relating to cash flow hedges	**9**	10
	(28)	(29)
Gains on revaluation of investment properties *(note 21)*	**87**	116
Income tax effect relating to revaluation of investment properties	**(22)**	(29)
	65	87
Share of other comprehensive income of associates	**(76)**	158
Actuarial losses on pension benefit obligation	**(34)**	(214)
Exchange differences on translating foreign operations	**(16)**	3
TOTAL	**(2,614)**	4,585
Attributable to:		
– Equity holders of the parent	**(1,674)**	3,466
– Non-controlling interests	**(940)**	1,119
TOTAL	**(2,614)**	4,585

14. CASH AND CASH EQUIVALENTS

(in RMB million)	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Cash on hand	**8**	179
Securities purchased under resale agreements with original maturity of less than three months	**12,902**	2,435
Demand deposits and deposits with banks and other financial institutions with original maturity of less than three months	**47,210**	71,259
TOTAL	**60,120**	73,873
Classification of cash and cash equivalents:		
Loans and receivables	**60,120**	73,873

15. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2013 (unaudited)		
(in RMB million)	**Nominal amount**	**Derivative financial assets**	**Derivative financial liabilities**
Interest rate swaps			
– Hedging instruments	**6,000**	**42**	**1**
TOTAL	**6,000**	**42**	**1**

	As at 31 December 2012 (audited)		
(in RMB million)	Nominal amount	Derivative financial assets	Derivative financial liabilities
Interest rate swaps			
– Hedging instruments	6,230	38	3
– Non-hedging instruments	500	35	–
TOTAL	6,730	73	3

The carrying amounts of interest rate swaps are the same as their fair value.

15. DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

The Group is exposed to the variability of cash flows on financial assets which bear interest at a variable rate, and therefore uses interest rate swaps to manage its risks by receiving interest at a fixed rate from counterparties and paying interest at a variable rate.

The terms of the cash flow hedging and the terms of the hedged items are highly matched. Cash flow hedging relationships are assessed to be effective, and the amounts recognised in other comprehensive income are disclosed in note 13. Hedging instruments gains/losses transferred from other comprehensive income were not significant in the reporting period. There were no gains or losses transferred from other comprehensive income arising from ineffective cash flow hedges during the periods.

16. DEBT SECURITIES

(in RMB million)	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Government bonds	**19,910**	20,860
Corporate bonds	**97,998**	69,920
Bonds issued by other financial institutions	**117,532**	126,589
Total debt securities	**235,440**	217,369
Classification of debt securities:		
Fair value through profit or loss		
– Held for trading, at fair value	**2,209**	3,085
Available-for-sale, at fair value	**109,401**	95,125
Held-to-maturity, at amortised cost	**123,830**	119,159
Total debt securities	**235,440**	217,369
Listed	**34,578**	22,707
Unlisted	**200,862**	194,662
Total debt securities	**235,440**	217,369

17. EQUITY SECURITIES

(in RMB million)	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Investments, at fair value:		
Mutual funds	**46,668**	44,859
Shares	**22,389**	48,620
Investments, at cost:		
Shares	**3,129**	1,629
Trust scheme	**24,621**	24,621
Total equity securities	**96,807**	119,729
Classification of equity securities:		
Fair value through profit or loss		
– Held for trading	**10,852**	6,834
Available-for-sale		
– At fair value	**58,205**	86,645
–At cost less impairment	**27,750**	26,250
Total equity securities	**96,807**	119,729
Listed	**26,096**	49,138
Unlisted	**70,711**	70,591
Total equity securities	**96,807**	119,729

There was a significant or prolonged decline in the market value of certain listed equity investments during the period. The directors considered that such a decline indicates that the listed equity investments have been impaired and an impairment loss of RMB1,287 million (six months ended 30 June 2012: RMB979 million) has been recognised in the income statement for the period.

Unlisted equity investments and a trust scheme with a carrying amount of RMB27,750 million as at 30 June 2013 (31 December 2012: RMB26,250 million) were carried at cost less impairment. Unlisted equity investments were stated at cost less impairment because their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

As at 30 June 2013 and 31 December 2012, the Company's equity interests in Bank of Hangzhou with a carrying amount of RMB260 million were restricted for sale because, in 2012, the Company had transferred the right of receiving returns on such equity interests to a trust scheme held in the custody of China Credit Trust Company Limited ("China Credit Trust") while still retaining the risks related to such equity interests.

18. INSURANCE RECEIVABLES

(in RMB million)	30 June 2013 (unaudited)	31 December 2012 (audited)
Insurance receivables	34,728	25,719
Less: Impairment provision on insurance receivables	(2,518)	(2,414)
TOTAL	32,210	23,305

An aged analysis of insurance receivables as at the end of the reporting period, based on the payment due date and net of provision, is as follows:

(in RMB million)	30 June 2013 (unaudited)	31 December 2012 (audited)
Within 3 months	27,585	20,720
3 to 6 months	4,224	2,110
6 to 12 months	911	933
1 to 2 years	450	407
Over 2 years	1,558	1,549
TOTAL	34,728	25,719
Less: Impairment provision	(2,518)	(2,414)
Total insurance receivables	32,210	23,305

19. REINSURANCE ASSETS

(in RMB million)	30 June 2013 (unaudited)	31 December 2012 (audited)
Reinsurers' share of		
Unearned premium reserves	9,793	9,462
Claim reserves	13,633	14,342
Long-term life insurance reserves	59	71
TOTAL	23,485	23,875

20. INVESTMENTS IN ASSOCIATES

(a) The Group's investments in the principal associates as at 30 June 2013 and 31 December 2012 are as follows:

(in RMB million)	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Unlisted investments, carrying amount	**3,361**	3,361
Shares listed in the PRC, carrying amount	**20,755**	–
TOTAL	**24,116**	3,361

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

Associates	**Place of registration**	**Principal activities**	**Percentage of ownership interest attributable to the Group As at 30 June 2013**	As at 31 December 2012
Industrial Bank Co.,Ltd. ("Industrial Bank") *(i)*	Fuzhou	Banking	**10.87%**	10.87%
China Credit Trust	Beijing	Trust business	**32.92%**	32.92%

The associates above are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(i) On 31 December 2012, the Group had subscribed approximately 1.38 billion shares of Industrial Bank through a private placement. Upon the completion of the subscription, the Group held 10.87% of Industrial Bank shares in total, and became the second largest shareholder of Industrial Bank.

On 19 April 2013, Mr. Li Liangwen, the president of PICC Life Insurance Company Limited, one of the subsidiaries of the Company, was nominated by the Group to be the director nominee of Industrial Bank and attended the Industrial Bank board meeting as the representative of shareholders. Considering the Group's shareholder's rights in Industrial Bank and a Comprehensive Cooperative Agreement signed between the Group and Industrial Bank on 8 May 2013, the Group held the view that the Group has gained significant influence on Industrial Bank since 8 May 2013 and should account for its equity interest in Industrial Bank as an associate using equity method in its consolidated financial statements.

The Group used the fair value of the restricted Industrial Bank shares as at the date when significant influence was gained as the preliminary initial measurement of its investment in Industrial Bank as an associate.

20. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

(c) Financial information of the Group's principal associates:

Associates *(in RMB million) (unaudited)*	Assets	Liabilities	Revenue	Net profit
	As at 30 June 2013		Six months ended 30 June 2013	
Industrial Bank	**3,577,278**	**3,391,718**	**53,464**	**21,784**
China Credit Trust	**11,987**	**1,923**	**888**	**823**
(in RMB million) (audited)	As at 31 December 2012		Year ended 31 December 2012	
China Credit Trust	11,740	1,643	2,266	1,619

21. INVESTMENT PROPERTIES

(in RMB million)	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
Beginning of period	**8,450**	7,529
Additions	**4**	29
Transfers from property and equipment	**36**	53
Transfer from intangible assets	**11**	12
Gains on revaluation of properties upon transfer from property and equipment *(note 13)*	**74**	97
Gains on revaluation of properties upon transfer from intangible assets *(note 13)*	**13**	19
Increase in fair value of investment properties *(note 5(c))*	**202**	618
Transfer to property and equipment	**(178)**	(242)
Transfer to intangible assets	**(91)**	(55)
Disposals	**(13)**	(20)
End of period	**8,508**	8,040

The Group was still in the process of applying for title certificates for investment properties with a carrying value of RMB2,409 million as at 30 June 2013 (31 December 2012: RMB3,337million). The directors are of the opinion that the Group has ownership of those properties.

There were no pledged investment properties as at 30 June 2013 and 31 December 2012.

21. INVESTMENT PROPERTIES *(CONTINUED)*

The Group's investment properties were revalued as at the end of the reporting period by independent professional valuers. Valuations were based on: (i) the direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market; and/or (ii) capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group's investment properties mainly pertain to properties located in Mainland China and are mainly held under medium-term lease.

22. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired assets with a cost of RMB965 million (six months ended 30 June 2012: RMB822 million).

Assets with a net book value of RMB19 million were disposed of by the Group during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB19 million), resulting in a net disposal gain of RMB31 million (six months ended 30 June 2012: RMB72 million).

During the six months ended 30 June 2013, construction in progress with an aggregate amount of RMB2 million (six months ended 30 June 2012: RMB84 million) was transferred to property and equipment.

During the six months ended 30 June 2013, property and equipment, and construction in progress with an aggregate amount of RMB36 million (six months ended 30 June 2012: RMB53 million) was transferred to investment properties.

23. OTHER ASSETS

The net values of the items of other assets are as follows:

(in RMB million)	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Non-listed debt securities (a)	**58,448**	39,110
Other receivables (b)	**1,120**	1,081
Amount due from the Ministry of Finance (the "MOF") (c)	**707**	707
Interest receivables	**9,882**	8,109
Dividend receivables	**1,215**	294
Others	**16,015**	13,056
TOTAL	**87,387**	62,357

23. OTHER ASSETS *(CONTINUED)*

(a) Non-listed debt securities

(in RMB million)	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Subordinated debts held	**1,200**	1,200
Long-term debt investment schemes	**57,248**	37,910
TOTAL	**58,448**	39,110

(b) Other receivables

(in RMB million)	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Trade and other receivables	**139**	180
Prepayments and deposits	**981**	901
TOTAL	**1,120**	1,081

(c) The balance included an amount of RMB707 million as at 30 June 2013 (2012: RMB707 million), which is recoverable from the MOF as a result of the Group's assumption of post-employment benefit obligations.

24. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Short-term borrowings	**5**	–
Long-term borrowings		
– Due more than 5 years	**423**	362
TOTAL	**428**	362

25. INSURANCE CONTRACT LIABILITIES

(in RMB million)	30 June 2013 (unaudited) Insurance contract liabilities	Reinsurers' share	Net
Long-term life insurance contracts	**254,713**	**59**	**254,654**
Short-term life insurance contracts			
– Claim reserves	**2,928**	**1,002**	**1,926**
– Unearned premium reserves	**2,999**	**795**	**2,204**
Non-life insurance contracts			
– Claim reserves	**87,792**	**12,631**	**75,161**
– Unearned premium reserves	**90,401**	**8,998**	**81,403**
Total insurance contract liabilities	**438,833**	**23,485**	**415,348**

(in RMB million)	31 December 2012 (audited) Insurance contract liabilities	Reinsurers' share	Net
Long-term life insurance contracts	227,206	71	227,135
Short-term life insurance contracts			
– Claim reserves	3,377	1,292	2,085
– Unearned premium reserves	1,262	179	1,083
Non-life insurance contracts			
– Claim reserves	84,079	13,050	71,029
– Unearned premium reserves	75,653	9,283	66,370
Total insurance contract liabilities	391,577	23,875	367,702

26. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

(in RMB million)	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Interest-bearing deposits	**50,492**	48,390
Non-interest-bearing deposits	**1,906**	1,922
TOTAL	**52,398**	50,312

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

(in RMB million)	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
Beginning of period	**50,312**	49,156
Deposits received after deducting fees	**15,322**	10,339
Deposits withdrawn	**(14,285)**	(12,524)
Interest credited	**1,049**	1,042
End of period	**52,398**	48,013

27. SHARE CAPITAL

As at 30 June 2013, the share capital and the registered capital amounted to RMB42,424 million with a nominal value of RMB1.00 per share.

	30 June 2013 (unaudited)	31 December 2012 (audited)
Issued and fully paid ordinary shares of RMB1 each (in million)		
Domestic shares	**33,698**	33,698
H shares	**8,726**	8,726
	42,424	42,424
Share capital (in RMB million)		
Domestic shares	**33,698**	33,698
H shares	**8,726**	8,726
	42,424	42,424

28. RISK MANAGEMENT FRAMEWORK

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

(b) Capital management approach

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Group's capital management approach involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is equity shareholders' funds and borrowings. The Group also, in a more efficient way, utilises sources of capital such as reinsurance in addition to more traditional sources of funding.

The Group has had no significant changes in its policies and processes to its capital structure during the period.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

29. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The table below summarises the remaining contractual maturity profile of the financial assets and liabilities of the Group based on undiscounted contractual cash flows.

	As at 30 June 2013 (unaudited)						
(in RMB million)	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Cash and cash equivalents	46,122	14,059	–	–	–	–	60,181
Derivative financial assets	–	1	17	48	–	–	66
Debt securities	–	3,206	11,469	84,222	256,873	–	355,770
Equity securities	–	–	–	24,621	–	70,557	95,178
Term deposits	–	2,785	11,811	124,245	2,214	–	141,055
Restricted statutory deposits	–	18	331	10,213	–	–	10,562
Insurance receivables	12,844	13,232	3,279	2,790	65	–	32,210
Other financial assets	5,267	11,256	14,788	27,301	43,395	–	102,007
Total assets	64,233	44,557	41,695	273,440	302,547	70,557	797,029
Due to banks and other financial institutions	5	7	21	345	195	–	573
Subordinated debts	–	413	1,119	28,804	24,857	–	55,193
Securities sold under agreements to repurchase	–	49,048	–	–	–	–	49,048
Derivative financial liabilities	–	1	–	–	–	–	1
Investment contract liabilities for policyholders	45,880	441	1,952	342	3,886	–	52,501
Policyholder dividends payable	29	1,519	5,378	–	–	–	6,926
Pension benefit obligation	–	51	151	774	3,700	–	4,676
Other financial liabilities	6,981	21,216	3,377	579	490	–	32,643
Total liabilities	52,895	72,696	11,998	30,844	33,128	–	201,561

29. MATURITY PROFILE OF FINANCIAL INSTRUMENTS *(CONTINUED)*

	As at 31 December 2012 (audited)						
(in RMB million)	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Cash and cash equivalents	51,808	22,158	–	–	–	–	73,966
Derivative financial assets	–	7	17	64	–	–	88
Debt securities	–	1,022	16,946	77,384	233,032	–	328,384
Equity securities	–	–	–	24,622	–	93,478	118,100
Term deposits	–	2,569	7,991	130,827	1,124	–	142,511
Restricted statutory deposits	–	931	240	7,436	–	–	8,607
Insurance receivables	9,143	10,078	1,060	2,997	27	–	23,305
Other financial assets	896	7,738	8,294	24,795	30,676	420	72,819
Total assets	61,847	44,503	34,548	268,125	264,859	93,898	767,780
Due to banks and other financial institutions	362	–	–	–	–	–	362
Subordinated debts	–	75	9,399	10,753	25,621	–	45,848
Securities sold under agreements to repurchase	–	71,326	–	–	–	–	71,326
Derivative financial liabilities	–	–	2	1	–	–	3
Investment contract liabilities for policyholders	44,841	1,316	1,366	536	2,264	–	50,323
Policyholder dividends payable	6	1,970	3,510	–	–	–	5,486
Pension benefit obligation	–	52	155	792	3,764	–	4,763
Other financial liabilities	9,550	20,640	5,250	646	93	–	36,179
Total liabilities	54,759	95,379	19,682	12,728	31,742	–	214,290

30. FAIR VALUE HIERARCHY

The Group's financial assets mainly include: cash and cash equivalents, derivative financial assets, debt securities, equity securities, term deposits, restricted statutory deposits, insurance receivables and other financial assets.

The Group's financial liabilities mainly include: assets sold under agreements to repurchase, derivative financial liabilities, amounts due to banks and other financial institutions, subordinated debts, pension benefit obligation, investment contract liabilities for policyholders, policyholders dividends payable and other financial liabilities.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The following methods and assumptions were used to estimate the fair values.

30. FAIR VALUE HIERARCHY *(CONTINUED)*

The fair values of cash and cash equivalents, insurance receivables and other financial liabilities approximate to their carrying amounts largely due to the short-term maturities or re-pricing regularly according to the interest rate regulated by the People's Bank of China or the market interest rate on the re-pricing date.

The fair values of unlisted held-to-maturity securities, term deposits, loans and receivables of other assets, amounts due to banks and debt payable are estimated by discounting future cash flows using rates currently available for debts on similar terms, with similar credit risk and remaining maturities.

The fair values of listed financial instruments are derived from quoted market prices in active markets, if available.

Fair value of financial assets and liabilities not carried at fair value

The following table summarises the carrying values and the fair values of held-to-maturity financial assets, loans and receivables and subordinated debts, which are not carried at fair value.

	As at 30 June 2013 (unaudited)	
(in RMB million)	**Carrying amounts**	**Fair value**
Financial assets:		
Held-to-maturity financial assets	**123,830**	**122,527**
Loans and receivables	**58,448**	**58,876**
Financial liabilities:		
Subordinated debts	**43,145**	**42,347**

	As at 31 December 2012 (audited)	
(in RMB million)	Carrying amounts	Fair value
Financial assets:		
Held-to-maturity financial assets	119,159	117,299
Loans and receivables	39,110	39,270
Financial liabilities:		
Subordinated debts	34,855	34,229

30. FAIR VALUE HIERARCHY *(CONTINUED)*

Determination of fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are market observable, either directly or indirectly; and

Level 3: fair value measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

As at 30 June 2013 and 31 December 2012, the Group held the following financial instruments measured at fair value:

	As at 30 June 2013 (unaudited)			
(in RMB million)	Level 1	Level 2	Level 3	Total
Derivative financial assets	–	42	–	42
Derivative financial liabilities	–	(1)	–	(1)
Financial assets at fair value through profit or loss:				
Equity securities	10,852	–	–	10,852
Debt securities	23	2,186	–	2,209
Available-for-sale investments:				
Equity securities	57,294	911	–	58,205
Debt securities	19,589	89,812	–	109,401
TOTAL	87,758	92,950	–	180,708

30. FAIR VALUE HIERARCHY *(CONTINUED)*

Determination of fair value hierarchy *(continued)*

(in RMB million)	As at 31 December 2012 (audited) Level 1	Level 2	Level 3	Total
Derivative financial assets	–	73	–	73
Derivative financial liabilities	–	(3)	–	(3)
Financial assets at fair value through profit or loss:				
Equity securities	6,567	267	–	6,834
Debt securities	10	3,075	–	3,085
Available-for-sale investments:				
Equity securities	67,515	630	18,500	86,645
Debt securities	15,410	79,715	–	95,125
TOTAL	89,502	83,757	18,500	191,759

During the six months ended 30 June 2013 and 2012, due to the changes in availability of market observable input, the Group transferred certain equity securities and certain debt securities between Level 1 and Level 2.

The movements in fair value measurements in Level 3 during the period are as follows:

Equity securities	**Six months ended 30 June 2013 (unaudited)**
At 1 January 2013	**18,500**
Total gains recognised in other comprehensive income	**2,462**
De-recognition	**(20,962)**
At 30 June 2013	**–**

During the six months ended 30 June 2013, there was no transfer between level 3 and other levels.

31. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

(1) 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. Provision has been made for the probable losses to the Group, including those claims where management can reasonably estimate the outcome of the litigation taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is low or remote.

(2) The Company underwent restructuring and reorganisation during the period from 1996 to 1998. Potentially, certain receivables or payables may exist among these entities. However, the Company's management is of the opinion that all debts have been fully settled, and therefore any contingent indebtedness will not significantly impact these consolidated financial statements.

(3) As at the approval date of these financial statements, there were various title defects for certain investment properties, property and equipment, intangible assets and other assets held by the Group. The Group may be required to incur costs including relevant taxes to remediate these defects. The cost that will be incurred for the remediation cannot be quantified at this stage.

(4) Certain branches and subsidiaries are involved in legal proceedings. The Group's management believes that the outcome of these proceedings, whether individually or collectively, would not impact the Group's financial position and operating results significantly.

Other than the above, as at 30 June 2013, the Group had no significant contingencies to disclose.

31. CONTINGENCIES AND COMMITMENTS *(CONTINUED)*

(b) Capital commitments and operating leases

(1) Capital commitments

(in RMB million)	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Property and equipment commitments:		
Contracted, but not provided for	**705**	1,665
Authorised, but not contracted for	**3,254**	3,248
Equity investment commitments:		
Contracted, but not provided for	**–**	240
TOTAL	**3,959**	5,153

(2) Operating leases

(i) As lessor

The Group leases its investment properties (note 21) under operating lease arrangements, with lease terms ranging from one to twenty years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 30 June 2013 and 31 December 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

(in RMB million)	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Within one year	**192**	134
In the second to third years, inclusive	**132**	198
After three years	**370**	170
TOTAL	**694**	502

31. CONTINGENCIES AND COMMITMENTS *(CONTINUED)*

(b) Capital commitments and operating leases *(continued)*

(2) Operating leases (continued)

(i) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Lease terms for properties range from one to twenty years. Lease terms for motor vehicles range from one to three years.

Future minimum lease payments under non-cancellable operating leases as at 30 June 2013 and 31 December 2012 are as follows:

(in RMB million)	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Within one year	**200**	129
In the second to third years, inclusive	**215**	305
After three years	**445**	279
TOTAL	**860**	713

32. RELATED PARTY DISCLOSURES

(1) The Company is a state-owned enterprise and its controlling shareholder is the MOF.

(2) The Group's related parties over which the Group has significant influence are associates. Details are set out below:

	Relationship with the Group	
Name of related parties	**30 June 2013**	31 December 2012
China Credit Trust	**Associate**	Associate
Industrial Bank *(note 20)*	**Associate**	Not applicable

32. RELATED PARTY DISCLOSURES *(CONTINUED)*

(3) Compensation of key management personnel

Key management personnel of the Company include directors, supervisors and senior management. The summary of compensation of key management personnel for the six months ended 30 June 2013 and 30 June 2012 is as follows:

(in RMB million)	**Six months ended 30 June 2013 (unaudited)**	Six months ended 30 June 2012 (audited)
Salaries, allowances and performance related bonuses	**5**	5
Social insurance and housing fund	**3**	2
TOTAL	**8**	7

The total compensation package for the Company's key management for the six months ended 30 June 2013 and six months ended 30 June 2012 has not yet been finalised in accordance with regulations of the PRC relevant authorities.

(4) Balances with related parties

Receivables from related parties *(in RMB million)*	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Cash and cash equivalent		
Industrial Bank	**4,210**	Not applicable
Term deposits		
Industrial Bank	**1,272**	Not applicable
Derivative financial assets		
Industrial Bank		
– Nominal amount	**1,300**	Not applicable
– Fair value	**9**	Not applicable
Other assets		
The MOF (i)	**707**	707
China Credit Trust (ii)	**377**	294
Industrial Bank (ii)	**812**	Not applicable
TOTAL	**1,896**	1,001

32. RELATED PARTY DISCLOSURES *(CONTINUED)*

(4) Balances with related parties *(continued)*

Payable to related parties *(in RMB million)*	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Securities sold under agreements to repurchase		
Industrial Bank	**1,000**	Not applicable
Subordinated debts		
Industrial Bank	**2,450**	Not applicable
Other liabilities		
Industrial Bank (iii)	**31**	Not applicable
The MOF (iv)	**115**	–
TOTAL	**146**	–

(i) Details of the receivables from the MOF are disclosed in note 23(c).

(ii) Receivables from China Credit Trust and Industrial Bank are dividend receivable and interest receivable.

(iii) Payables to Industrial Bank are interest payable relating to the subordinated debts and securities sold under agreements to repurchase.

(iv) Payables to the MOF are dividend payable.

(5) Transactions with related parties

During the period ended 30 June 2013, the Group accrued for interest expenses of RMB10 million for the subordinated debts issued to and securities sold under repurchase agreements to Industrial Bank.

For the demand deposits and term deposits placed at Industrial Bank, interest income of RMB16 million was recognised during the period.

Except for the interest expense and interest income mentioned above, during the periods ended 30 June 2013 and 30 June 2012, transactions with related parties mainly consist of dividends received from associates.

32. RELATED PARTY DISCLOSURES *(CONTINUED)*

(6) 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 owned and/or controlled by the government through its authorities, affiliates or other organisations (collectively the “state-owned entities”). During the six months ended 30 June 2013 and 30 June 2012, the Group’s key business is insurance or insurance related business and therefore the business transactions with other state-owned entities are primarily related to insurance and investment activities, but not limited to issuing insurance policies, reinsurance, provision of asset management or other services, the sale, purchase, and redemption of bonds or equity instruments.

Management considers that transactions with state-owned 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 state-owned 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 state-owned 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.

As at 30 June 2013 and 31 December 2012, most of the bank deposits of the Group were with state-owned banks; the issuers of corporate bonds and subordinated bonds held by the Group were mainly state-owned enterprises. For the current period, a large portion of the insurance business of the Group was with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; some reinsurance agreements of the Group were also entered into with state-owned reinsurance companies.

33. EVENT AFTER THE REPORTING PERIOD

On 26 August 2013, the Board of Directors of PICC Property and Casualty Company Limited, one of the Company’s subsidiaries, approved the 2013 interim dividend distribution of RMB0.243 per ordinary share totalling RMB3,306 million.

Except as disclosed above, the Group had no significant events subsequent to 30 June 2013.

34. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors of the Company on 26 August 2013.

Other Information

INTERESTS IN SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 30 June 2013, none of the directors, supervisors and senior management of the Company had any interests or short positions in any shares, underlying shares or securities of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directions of Listed Issues as set out in the Appendix to the Rules Governing the Listing of the Securities on the Stock Exchange of Hong Kong Limited (the "Model Code"), to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

CHANGE IN THE BOARD OF DIRECTORS AND THE BOARD OF SUPERVISORS

From 1 January 2013 to the date of this interim report, there are no changes in the members of the Company's board of directors (the "Board") and the board of supervisors (the "Board of Supervisors").

On the date of this interim report, the members of the Board are:

Mr. WU Yan *(Chairman of the Board and Executive Director)*
Mr. WANG Yincheng *(Executive Director)*
Mr. LI Liangwen *(Executive Director)*
Mr. CAO Guangsheng *(Non-executive Director)*
Mr. LIU Yeqiao *(Non-executive Director)*
Mr. QI Shaojun *(Non-executive Director)*
Ms. ZHANG Hanlin *(Non-executive Director)*
Mr. XIANG Huaicheng *(Independent Non-executive Director)*
Mr. LAU Hon Chuen *(Independent Non-executive Director)*
Mr. DU Jian *(Independent Non-executive Director)*
Mr. CAI Weiguo *(Independent Non-executive Director)*
Mr. XU Dingbo *(Independent Non-executive Director)*

On the date of this interim report, the members of the Board of Supervisors are:

Mr. LIN Fan *(Chairman of the Board of Supervisors)*
Mr. XU Yongxian *(Supervisor)*
Ms. YAO Bo *(Supervisor of employees)*

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

From 1 January 2013 to the date of this interim report, there are no changes in the information on the directors and supervisors of the Company that are required to be disclosed under Rule 13.51B (1) of the Listing Rules.

PURCHASE, DISPOSAL OR REDEMPTION OF SECURITIES OF THE COMPANY

In the first half of 2013, the Company and its subsidiaries did not acquire, dispose of or redeem any listed securities of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated guidelines on transactions of the Company's securities that apply to directors, supervisors and all employees, and the terms of the guidelines are not less exacting than the Model Code. Following enquiries made by the Company, all the directors and supervisors confirmed that they had complied with the standards set out in the Model Code and such measures during the first half of 2013.

INTERESTS AND SHORT POSITIONS REQUIRED TO BE DISCLOSED BY SHAREHOLDERS UNDER THE SFO

As far as the directors of the Company are aware, as at 30 June 2013, the following persons (other than the directors and supervisors 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 Section 2 and 3 of Part XV of the SFO, or required to be recorded in the register to be kept by the Company under Section 336 of the SFO:

Name of shareholder	**Capacity**	**Number of domestic shares**	**Nature of interests**	**Percentage of total issued domestic shares** (Note 4)	**Percentage of total issued shares** (Note 5)
MOF	Beneficial owner	29,896,189,564	Long position	88.72%	70.47%
NSSF	Beneficial owner	3,801,567,019	Long position	11.28%	8.96%

Name of shareholder	**Capacity**	**Number of H shares**	**Nature of interests**	**Percentage of total issued H shares** (Note 6)	**Percentage of total issued shares** (Note 5)
American International Group, Inc. ("AIG") *(Note 1)*	Interest of controlled corporation	1,113,405,000	Long position	12.76%	2.62%
SAFG Retirement Services, Inc. *(Note 1)*	Interest of controlled corporation	1,113,405,000	Long position	12.76%	2.62%
SunAmerica Financial Group, Inc. *(Note 1)*	Interest of controlled corporation	1,113,405,000	Long position	12.76%	2.62%
AGC Life Insurance Company *(Note 1)*	Interest of controlled corporation	1,113,405,000	Long position	12.76%	2.62%
American General Life Insurance Company *(Note 1)*	Beneficial owner	1,113,405,000	Long position	12.76%	2.62%
State Grid Corporation of China *(Note 2)*	Interest of controlled corporation	668,043,000	Long position	7.66%	1.57%
State Grid Yingda International Holdings Group Limited *(Note 2)*	Beneficial owner	668,043,000	Long position	7.66%	1.57%
GF Securities Co., Ltd. *(Note 2)*	Asset Manager, nominee	668,043,000	Long position	7.66%	1.57%
NSSF *(Note 3)*	Beneficial owner	614,874,000	Long position	7.05%	1.45%

INTERESTS AND SHORT POSITIONS REQUIRED TO BE DISCLOSED BY SHAREHOLDERS UNDER THE SFO *(continued)*

Note:

1. The interests of AIG above represent the latest notice of interest disclosure made by AIG under the SFO. SAFG Retirement Services, Inc. is 100% controlled by AIG. SunAmerica Financial Group, Inc. is 100% controlled by SAFG Retirement Services, Inc. AGC Life Insurance Company is 100% controlled by SunAmerica Financial Group, Inc. American General Life Insurance Company is 100% controlled by AGC Life Insurance Company. Accordingly, AIG is deemed to be interested in 1,113,405,000 H shares directly owned by American General Life Insurance Company.

2. State Grid Yingda International Holdings Group Limited, as the beneficial owner, holds 668,043,000 H shares and holds such shares via GF Securities Co., Ltd. as the qualified domestic institutional investor, asset manager and its nominees. State Grid Yingda International Holdings Group Limited is 100% controlled by State Grid Corporation of China. Accordingly, State Grid Corporation of China is deemed to be interested in 668,043,000 H shares owned by State Grid Yingda International Holdings Group Limited.

3. NSSF, as the beneficial owner, holds 602,279,000 H shares. In addition, it also holds 12,595,000 H shares via State Street Global Advisors (“SSGA”), as the asset manager and trustee. Accordingly, NSSF is deemed to be interested in 12,595,000 H shares owned by SSGA.

4. As at 30 June 2013, the total issued domestic shares of the Company was 33,697,756,583 shares.

5. As at 30 June 2013, the total issued shares of the Company was 42,423,990,583 shares.

6. As at 30 June 2013, the total issued H shares of the Company was 8,726,234,000 shares.

Save as disclosed above, as at 30 June 2013, 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 SFO.

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 Listing Rules (the “Corporate Governance Code”) , the Company had complied with all other code provisions of the Corporate Governance Code in the first half of 2013, 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 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, the directors shall serve consecutive terms if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of directors results in the number of directors being less than the statutory requirement. Therefore, the aforementioned directors will remain as directors of the Company until the re-election of and the newly appointed directors take office.

DIVIDEND

The Company will not declare an interim dividend for the first half of 2013.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

In the first half of 2013, the Company and its subsidiaries did not acquire, dispose of or redeem any listed securities of the Company.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Board has reviewed, in the presence of the external auditor, the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2013.

Corporate Information

REGISTERED NAME

Chinese Name:中國人民保險集團股份有限公司

Abbreviation of Chinese name:中國人保集團

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

Abbreviation of English name: PICC Group

REGISTERED OFFICE

No. 69 Dong He Yan Street, Xuanwu District, Beijing 100052, the PRC

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK

H Share

STOCK NAME

PICC Group

STOCK CODE

1339

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

WEBSITE

http://www.picc.com.cn

LEGAL REPRESENTATIVE

Wu Yan

SECRETARY OF THE BOARD

Li Tao

COMPANY SECRETARY

Tai Chi Shan Psyche

INFORMATION INQUIRY DEPARTMENT

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AUDITORS

International Auditors:
Ernst & Young

Domestic Auditors:
Ernst & Young Hua Ming LLP

Consulting Actuaries:
Deloitte Consulting (Shanghai) Limited Beijing Branch

LEGAL ADVISORS

as to Hong Kong law
Davis Polk & Wardwell

as to PRC law
King & Wood Mallesons

中国人民保险集团股份有限公司

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