中国人民保险集团股份有限公司

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

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

(Stock Code: 1339)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of Directors (the "Board") of The People's Insurance Company (Group) of China Limited (the "Company") announces the following audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 together with the comparative figures for the previous year, which should be read in conjunction with the following management discussion and analysis:

FINANCIAL STATEMENTS AND MATERIAL NOTES

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

(in RMB million)	*Notes*	**2014**	2013
Gross written premiums	*5*	**349,169**	306,421
Less: Premiums ceded to reinsurers	*5*	**(32,788)**	(33,811)
Net written premiums	*5*	**316,381**	272,610
Change in unearned premium reserves	*5*	**(10,767)**	(9,350)
Net earned premiums		**305,614**	263,260
Reinsurance commission income		**10,109**	11,477
Investment income	*6*	**33,426**	27,829
Other income		**2,347**	2,172
TOTAL INCOME		**351,496**	304,738
Claims and policyholder's benefits:		**238,760**	208,290
Life insurance death and other benefits paid		**95,422**	28,592
Claims incurred, net		**141,157**	125,166
Changes in long-term life insurance contract liabilities		**(2,171)**	51,209
Policyholder dividends		**4,352**	3,323
Handling charges and commissions		**26,464**	21,659
Finance costs		**5,053**	5,512
Exchange (gains)/losses, net		**(34)**	646
Other operating and administrative expenses		**63,678**	55,932
TOTAL BENEFITS, CLAIMS AND EXPENSES		**333,921**	292,039
Share of profits and losses of associates		**5,845**	2,971
PROFIT BEFORE TAX	*7*	**23,420**	15,670
Income tax expense	*8*	**(4,705)**	(3,615)
PROFIT FOR THE YEAR		**18,715**	12,055
Attributable to:			
Equity holders of the parent		**13,109**	8,121
Non-controlling interests		**5,606**	3,934
		18,715	12,055
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (in RMB)			
– Basic	*9*	**0.31**	0.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

(in RMB million)	**2014**	2013
PROFIT FOR THE YEAR	**18,715**	12,055
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Fair value gains/(losses)	**13,972**	(2,166)
– Reclassification of gains to profit or loss on disposals	**(2,714)**	(3,588)
– Impairment losses	**1,655**	3,323
Income tax effect		
– Fair value gains/(losses)	**(1,967)**	(480)
– Reclassification of gains to profit or loss on disposals	**389**	526
– Impairment losses	**(181)**	(337)
	11,154	(2,722)
Net gains/(losses) on cash flow hedges	**15**	(57)
Income tax effect	**(4)**	14
	11	(43)
Exchange differences on translating foreign operations	**12**	(28)
NET OTHER COMPREHENSIVE INCOME/(EXPENSE) MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**11,177**	(2,793)
Items that will not be reclassified to profit or loss:		
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	**442**	369
Income tax effect	**(110)**	(92)
	332	277
Actuarial (losses)/gains on pension benefit obligation	**(384)**	187
NET OTHER COMPREHENSIVE (EXPENSE)/INCOME WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**(52)**	464
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	**11,125**	(2,329)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**29,840**	9,726
Attributable to:		
– Equity holders of the parent	**21,434**	6,475
– Non-controlling interests	**8,406**	3,251
	29,840	9,726

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

(in RMB million)	*Notes*	**31 December 2014**	31 December 2013
ASSETS			
Cash and cash equivalents		**39,307**	46,607
Derivative financial assets		**23**	16
Debt securities		**235,905**	243,756
Equity securities and trust schemes		**92,637**	97,612
Insurance receivables, net	*11*	**18,475**	26,762
Reinsurance assets		**25,857**	27,222
Term deposits		**164,408**	137,607
Restricted statutory deposits		**9,346**	8,992
Investments in associates and a joint venture	*12*	**36,128**	28,268
Investment properties		**10,682**	10,075
Property and equipment		**21,590**	22,054
Intangible assets		**808**	533
Prepaid land premiums		**3,902**	3,754
Deferred tax assets		**1,086**	1,545
Other assets		**122,067**	100,516
TOTAL ASSETS		**782,221**	755,319
LIABILITIES			
Securities sold under agreements to repurchase		**35,488**	44,448
Derivative financial liabilities		**2**	10
Income tax payable		**979**	57
Due to banks and other financial institutions		**687**	501
Subordinated debts		**47,914**	46,837
Insurance contract liabilities		**478,640**	461,776
Investment contract liabilities for policyholders		**25,520**	41,640
Policyholder dividends payable		**7,966**	7,806
Pension benefit obligation		**2,862**	2,614
Deferred tax liabilities		**915**	435
Other liabilities		**55,671**	54,394
TOTAL LIABILITIES		**656,644**	660,518

(in RMB million)	*Notes*	**31 December 2014**	31 December 2013
EQUITY			
Issued capital	*13*	**42,424**	42,424
Reserves		**50,157**	29,151
Equity attributable to equity holders of the parent		**92,581**	71,575
Non-controlling interests		**32,996**	23,226
TOTAL EQUITY		**125,577**	94,801
TOTAL EQUITY AND LIABILITIES		**782,221**	755,319

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

(in RMB million)

	Attributable to equity holders of the parent													
	Share capital *(note 13)*	**Share premium account**	**Available-for-sale investment revaluation reserve**	**General risk reserve**	**Agriculture catastrophic loss reserve**	**Asset revaluation**	**Cash flow hedge**	**Foreign currency translation reserve**	**Surplus reserve fund***	**Other reserves**	**Retained profits**	**Subtotal**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2014	**42,424**	**19,925**	**(6,300)**	**2,845**	**–**	**1,716**	**(3)**	**(105)**	**579**	**(14,989)**	**25,483**	**71,575**	**23,226**	**94,801**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,109**	**13,109**	**5,606**	**18,715**
Other comprehensive income/(expense)	**–**	**–**	**8,442**	**–**	**–**	**250**	**8**	**9**	**–**	**–**	**(384)**	**8,325**	**2,800**	**11,125**
Total comprehensive income	**–**	**–**	**8,442**	**–**	**–**	**250**	**8**	**9**	**–**	**–**	**12,725**	**21,434**	**8,406**	**29,840**
Appropriations to general risk reserve and surplus reserve fund	**–**	**–**	**–**	**1,166**	**–**	**–**	**–**	**–**	**223**	**–**	**(1,389)**	**–**	**–**	**–**
Appropriations to catastrophic loss reserve for agriculture insurance	**–**	**–**	**–**	**–**	**497**	**–**	**–**	**–**	**–**	**–**	**(497)**	**–**	**–**	**–**
Dividends paid to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(352)**	**(352)**	**(981)**	**(1,333)**
Capital contributed by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,269**	**2,269**
Change in ownership interest in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(76)**	**–**	**(76)**	**76**	**–**
Balance at 31 December 2014	**42,424**	**19,925**	**2,142**	**4,011**	**497**	**1,966**	**5**	**(96)**	**802**	**(15,065)**	**35,970**	**92,581**	**32,996**	**125,577**

	Attributable to equity holders of the parent												
	Share capital *(note 13)*	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Asset revaluation	Cash flow hedge	Foreign currency translation reserve	Surplus reserve fund*	Other reserves	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2013	42,424	19,925	(4,316)	2,049	1,513	28	(84)	317	(14,889)	18,407	65,374	17,968	83,342
Profit for the year	–	–	–	–	–	–	–	–	–	8,121	8,121	3,934	12,055
Other comprehensive income/(expense)	–	–	(1,984)	–	203	(31)	(21)	–	–	187	(1,646)	(683)	(2,329)
Total comprehensive income/(expense)	–	–	(1,984)	–	203	(31)	(21)	–	–	8,308	6,475	3,251	9,726
Appropriations to general risk reserve and surplus reserve fund	–	–	–	796	–	–	–	262	–	(1,058)	–	–	–
Dividends paid to shareholders	–	–	–	–	–	–	–	–	–	(163)	(163)	(1,041)	(1,204)
Capital contributed by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	2,951	2,951
Change in ownership interest in subsidiaries	–	–	–	–	–	–	–	–	(100)	–	(100)	100	–
Others	–	–	–	–	–	–	–	–	–	(11)	(11)	(3)	(14)
Balance at 31 December 2013	42,424	19,925	(6,300)	2,845	1,716	(3)	(105)	579	(14,989)	25,483	71,575	23,226	94,801

* This reserve contains both statutory and discretionary surplus reserves.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

(in RMB million)	*Notes*	**2014**	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**23,420**	15,670
Adjustments for:			
Investment income	6	**(33,426)**	(27,829)
Exchange (gains)/losses, net		**(34)**	646
Share of profits and losses of associates		**(5,845)**	(2,971)
Depreciation of property and equipment		**2,567**	2,031
Amortisation of intangible assets		**115**	90
Amortisation of prepaid land premiums		**131**	126
Disposal gains from property and equipment and intangible assets		**(71)**	(83)
Finance costs except for interests credited to policyholders		**3,715**	3,571
Impairment losses		**564**	217
Investment expenses		**161**	129
Decrease/(increase) in insurance receivables, net		**7,770**	(3,645)
Decrease in investment contract liabilities for policyholders		**(16,120)**	(8,672)
Increase in insurance contract liabilities, net		**18,229**	66,852
Decrease/(increase) in other assets and prepayments, net		**1,275**	(234)
Increase in other liabilities and accruals, net		**1,867**	10,945
Cash generated from operations		**4,318**	56,843
Income tax paid		**(4,717)**	(2,992)
Net cash flows (used in)/from operating activities		**(399)**	53,851
CASH FLOWS FROM INVESTING ACTIVITIES			
Interests received		**25,641**	20,874
Dividends received		**5,651**	5,577
Decrease/(increase) in policy loans		**1,600**	(204)
Capital expenditures		**(3,864)**	(3,776)
Proceeds from disposals of investment properties, plants and equipments and intangible assets		**224**	358
Acquisition of a joint venture		**(2,895)**	–
Purchases of investments		**(222,668)**	(282,369)
Proceeds from disposals of investments		**227,430**	213,591
Payments for investment expenses		**(161)**	(129)
Placement of deposits with banks with original maturity of more than three months		**(38,064)**	(31,346)
Maturity of deposits with banks with original maturity of more than three months		**11,289**	13,730
Net cash flows from/(used in) investing activities		**4,183**	(63,694)

(in RMB million)	**2014**	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares by subsidiaries	**2,269**	2,951
Share issuance expenses	**(24)**	(613)
Decrease in securities sold under agreements to repurchase	**(8,960)**	(26,842)
Issue of subordinated debts	**8,000**	21,948
Proceeds from banks and other financial institutions	**186**	139
Repayment of subordinated debts	**(6,900)**	(10,058)
Interests paid	**(3,643)**	(3,330)
Dividends paid	**(1,333)**	(1,204)
Repayment of other debts	**(687)**	–
Net cash flows used in financing activities	**(11,092)**	(17,009)
Net decrease in cash and cash equivalents	**(7,308)**	(26,852)
Cash and cash equivalents at beginning of the year	**46,607**	73,873
Effects of exchange rate changes on cash and cash equivalents	**8**	(414)
Cash and cash equivalents at end of the year	**39,307**	46,607
Analysis of balances of cash and cash equivalents		
Cash on hand	**1**	6
Securities purchased under resale agreements with original maturity of less than three months	**5,636**	6,583
Demand deposits and deposits with banks with original maturity of less than three months	**33,670**	40,018
Cash and cash equivalents at end of the year	**39,307**	46,607

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

(in RMB million)	*Notes*	**31 December 2014**	31 December 2013
ASSETS			
Cash and cash equivalents		**3,796**	2,876
Debt securities		**2,035**	4,512
Equity securities		**5,175**	9,834
Term deposits		**548**	5,970
Investments in subsidiaries		**81,088**	74,448
Investments in associates	*12*	**4,259**	3,671
Investment properties		**1,141**	1,136
Property and equipment		**190**	227
Intangible assets		**30**	38
Prepaid land premiums		**71**	72
Other assets		**5,216**	2,414
TOTAL ASSETS		**103,549**	105,198
LIABILITIES			
Securities sold under agreement to repurchase		**345**	1,955
Subordinated debts		**15,963**	17,856
Pension benefit obligation		**2,862**	2,614
Other liabilities		**1,596**	2,277
TOTAL LIABILITIES		**20,766**	24,702
EQUITY			
Share capital	*13*	**42,424**	42,424
Reserves		**40,359**	38,072
TOTAL EQUITY		**82,783**	80,496
TOTAL EQUITY AND LIABILITIES		**103,549**	105,198

NOTES:

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the year ended 31 December 2014, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty ("P&C") insurance, life and health insurance, asset management and other businesses.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board and the disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties, certain financial instruments and insurance contract liabilities. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

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

3 APPLICATIONS OF NEW AND REVISED IFRSs

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

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

Amendments to IAS 27 – *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost,
- In accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted IFRS 9), or
- Using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The Company early adopted these amendments to its separate financial statement for the current year. It continues accounting for its investments in subsidiaries at cost, but accounts for its investment in an associate by equity method as described in IAS 28 instead of at cost.

Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

Amendments to IAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting*

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

IFRIC 21 – *Levies*

IFRIC 21 Levies addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The adoption of the above amendments to IFRSs and the new interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

- The non-life insurance segment offers a wide variety of insurance products to both personal and corporate customers including automobile insurance, agricultural, property and liabilities 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 medical insurance products.
- The asset management segment comprises asset management services.
- The headquarters segment provides management and support for the Group's business through its strategy, risk management, treasury, finance, legal and human resources functions.
- The "others" segment comprises other operating and insurance agent business of the Group.

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

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

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

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

Segment revenue and results for the year ended 31 December 2014

(in RMB million)	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
Net earned premiums	211,797	79,822	13,995	–	–	–	–	305,614
Reinsurance commission income	9,988	30	91	–	–	–	–	10,109
Investment income	13,079	18,017	1,533	480	2,826	129	(2,638)	33,426
Other income	1,323	277	90	921	14	401	(679)	2,347
TOTAL INCOME – SEGMENT REVENUE	236,187	98,146	15,709	1,401	2,840	530	(3,317)	351,496
– External income	236,118	98,060	15,704	946	458	210	–	351,496
– Intersegment income	69	86	5	455	2,382	320	(3,317)	–
Claims and policyholders' benefits	136,322	88,663	13,775	–	–	–	–	238,760
Handling charges and commissions	23,388	3,029	321	7	–	–	(281)	26,464
Finance costs	1,631	1,810	575	14	994	29	–	5,053
Exchange losses, net	(4)	(16)	–	–	(14)	–	–	(34)
Other operating and administrative expenses	56,139	4,612	1,426	818	673	452	(442)	63,678
TOTAL BENEFITS, CLAIMS AND EXPENSES	217,476	98,098	16,097	839	1,653	481	(723)	333,921
Share of profits and losses of associates	2,598	2,287	–	10	1,126	–	(176)	5,845
PROFIT/(LOSS) BEFORE TAX	21,309	2,335	(388)	572	2,313	49	(2,770)	23,420
Income tax (expense)/credit	(4,335)	(464)	2	(181)	255	(30)	48	(4,705)
PROFIT/(LOSS) FOR THE YEAR – SEGMENT RESULTS	16,974	1,871	(386)	391	2,568	19	(2,722)	18,715

Segment revenue and results for the year ended 31 December 2013

(in RMB million)	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
Net earned premiums	183,125	74,986	5,193	–	–	–	(44)	263,260
Reinsurance commission income	11,194	22	261	–	–	–	–	11,477
Investment income	10,568	15,411	992	431	3,890	133	(3,596)	27,829
Other income	1,239	429	113	811	61	274	(755)	2,172
TOTAL INCOME – SEGMENT REVENUE	206,126	90,848	6,559	1,242	3,951	407	(4,395)	304,738
– External income	206,030	90,564	6,549	595	816	184	–	304,738
– Intersegment income	96	284	10	647	3,135	223	(4,395)	–
Claims and policyholders' benefits	121,355	81,950	4,985	–	–	–	–	208,290
Handling charges and commissions	19,030	2,605	177	16	–	–	(169)	21,659
Finance costs	2,060	1,948	731	5	743	25	–	5,512
Exchange losses, net	136	132	2	1	375	–	–	646
Other operating and administrative expenses	49,358	4,213	1,459	779	621	392	(890)	55,932
TOTAL BENEFITS, CLAIMS AND EXPENSES	191,939	90,848	7,354	801	1,739	417	(1,059)	292,039
Share of profits and losses of associates	1,221	1,134	–	(4)	698	–	(78)	2,971
PROFIT/(LOSS) BEFORE TAX	15,408	1,134	(795)	437	2,910	(10)	(3,414)	15,670
Income tax (expense)/credit	(3,209)	(308)	–	(108)	(25)	(13)	48	(3,615)
PROFIT/(LOSS) FOR THE YEAR – SEGMENT RESULTS	12,199	826	(795)	329	2,885	(23)	(3,366)	12,055

Segment assets and liabilities as at 31 December 2014 and 2013, and other segment information for the year ended 31 December 2014 and 2013

(in RMB million)	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
31 December 2014								
Segment assets	**365,846**	**354,044**	**33,605**	**8,216**	**103,438**	**5,654**	**(88,582)**	**782,221**
Segment liabilities	**280,372**	**323,756**	**30,267**	**1,891**	**20,765**	**1,879**	**(2,286)**	**656,644**
Other segment information:								
Capital expenditures	**2,116**	**1,178**	**40**	**121**	**42**	**367**	**–**	**3,864**
Depreciation and amortisation	**2,414**	**97**	**39**	**22**	**69**	**119**	**53**	**2,813**
Interest income	**10,854**	**14,167**	**1,375**	**174**	**447**	**8**	**–**	**27,025**
Impairment losses	**1,025**	**926**	**10**	**42**	**216**	**–**	**–**	**2,219**
31 December 2013								
Segment assets	321,971	366,913	29,144	7,448	105,503	5,413	(81,073)	755,319
Segment liabilities	262,799	344,195	27,841	1,631	24,749	1,653	(2,350)	660,518
Other segment information:								
Capital expenditures	1,807	1,608	25	120	150	66	–	3,776
Depreciation and amortisation	1,934	87	42	18	58	116	(8)	2,247
Interest income	8,785	12,189	942	133	402	12	–	22,463
Impairment losses	1,539	1,946	25	–	–	30	–	3,540
Gain on reclassification of available-for-sale financial assets to an associate	1,282	990	–	–	176	–	–	2,448

5. GROSS AND NET WRITTEN PREMIUMS

(in RMB million)	**2014**	2013
(a) Gross written premiums		
Long-term life insurance premiums	**86,965**	74,723
Short-term health insurance premiums	**9,038**	8,076
Non-life insurance premiums	**253,166**	223,622
Total	**349,169**	306,421

(in RMB million)	**2014**	2013
(b) Premiums ceded to reinsurers		
Long-term life insurance premiums ceded to reinsurers	**(302)**	(271)
Short-term health insurance premiums ceded to reinsurers	**(1,713)**	(2,229)
Non-life insurance premiums ceded to reinsurers	**(30,773)**	(31,311)
Total	**(32,788)**	(33,811)
Net written premiums	**316,381**	272,610
(c) Change in unearned premium reserves		
Change in gross unearned premium reserves	**(9,122)**	(11,088)
Less: Change in reinsurer's share of unearned premium reserves	**(1,645)**	1,738
Net	**(10,767)**	(9,350)

6. INVESTMENT INCOME

(in RMB million)	**2014**	2013
Dividend, interest and rental income (a)	**31,843**	27,248
Realised gains (b)	**2,852**	3,570
Fair value gains (c)	**386**	334
Impairment losses (d)	**(1,655)**	(3,323)
TOTAL	**33,426**	27,829

(a) Dividend, interest and rental income

(in RMB million)	**2014**	2013
Operating lease income from investment properties	**272**	278
Interest income		
Current and term deposits	**9,315**	7,495
Debt securities		
– Held-to-maturity	**6,085**	5,969
– Available-for-sale	**5,713**	4,656
– Held-for-trading	**104**	74
Derivative financial assets	**15**	32
Loans and receivables	**5,793**	4,237
SUBTOTAL	**27,025**	22,463

(in RMB million)	**2014**	2013
Dividend and trust income		
– Available-for-sale	**3,936**	4,340
– Held-for-trading	**610**	167
SUBTOTAL	**4,546**	4,507
TOTAL	**31,843**	27,248

(b) Realised gains

(in RMB million)	**2014**	2013
Debt securities		
– Available-for-sale	**161**	(85)
– Held-for-trading	**39**	(9)
Equity securities		
– Available-for-sale	**2,553**	3,673
– Held-for-trading	**99**	(9)
TOTAL	**2,852**	3,570

(c) Fair value gains

(in RMB million)	**2014**	2013
Debt securities		
– Held-for-trading	**57**	(42)
Equity securities		
– Held-for-trading	**308**	87
Derivative financial instruments		
– Held-for-trading	**–**	(7)
Investment properties	**21**	296
TOTAL	**386**	334

(d) Impairment losses

(in RMB million)	**2014**	2013
Equity securities		
– Available-for-sale	**1,655**	3,323

7. PROFIT BEFORE TAX

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

(in RMB million)	**2014**	2013
Employee costs (a)	**28,317**	23,411
Depreciation of property and equipment	**2,567**	2,031
Impairment losses recognised on insurance receivables (note 11)	**517**	188
Impairment losses recognised on property and equipment	**26**	1
Impairment losses recognised on other assets	**21**	28
Minimum lease payments under operating leases in respect of land and buildings	**819**	582
Amortisation of intangible assets	**115**	90
Amortisation of prepaid land premium	**131**	126
Auditors' remuneration	**26**	28

(a) Employee costs

(in RMB million)	**2014**	2013
Employee costs (including directors' and supervisors' remuneration)		
– Salaries, allowances and performance related bonuses	**26,103**	21,516
– Pension scheme contributions	**2,214**	1,895
TOTAL	**28,317**	23,411

8. INCOME TAX EXPENSE

(in RMB million)	**2014**	2013
Current income tax		
– Charge for the year	**5,616**	2,976
– Adjustments in respect of current tax of previous periods	**23**	1
Deferred income tax	**(934)**	638
TOTAL	**4,705**	3,615

In accordance with the relevant PRC income tax rules and regulations, the Company and Company's subsidiaries registered in the PRC are subject to corporate income tax ("CIT") at the statutory rate of 25% (2013: 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 ("PICC Hong Kong"), a subsidiary incorporated in Hong Kong, was subject to a profits tax rate of 16.5% in 2014 (2013: 16.5%).

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

(in RMB million)	**2014**	2013
Profit before tax	**23,420**	15,670
Tax at the statutory tax rate	**5,855**	3,918
Adjustments in respect of current tax of previous periods	**23**	1
Tax effect of share of profits and losses of associates	**(1,461)**	(743)
Income not subject to tax	**(930)**	(1,002)
Expenses not deductible for tax	**408**	343
Utilisation of tax losses previously not recognised	**–**	(88)
Unrecognised deductible temporary differences and tax losses	**814**	1,191
Effects of different tax rates applied to subsidiaries	**(4)**	(5)
Tax charge at the Group's effective tax rate	**4,705**	3,615
Effective tax rate	**20.1%**	23.1%

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the years 2014 and 2013 is based on the profit attributable to equity holders of the parent and the number of ordinary shares in issue during the year.

(in RMB million)	**2014**	2013
Profit attributable to equity holders of the parent for the year	**13,109**	8,121
Number of ordinary shares (in million shares)	**42,424**	42,424
Basic earnings per share (in RMB)	**0.31**	0.19

No diluted earnings per share has been presented for the years 2014 and 2013 as the Group had no potential ordinary shares in issue during the periods.

10. DIVIDENDS

(in RMB million)	**2014**	2013
Dividends recognised as distributions during the year:		
2013 Final, paid – RMB 0.83 cent per share (2013: 2012 Final, paid – RMB 0.38458 cent per share)	**352**	163

As at 27 March 2015, final dividend in respect of the year ended 31 December 2014 of RMB0.94671 cent per share (2013: RMB0.83 cent per share in respect of the year ended 31 December 2013) has been proposed by the Board of Directors and is subject to approval by the shareholders at the forthcoming general meeting.

11. INSURANCE RECEIVABLES, NET

The Group

(in RMB million)	**31 December 2014**	31 December 2013
Insurance receivables	**21,164**	29,075
Less: Impairment provision on insurance receivables	**(2,689)**	(2,313)
TOTAL	**18,475**	26,762

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

(in RMB million)	**2014**	2013
At 1 January	**2,313**	2,414
Impairment losses recognised (note 7)	**517**	188
Amount written off as uncollectible	**(141)**	(289)
At 31 December	**2,689**	2,313

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

(in RMB million)	**31 December 2014**	31 December 2013
Not yet due and within 3 months	**16,519**	24,813
3 to 6 months	**677**	1,031
6 to 12 months	**917**	671
1 to 2 years	**280**	177
Over 2 years	**82**	70
Total	**18,475**	26,762

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

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

12. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

(a) The Group's and the Company's investments in associates and a joint venture as at 31 December 2014 and 2013 are as follows:

The Group

(in RMB million)	**31 December 2014**	31 December 2013
Associates		
Share of net assets:		
Listed investments in Mainland China	**26,718**	22,472
Unlisted investments	**6,515**	5,796
Subtotal	**33,233**	28,268
A joint venture		
Share of net asset:		
Unlisted investment	**2,895**	–
Total	**36,128**	28,268
Fair value of shares listed in Mainland China	**30,253**	18,679

On 31 December 2014, except for Industrial Bank Co., Ltd. ("Industrial Bank") which was listed on The Shanghai Stock Exchange, Mainland China, all other associates and a joint venture that the Group holds interests in are unlisted companies.

The Company

(in RMB million)	**31 December 2014**	31 December 2013
An associate		
Share of net asset:		
Unlisted investment	**4,259**	3,671

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

Associates	Place of registration	Principal activities/ Place of operation	Percentage of ownership interest and voting rights held by the Group 31 December 2014 Direct	31 December 2014 Indirect	31 December 2013 Direct	31 December 2013 Indirect
Industrial Bank	Fujian	Banking, China	**0.91%**	**9.96%**	0.91%	9.96%
China Credit Trust Company Limited	Beijing	Trust business, China	**32.92%**	**–**	32.92%	–

The Group accounts for its interests in Industrial Bank as an associate as it has a representative in board of directors in Industrial Bank.

The above table list of the associates of the Group which principally affected the results of the year of the Group. To give details of other associates and joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

13. SHARE CAPITAL

The Group and the Company

	31 December 2014	31 December 2013
Issued and fully paid ordinary shares of RMB 1 each (in million shares)		
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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group divides its three principal business lines of P&C insurance, life and health insurance and asset management into four operating segments: P&C insurance business constitutes the Group's P&C insurance segment, and includes PICC Property and Casualty Company Limited ("PICC P&C") and PICC Hong Kong, in which the Company holds 68.98% and 75.0% equity interest, respectively; life and health insurance business constitutes two separate segments, including life insurance segment and health insurance segment, among which the life insurance segment includes PICC Life Insurance Company Limited ("PICC Life"), in which the Company directly and indirectly holds 80.0% equity interest, and the health insurance segment includes PICC Health Insurance Company Limited ("PICC Health"), in which the Company directly and indirectly holds 93.95% equity interest; 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% equity interest, respectively.

Key Operating Indicators

(1) Key Operating Data

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2014	2013	(% of change)
Original Premiums Income [1]			
PICC P&C	**252,419**	223,005	13.2
PICC Life	**78,718**	75,273	4.6
PICC Health	**15,795**	7,640	106.7
Combined ratio of PICC P&C (%)	**96.5**	96.7	Decrease of 0.2 pt
Value of one year's new business of PICC Life	**3,668**	4,070	(9.9)
Value of one year's new business of PICC Health	**276**	481	(42.6)
Total investment yield (%)	**6.0**	5.2	Increase of 0.8 pt

RMB in millions, except for percentages

	As of 31 December 2014	As of 31 December 2013	(% of change)
Market share [(2)]			
PICC P&C (%)	**33.5**	34.4	Decrease of 0.9 pt
PICC Life (%)	**6.2**	7.0	Decrease of 0.8 pt
PICC Health (%)	**1.2**	0.7	Increase of 0.5 pt
Embedded Value of PICC Life	**47,414**	36,863	28.6
Embedded Value of PICC Health	**4,463**	2,491	79.2
Solvency margin ratio of the Group (%)	**182**	148	Increase of 34 pt
Solvency margin ratio of the PICC P&C (%)	**239**	180	Increase of 59 pt
Solvency margin ratio of PICC Life (%)	**301**	202	Increase of 99 pt
Solvency margin ratio of PICC Health (%)	**187**	116	Increase of 71 pt

(1) According to the statistics and measurement of the Original Premiums Income in the PRC (excluding Hong Kong, Macau and Taiwan) published by the China Insurance Regulatory Commission (the "CIRC");

(2) The market share of PICC P&C represents its market share among all P&C insurance companies, and the market share of PICC Life and PICC Health represents their respective market share among all life and health insurance companies.

In 2014, by adhering to its key aspiration of "Further reform and innovation, maintenance of stable growth and emphasizing value creation", the business of the Group has grown steadily with strengthening synergies, despite increasing pressure from the economic slowdown and intensifying industry competition. In 2014, the market share of PICC P&C in the P&C insurance market was 33.5%, the market share of PICC Life in life and health insurance market was 6.2% and the market share of PICC Health in life and health insurance market was 1.2%. In terms of the total written premiums (the "TWPs"), the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB252,419 million, RMB81,348 million, RMB17,978 million, HKD137 million, respectively in 2014. The Group actively pursued the transformation towards "customer-orientated business" and the promotion of unified development of the Group. The TWPs generated by cross-selling among the Group's business lines grew by 16.4% to RMB23,004 million in 2014 from RMB19,769 million in 2013. In 2014, the number of policyholders who purchased two or more types of property, life and health insurance products reached 3.273 million, a 21.8% increase compared to the same period in 2013, and the number of policies purchased by such policyholders increased to 4.66 policies per person on average.

(2) Key Financial Indicators

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2014	2013	(% of change)
Gross written premiums	**349,169**	306,421	14.0
P&C Insurance	**253,166**	223,622	13.2
Life Insurance	**80,197**	75,273	6.5
Health Insurance	**15,806**	7,525	110.0
Profit before tax	**23,420**	15,670	49.5
Net profit	**18,715**	12,055	55.2
Net profit attributable to equity holders of the Company	**13,109**	8,121	61.4
Earnings per share (RMB)	**0.31**	0.19	61.4
Weighted average return on equity (%)	**16.0**	11.9	Increase of 4.1 pt

RMB in millions, except for percentages

	As of 31 December 2014	As of 31 December 2013	(% of change)
Total assets	**782,221**	755,319	3.6
Total liabilities	**656,644**	660,518	(0.6)
Total equity	**125,577**	94,801	32.5
Net assets per share (RMB)	**2.18**	1.69	29.3
Gearing ratio[1] (%)	**83.9**	87.4	Decrease of 3.5 pt

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

The Group's capital base has been further strengthened in which total equity grew by 32.5% to RMB125,577 million as of 31 December 2014 from RMB94,801 million as of 31 December 2013. In 2014, the Group realized gross written premiums ("GWPs") of RMB349,169 million, representing a 14.0% increase as compared to 2013. The Group's net profit grew by 55.2% to RMB18,715 million in 2014 from RMB12,055 million in 2013. Profit attributable to equity holders of the Company grew by 61.4% to RMB13,109 million in 2014 from RMB8,121 million in 2013. The weighted average return on equity of the Group increased by 4.1 percentage points to 16% in 2014 from 11.9% in 2013.

The net assets per share of the Group increased by 29.3% to RMB2.18 as of 31 December 2014 from RMB1.69 as of 31 December 2013. The Group's earnings per share increased by 61.4% to RMB0.31 in 2014 from RMB0.19 in 2013. The Group's gearing ratio decreased by 3.5 percentage points to 83.9% as of 31 December 2014 from 87.4% as of 31 December 2013.

P&C INSURANCE BUSINESS

In 2014, the Chinese economy has entered a new stage of development. The Group's P&C insurance segment enhanced reform and innovation, strengthened its foundation building, enhanced risk management, strongly strengthened its foundation of development, maintained stable growth in business, achieved stable growth in assets and improved its capital strength with record-high operating results.

(1) Analysis by Product

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

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2014	2013	(% of change)
Motor vehicle insurance	**185,058**	163,246	13.4
Commercial property insurance	**12,975**	12,633	2.7
Liability insurance	**10,104**	8,504	18.8
Accidental injury and health insurance	**14,162**	9,934	42.6
Cargo insurance	**3,563**	3,674	(3.0)
Agricultural insurance	**17,143**	16,566	3.5
Other P&C insurance	**10,161**	9,065	12.1
Total	**253,166**	223,622	13.2

GWPs for the P&C insurance segment increased by 13.2% to RMB253,166 million in 2014 from RMB223,622 million in 2013. The overall steady growth was largely driven by the rapid development in the motor vehicle insurance, accidental injury and health insurance and liability insurance.

GWPs for motor vehicle insurance increased by 13.4% to RMB185,058 million in 2014 from RMB163,246 million in 2013. In 2014, the P&C insurance segment actively expanded the new-motor vehicle insurance market and simultaneously exploited the inventory business resources to increase the number of motor vehicle policies, the increase in renewal and transfer of policies exceeded the overall growth. The average motor vehicle premium remained stable and thereby the insured amount has achieved stable growth.

GWPs for commercial property insurance increased by 2.7% to RMB12,975 million in 2014 from RMB12,633 million in 2013. The P&C insurance segment actively reacted to the sluggish market environment, promoted latitude management system for insurance policies and actively developed overseas businesses and achieved a steady growth in average premium.

GWPs for liability insurance increased by 18.8% to RMB10,104 million in 2014 from RMB8,504 million in 2013. In 2014, government authorities continued to deepen the society management function of the liability insurance system and introduced a series of regulatory policies. The P&C insurance segment seized this opportunity to deepen business co-operation, foster business promotion and training. Businesses from the public, employers, safe production, medical and product liability insurance recorded a relatively fast growth.

GWPs for accidental injury and health increased by 42.6% to RMB14,162 million in 2014 from RMB9,934 million in 2013. In 2014, P&C insurance segment implemented the development strategy for accidental injury insurance – "Specialization of Group Business" and "Diversification of Business Channels", optimized and adjusted business structure under the foundation of entire development. The accidental injury insurance for school children, motor vehicle owners and borrowers recorded steady growth. The major disease insurance business in P&C insurance segment continually recorded surging growth and the market share for health insurance recorded steady increase.

GWPs for cargo insurance decreased by 3.0% to RMB3,563 million in 2014 from RMB3,674 million in 2013, mainly affected by the global economic condition and the decrease in shipment insurance premium.

GWPs for agricultural insurance increased by 3.5% to RMB17,143 million in 2014 from RMB16,566 million in 2013. Agricultural insurance in the P&C insurance segment has basically covered the entire country and the agricultural insurance business has entered a steady growth stage.

GWPs attributable to other P&C insurance in the P&C insurance segment increased by 12.1% to RMB10,161 million in 2014 from RMB9,065 million in 2013. In 2014, the rapid growth in engineering insurance in P&C insurance segment is attributable to the State's planning on infrastructure construction development. Meanwhile, the credit insurance business in the P&C insurance segment recorded a rapid growth which is attributable to, under the premise that risks are controllable, the actively promoting of the businesses of short-term export credit insurance, credit insurance for loan losses for financial institutions and loan guarantee insurance.

(2) Analysis by Channel

The following table sets forth a breakdown of Original Premiums Income of PICC P&C by distribution channel for the reporting periods indicated, which can be further divided into insurance agents, direct sales and insurance brokerage. In 2014, PICC P&C insisted on market orientation. By grasping development opportunity, enhancing sales capabilities and continuing to deepen the merger of telemarketing and online sales, the development in telemarketing business has achieved new horizon, with direct sales channels revenue increased steadily and the Original Premiums Income accounted for 37.0% in 2014, representing an increase of 2.5 percentage points from 34.5% in 2013, of which the emerging sales channels such as telemarketing and online sales continued to record tremendous growth. The Original Premiums Income amounted to RMB49,397 million, representing an increase of 20.9% compared to same period in 2013.

RMB in millions, except for percentages

	For the Year Ended 31 December				
	2014			2013	
	Amount	**(% of total)**	**(% of change)**	Amount	(% of total)
Insurance agents	**145,095**	**57.5**	**8.3**	133,962	60.0
Among which:					
Individual insurance agents	**77,395**	**30.7**	**6.3**	72,835	32.6
Ancillary insurance agents	**52,012**	**20.6**	**5.1**	49,505	22.2
Professional insurance agents	**15,688**	**6.2**	**35.0**	11,622	5.2
Direct sales	**93,421**	**37.0**	**21.6**	76,843	34.5
Insurance brokerage	**13,903**	**5.5**	**14.0**	12,200	5.5
Total	**252,419**	**100.0**	**13.2**	223,005	100.0

(3) Financial Analysis

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

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2014	2013	(% of change)
Net earned premiums	**211,797**	183,125	15.7
Investment income	**13,079**	10,568	23.8
Other income	**1,323**	1,239	6.8
Total income	**236,187**	206,126	14.6
Claims and policyholders' benefits	**136,322**	121,355	12.3
Handling charges and commissions	**23,388**	19,030	22.9
Finance costs	**1,631**	2,060	(20.8)
Other operating and administrative expenses	**56,139**	49,358	13.7
Total benefits, claims and expenses	**217,476**	191,939	13.3
Profit before tax	**21,309**	15,408	38.3
Income tax expense	**(4,335)**	(3,209)	35.1
Net profit	**16,974**	12,199	39.1

Net earned premiums

Benefited from the relatively rapid development in the businesses of motor vehicle insurance, accidental injury and health insurance and liability insurance, net earned premiums of the P&C insurance segment increased by 15.7% to RMB211,797 million in 2014 from RMB183,125 million in 2013.

Investment Income

Investment income of the P&C insurance segment increased by 23.8% to RMB13,079 million in 2014 from RMB10,568 million in 2013. The increase was mainly attributed to the increased allocation of resources in negotiated deposits, debt investment schemes of good credit rating and high quality, asset management products and asset securities products. It also benefited from gains in the domestic capital market which contributed to a significant increase in investment income.

Claims and policyholders' benefits

Claims and policyholders' benefits for the P&C insurance segment increased by 12.3% to RMB136,322 million in 2014 from RMB121,355 million in 2013, of which the loss ratio of PICC P&C reduced by 1.8 percentage points to 64.4% in 2014 from 66.2% in 2013. The P&C insurance segment continually strengthened its control and management over insurance policies, upgraded the standards for personal injury, spare parts and work hours management as well as the control over the costs of repair and maintenance workshops and 4S shops, which resulted in the decrease of the loss ratio in motor vehicle insurance.

Handling charges and commissions

Handling charges and commissions of the P&C insurance segment increased by 22.9% to RMB23,388 million in 2014 from RMB19,030 million in 2013. The increase in handling charges and commissions were mainly due to intense competition.

Finance costs

Finance costs of P&C insurance segment decreased by 20.8% to RMB1,631 million in 2014 from RMB2,060 million in 2013. This was mainly due to the decrease in interests payments on subordinated debts and financial assets sold under repurchase agreements.

Net profit

As a result of the foregoing reasons, the net profit of P&C insurance segment increased by 39.1% to RMB16,974 million in 2014 from RMB12,199 million in 2013.

LIFE AND HEALTH INSURANCE

(1) Life insurance

In 2014, the Group's Life insurance segment continued to explore the direction and strategy on the repositioning development, further focused on infrastructure building and value creation, strengthened staff and sales team building and consolidated the future development with more emphasis on customers. By continuously improving customers' experience, focusing on the demand of each market segment and value growth, more attractive products were launched including regular premium products targeting at specified customers with specific demand, which were designed to better adapt to market needs and to provide more protection against risks. The Group also devoted efforts to increasing its management standard with stronger backup customer service and its social security system was strengthened to provide more risk protection. The asset management function was also enhanced and its market position was further secured. In terms of Original Premiums Income, PICC Life ranked fifth in the market and second in respect of first-year TWPs.

1. Analysis by Product

Income from various products of the life insurance segment for the purpose of Original Premiums Income for the reporting periods is as follows:

RMB in millions, except for percentages

	For the Year Ended 31 December			
	2014		2013	
Life insurance products	**Amount**	**% of total**	Amount	% of total
Traditional life and health insurance	**60,505**	**76.9**	9,016	12.0
Participating life insurance	**15,146**	**19.2**	63,567	84.4
Universal life insurance	**82**	**0.1**	82	0.1
Accidental injury and short-term health insurance	**2,984**	**3.8**	2,608	3.5
Total	**78,717**	**100.0**	75,273	100.0

In terms of TWPs, in 2014, the TWPs of traditional life and health insurance, participating life insurance, universal life insurance, accidental injury and short-term health insurance amounted to RMB60,506 million, RMB16,402 million, RMB1,457 million, RMB2,984 million, respectively, of which traditional life and health insurance increased by 571.1% as compared to same period in 2013. This was primarily attributed to the rapid growth in the annual premium traditional life and health insurance products that tallied with market needs.

2. *Analysis by Channel*

Income of life insurance segment by distribution channel for the purpose of Original Premiums Income for the reporting periods, which can further be divided into bancassurance channel, individual insurance agent channel and group insurance sales channel is as follows:

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2014	2013	(% of change)
Bancassurance	**49,619**	49,489	0.3
First-year business of long-term insurance	**45,152**	45,108	0.1
Single premiums	**44,173**	43,698	1.1
First-year regular premiums	**979**	1,410	(30.6)
Renewal business	**4,286**	4,210	1.8
Short-term insurance	**181**	171	5.4
Individual Insurance	**19,063**	19,611	(2.8)
First-year business of long-term insurance	**15,079**	16,610	(9.2)
Single premiums	**12,934**	15,269	(15.3)
First-year regular premiums	**2,145**	1,341	60.0
Renewal business	**2,945**	2,176	35.3
Short-term insurance	**1,039**	825	26.0
Group Insurance	**10,036**	6,173	62.6
First-year business of long-term insurance	**8,269**	4,506	83.5
Single premiums	**8,278**	4,489	84.4
First-year regular premiums	**(9)**	17	–
Renewal business	**2**	56	(95.7)
Short-term insurance	**1,764**	1,611	9.5
Total	**78,717**	75,273	4.6

In terms of TWPs, the TWPs from the bancassurance channel, individual insurance agent channel and group insurance sales channel amounted to RMB49,636 million, RMB20,388 million and RMB11,325 million respectively for the year 2014.

In the life insurance segment, individual injury channel had repositioned to focus on value creation and renewal of premiums increased substantially. As of 31 December 2014, the number of insurance agents for the life insurance segment was 94,648. In 2014, the TWPs of first-year insurance business was RMB6,462 per insurance agent per month and the average number of new life insurance policies was 2.53 per agent per month. Bancassurance channel stabilised its scale and actively responded to new policies of the authorities, and sales of the integrated wealth management grew steadily. The group insurance channel strived on the platform of the five segments of businesses, enhanced classified guidance on branches and maintained its leading position in the market. Emerging sales channels such as telemarketing and online sales were fully utilized in the life insurance segment and service standard continued to excel.

3. *Persistency Ratios of policies and premiums*

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

	For the Year Ended 31 December	
Item	**2014**	2013
13-month policy persistency ratio (1) (%)	**50.8**	81.0
25-month policy persistency ratio (2) (%)	**75.9**	86.3
13-month premium persistency ratio (3) (%)	**88.5**	87.5
25-month premium persistency ratio (4) (%)	**82.8**	80.0

(1) The 13-month policy 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 the issuance;

(2) The 25-month policy 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 the issuance;

(3) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual life insurance policies issued in the preceding year on the 13th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance;

(4) The 25-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual life insurance policies issued in the penultimate year on the 25th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance.

4. *Financial Analysis*

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

	RMB in millions, except for percentages		
	For the Year Ended 31 December		
	2014	2013	(% of change)
Net earned premiums	**79,822**	74,986	6.4
Investment income	**18,017**	15,411	16.9
Other income	**277**	429	(35.4)
Total income	**98,146**	90,848	8.0
Claims and policyholders' benefits	**88,663**	81,950	8.2
Handling charges and commissions	**3,029**	2,605	16.3
Finance costs	**1,810**	1,948	(7.1)
Other operating and administrative expenses	**4,612**	4,213	9.5
Total benefits, claims and expenses	**98,098**	90,848	8.0
Profit before tax	**2,335**	1,134	105.9
Income tax expense	**(464)**	(308)	50.6
Net Profit	**1,871**	826	126.5

Net earned premiums

Net earned premiums for the life insurance segment increased by 6.4% to RMB79,822 million in 2014 from RMB74,986 million in 2013, mainly due to introduction of products which better satisfied the market and customers' needs as well as the increased efforts in business promotion.

Investment income

The investment income of the life insurance segment increased by 16.9% to RMB18,017 million in 2014 from RMB15,411 million in 2013. This was mainly attributable to the persistent efforts in the allocation of debt investment plans and other fixed-income products; at the same time, the Group was able to share the gains in the rebound of the capital market.

Other income

Other income of the life insurance segment decreased by 35.4% to RMB277 million in 2014 from RMB429 million in 2013. This was mainly attributable to the decrease in policy initiation fees of certain universal products.

Claims and policyholders' benefits

Claims and policyholders' benefits for the life insurance segment increased by 8.2% to RMB88,663 million in 2014 from RMB81,950 million in 2013. This was mainly attributable to the increase in expiry and maturity of benefits and lapse rate.

Handling charges and commissions

Handling charges and commissions of the life insurance segment increased by 16.3% to RMB3,029 million in 2014 from RMB2,605 million in 2013. This was mainly attributable to the increase in premiums and first-year regular premiums income.

Finance costs

Finance costs of the life insurance segment decreased by 7.1% to RMB1,810 million in 2014 from RMB1,948 million in 2013. This was mainly attributable to the decrease in interest expenses in universal insurance products.

Net profit

Mainly attributable to the factors mentioned above, the net profit of the life insurance segment increased by 126.5% to RMB1,871 million in 2014 from RMB826 million in 2013.

(2) Health Insurance

In 2014, by following the guidance of "Speed Up Transformation and Develop through Innovation", the health insurance segment of the Group further promoted the reform of staff, organization, finance, management operation system, speeded up the process of becoming customer-oriented in order to enhance value-creation capabilities. By upholding the "The State Council's Various Opinions on Fostering the Modern Development Pertinent to the Insurance Industry" and the "State Council Office's Several Opinions on Accelerating the Development of Commercial Health Insurance", business development progressed at full strength. The Group enhanced health management capabilities, patented a self-developed health electronic system, promoted health management services products, enhanced service standards for government-commissioned projects, advanced the service standards of joint platform and forged the deepening of the country's medical reform. PICC Health underwrote 365 government-commissioned projects during the year, which covered 118 cities and municipalities in 23 provinces (autonomous regions, municipality directly under the central government and municipalities with independent planning status), serving over 122 million people. PICC Health ranked thirteenth among life and health insurance companies and first among professional health insurance companies in terms of premiums income.

1. Analysis by Product

Income from various products of the health insurance segment for the purpose of Original Premiums Income for the reporting period is as follows:

RMB in millions, except for percentages

	For the Year Ended 31 December			
	2014		2013	
Health insurance products	**Amount**	**% of total**	Amount	% of total
Illness insurance	**259**	**1.6**	183	2.4
Medical insurance	**5,502**	**34.8**	4,839	64.3
Disability losses insurance	**78**	**0.5**	79	1.0
Nursing care insurance	**9,099**	**57.6**	879	11.7
Accidental injury insurance	**388**	**2.5**	381	5.1
Participating endowment insurance	**480**	**3.0**	1,164	15.5
Total	**15,806**	**100.0**	7,525	100.0

In terms of TWPs, the TWPs of illness insurance, medical insurance, disability losses insurance, nursing care insurance, accidental injury insurance and participating endowment insurance in 2014 amounted to RMB259 million, RMB7,197 million, RMB78 million, RMB9,576 million, RMB388 million and RMB480 million, respectively, of which nursing care insurance increased by 131.0% as compared to the same period in 2013. This was mainly attributed to the reform in premium pricing, promotion of products more tailored to the needs of customers and increase in business promotion.

2. *Analysis by Channel*

Income from various products of the health insurance segment by distribution channel for the purpose of Original Premiums Income during the reporting period, which are further divided into bancassurance channel, individual insurance agent channel and group insurance sales channel are as follows:

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2014	2013	(% of change)
Bancassurance	**8,969**	1,831	389.8
First-year business of long-term insurance	**8,700**	1,659	424.4
Single premiums	**8,591**	1,515	467.1
First-year regular premiums	**109**	144	(24.3)
Renewal business	**266**	170	56.5
Short-term insurance	**3**	2	50.0
Individual Insurance	**845**	363	132.8
First-year business of long-term insurance	**579**	79	632.9
Single premiums	**460**	12	3,733.3
First-year regular premiums	**119**	67	77.6
Renewal business	**195**	142	37.3
Short-term insurance	**71**	142	(50.0)
Group Insurance	**5,992**	5,331	12.4
First-year business of long-term insurance	**9**	4	125.0
Single premiums	**9**	4	125.0
First-year regular premiums	**–**	–	–
Renewal business	**3**	3	0.0
Short-term insurance	**5,980**	5,324	12.3
Total	**15,806**	7,525	110.0

In terms of TWPs, the TWPs from the bancassurance, individual insurance and group insurance in 2014 amounted to RMB9,205 million, RMB1,055 million and RMB7,718 million respectively.

In the health insurance segment, individual insurance agent channel focused on developing its sales team to drive the development of regular premiums business. As of 31 December 2014, the number of sales agents for the health insurance segment was 12,324. The first year TWPs of new insurance policies amounted to RMB4,944 per sales agent per month and the monthly new insurance polices were 0.82 per sales agent per month. The Bancassurance channel actively seized opportunities, enhanced training for the furtherance of the sales capabilities of the sales agents, and the TWPs achieved significant increase. The Group insurance channel boosted efforts in promoting the "Zhanjiang, Taicang, Pinggu" model in relation to the government-commissioned projects, implemented the combined "basic + critical illness (supplemental)" and "protection + experience" for comprehensive business development and strengthened competitive advantage, which resulted in rapid growth in TWPs.

3. *Persistency Ratios of policies and premiums*

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

	For the Year Ended 31 December	
Item	**2014**	2013
13-month policy persistency ratio [(1)] (%)	**93.0**	92.2
25-month policy persistency ratio [(2)] (%)	**90.5**	87.7
13-month premium persistency ratio [(3)] (%)	**81.0**	83.0
25-month premium persistency ratio [(4)] (%)	**76.8**	63.7

(1) The 13-month policy 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 the issuance;

(2) The 25-month policy 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 the issuance;

(3) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual health insurance policies issued in the preceding year on the 13th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance;

(4) The 25-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual health insurance policies issued in the penultimate year on the 25th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance.

4. *Financial Analysis*

The following tables sets forth certain selected key financial data of the health insurance segment for the reporting period indicated:

	RMB in millions, except for percentages		
	For the Year Ended 31 December		
	2014	2013	(% of change)
Net earned premiums	**13,995**	5,193	169.5
Investment income	**1,533**	992	54.5
Other income	**90**	113	(20.4)
Total income	**15,709**	6,559	139.5
Claims and policyholders' benefits	**13,775**	4,985	176.3
Handling charges and commissions	**321**	177	81.4
Finance costs	**575**	731	(21.3)
Other operating and administrative expenses	**1,426**	1,459	(2.3)
Total benefits, claims and expenses	**16,097**	7,354	118.9
Profit before tax	**(388)**	(795)	–
Income tax expense	**2**	–	–
Net profit	**(386)**	(795)	–

Net earned premiums

Net earned premiums of the health insurance segment increased by 169.5% to RMB13,995 million in 2014 from RMB5,193 million in 2013. This was mainly attributable to the rapid growth in the long-term insurance business.

Investment income

Investment income from the health insurance segment increased by 54.5% to RMB1,533 million in 2014 from RMB992 million in 2013. This was mainly attributable to the rapid increase in the scale of capital utilization, the allocation of new funds for insurance assets management products and other fixed-income products; at the same time, the Group shared the gains in the rebound of the capital market.

Other income

Other income from the health insurance segment decreased 20.4% to RMB90 million in 2014 from RMB113 million in 2013. This was mainly attributable to the decrease in policy initiation fee of universal products.

Claims and policyholders' benefits

Claims and policyholders' benefits from the health insurance segment increased by 176.3% to RMB13,775 million in 2014 from RMB4,985 million in 2013. This was mainly attributable to rapid growth in the long-term insurance business and increase in the amount of claim reserves.

Handling charges and commissions

Handling charges and commission of the health insurance segment increased by 81.4% to RMB321 million in 2014 from RMB177 million in 2013. This was mainly attributable to the rapid growth in the long-term insurance business.

Finance costs

Finance costs of the health insurance segment decreased by 21.3% to RMB575 million in 2014 from RMB731 million in 2013. This was mainly attributable to the decrease in interest expenses of universal products and securities sold under agreement to repurchase.

Net profit

Mainly due to the factors mentioned above, the net profit from the health insurance segment amounted to RMB-386 million in 2014 compared to net profit of RMB-795 million in 2013, representing a decrease in net loss of 51.4%.

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 reporting periods indicated:

RMB in millions

	For the Year Ended 31 December	
	2014	2013
Guangdong Province	**30,609**	25,107
Jiangsu Province	**29,263**	25,152
Zhejiang Province	**25,014**	21,713
Shandong Province	**22,115**	22,626
Sichuan Province	**20,255**	16,634
Hebei Province	**19,161**	18,404
Beijing	**18,664**	15,192
Fujian Province	**14,152**	11,113
Hubei Province	**12,710**	11,485
Liaoning Province	**12,651**	11,211
Other regions	**142,349**	127,166
Total	**346,943**	305,804

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.

In 2014, the equity linked products of the Group's asset management segment had a registered scale of RMB25,490 million and ranked number one in the industry; the registered scale of debt linked products was RMB41,300 million and ranked the second in the industry. Products for public sales amounted to RMB30,378 million, accounting for 59.5% of the offer size. We not only developed the traditional equity interests and debt products, but also developed products such as the asset based equity products in relation to the equity of Sinopec Marketing Co., Ltd., the medical health industry and sectorial funds in support of "One Belt and One Road" constructions, as well as rights to debt income and repurchase rights under debt investment plan. PICC AMC recorded rapid growth in the scale of third-party and the offered insurance assets management products, which recorded an increase of 82.0% to RMB107,021 million as of 31 December 2014 from RMB58,814 million as of 31 December 2013.

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

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2014	2013	(% of change)
Investment income	**480**	431	11.4
Other income	**921**	811	13.6
Total income	**1,401**	1,242	12.8
Finance costs	**14**	5	180.0
Other operating and administrative expenses	**818**	779	5.0
Total expenses	**839**	801	4.7
Profit before tax	**572**	437	30.9
Income tax expense	**(181)**	(108)	67.6
Net profit	**391**	329	18.8

Investment income

Investment income from the asset management segment increased by 11.4% to RMB480 million in 2014 from RMB431 million in 2013, primarily because PICC AMC had taken advantage of market condition and recorded higher returns from investment in bonds and funds.

Other income

Other income from the asset management segment increased by 13.6% to RMB921 million in 2014 from RMB811 million in 2013, primarily due to the increase in asset operating income of PICC Investment Holding.

Finance costs

Finance costs for the asset management segment increased by 180.0% to RMB14 million in 2014 from RMB5 million in 2013, primarily due to the increase in interest expenses of securities sold under agreement to repurchase.

Net profit

Subject to the above reasons, net profit of the asset management segment increased by 18.8% to RMB391 million in 2014 from RMB329 million in 2013.

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:

RMB in millions, except for percentages

Investment assets	As of 31 December 2014 Carrying amount	% of total	As of 31 December 2013 Carrying amount	% of total
Cash and cash equivalents	**39,307**	**5.7**	46,607	7.1
Fixed-income investments	**414,262**	**59.9**	396,558	60.8
Term deposits	**164,408**	**23.8**	137,607	21.1
Fixed-income securities	**235,905**	**34.1**	243,756	37.3
Government bonds	**13,975**	**2.0**	19,191	2.9
Financial bonds	**113,499**	**16.4**	115,660	17.7
Corporate bonds	**108,431**	**15.7**	108,905	16.7
Other fixed-income investments (1)	**13,949**	**2.0**	15,195	2.3
Equity and fund investments at fair value	**69,224**	**10.0**	69,200	10.6
Securities investment funds	**50,227**	**7.3**	49,169	7.5
Equity securities	**18,997**	**2.7**	20,031	3.1
Other investments	**168,376**	**24.4**	140,313	21.5
Subordinated debts and debt investment schemes	**83,200**	**12.0**	73,542	11.3
Investment in associates and a joint venture	**36,128**	**5.2**	28,268	4.3
Others (2)	**49,048**	**7.1**	38,503	5.9
Total investment assets	**691,169**	**100.0**	652,678	100.0

(1) Primarily consist of restricted statutory deposits and policy loans.

(2) Primarily consist of investment properties, derivative financial assets, equity investments stated at cost and asset management products.

(2) Investment income

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

RMB in millions, except for percentages

	For the Year Ended 31 December	
Items	**2014**	2013
Cash and cash equivalents	**430**	789
Fixed-income investment	**21,668**	18,720
Interest income	**21,411**	18,856
Net realized gains/(losses)	**200**	(94)
Net unrealized gains/(losses)	**57**	(42)
Impairment	**–**	–
Equity and fund investments at fair value	**5,851**	4,887
Dividend income	**4,546**	4,459
Net realized gains/(losses)	**2,652**	3,664
Net unrealized gains/(losses)	**308**	87
Impairment	**(1,655)**	(3,323)
Other investment income/(loss)	**11,322**	6,404
Total investment income	**39,271**	30,800
Total investment yield (1) (%)	**6.0**	5.2
Net investment yield (2) (%)	**5.8**	5.1

(1) Total investment yield = (total investment income – interest expenses on securities sold under agreements to repurchase)/(the average of total investment assets as of beginning and end of the period – the relevant liabilities of the securities sold under agreements to repurchase).

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

Specific Analysis

(1) Liquidity Analysis

1. Liquidity Analysis

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

During the year due to the payment of claims and surrenders for the Group's life insurance products, cash flow from operating activities recorded a net outflow. The Group maintained a certain proportion of assets with high liquidity to meet liquidity requirements. In addition, the Group could also obtain additional liquidity from the disposal of securities sold under agreement to repurchase and other financing methods.

Substantially all of the cash flows of the Company, as a holding company, mainly derived from the investment income arising from the investment activities, the cash flow generated by financing activities and the dividends from its subsidiaries. The Company believes that it has sufficient liquidity to meet foreseeable liquidity requirements of the Group and the Company in the foreseeable future.

2. Statement of Cash Flows

RMB in millions, except for percentages

	For the Year Ended 31 December		
	2014	2013	(% of change)
Net cash flow from operating activities	**(399)**	53,851	–
Net cash flow used in investment activities	**4,183**	(63,694)	–
Net cash flow used in financing activities	**(11,092)**	(17,009)	(34.8)

(2) Solvency

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

RMB in millions, except for percentages

	As of 31 December 2014	As of 31 December 2013	(% of change)
PICC Group			
Actual capital	**127,194**	94,170	35.1
Minimum capital	**70,004**	63,491	10.3
Solvency margin ratio (%)	**182**	148	Increase of 34 pt
PICC P&C			
Actual capital	**79,440**	52,026	52.7
Minimum capital	**33,290**	28,867	15.3
Solvency margin ratio (%)	**239**	180	Increase of 59 pt
PICC Life			
Actual capital	**34,654**	24,992	38.7
Minimum capital	**11,529**	12,386	(6.9)
Solvency margin ratio (%)	**301**	202	Increase of 99 pt
PICC Health			
Actual capital	**3,206**	1,575	103.6
Minimum capital	**1,718**	1,356	26.7
Solvency margin ratio (%)	**187**	116	Increase of 71 pt

As of 31 December 2014, the solvency margin ratio of the Group was 182%, representing an increase of 34 percentage points as compared to 31 December 2013 and remained in the Adequate Solvency II category as classified by the CIRC.

As of 31 December 2014, the solvency margin ratio of PICC P&C was 239%, representing an increase of 59 percentage points as compared to that was on 31 December 2013 and remained in the Adequate Solvency II category as classified by the CIRC. The solvency margin ratio of PICC Life was 301%, representing an increase of 99 percentage points as compared to that was on 31 December 2013 and remained in Adequate Solvency II category as classified by the CIRC. The solvency margin ratio of PICC Health was 187%, representing an increase of 71 percentage points as compared to that was on 31 December 2013 and remained in the Adequate Solvency II category as classified by the CIRC.

PROSPECTS

(1) Market Environment

During 2014, China's insurance industry recorded robust growth with the development of the industry entered into a fast lane and the deepening of structural adjustment continued. There was a remarkable enhancement of efficiency of the industry, and capital strength increased significantly. According to the information released by CIRC, during 2014, the Original Premiums Income of China's insurance industry amounted to approximately RMB2.02 trillion, representing an increase of 17.5% as compared to the same period of last year, in which, the Original Premiums Income of the P&C insurance companies and life and health insurance companies recorded an increase of 16.4% and 18.1%, respectively, as compared to the same period of last year; by the end of 2014, total assets of the insurance industry in China amounted to RMB10.16 trillion, representing an increase of 22.6% as compared to the beginning of the period.

2015 is a critical year for the comprehensive deepening reform by the central government, and a year to start fully administering the country according to the law. The Chinese economic and social development contains new structural opportunities which are beneficial for the further expansion of new potential for business development in China's insurance industry, and for maintaining the good development trend of stability and progress.

The comprehensive promotion of all reform measures and the gradual release of the benefits of policies play a strong role in the development of the insurance sector. The State Council successively issued the "New Ten Regulations" to speed up the development of a modern insurance service sector and the Several Opinions on Accelerating the Development of Commercial Health Insurance, which have created the conditions for the Chinese insurance industry to participate in the sector chain integration of healthcare, retirement and social management and to explore new business domains.

The systematic implementation of the national new urbanization strategy is beneficial for the further exploration of the insurance businesses in relation to engineering projects, corporate finance, liability and accident during the process of industry transfer and shanty town improvement projects, as well as the "organic" interactive linking of the assets and liabilities of those investment projects with longer development periods and stable income so that the assets can better drive liabilities.

The central government proposed a series of policies and measures to accelerate the development of modernization of agricultural sector. The size and scope of "Greenbox" supportive policies such as agricultural insurance will be expanded gradually. All of these policies and measures will provide new and important opportunities for the upgrade and expansion of insurance for agriculture, rural areas and farmers and the improvement of rural finance insurance service chain.

The comprehensive implementation of modernization of the governance system and governance capability of the State and the continuous expansion of the width and breath of procurement services of the government in the market will provide new opportunities for the insurance industry to further push ahead the liability insurance pilot schemes, explore occupational annuity, supplemental business pension and health insurance businesses and participate closely in all types of social insurance services and other public services in depth.

A new trend of changes has occurred in the external liberalization – the slogans of a high level of "Bringing in" and a large-scale "Going out" are taking place simultaneously, and the "One Belt One Road" strategy of the State is being implemented. These are favourable elements for the Chinese insurance industry to enhance optimization of global business layout, the innovation of export credit insurance products and the development of overseas investment insurance, as well as increase in overseas investment and speeding up of the development internationalization.

The steady set-up of a modern insurance regulatory system and the continuous deepening of the reform progress in relation to the pricing of insurance products, the application of insurance funds, the market entrance and exit and the market supervision of re-insurance business are positive factors to further raise the level of regulated development of the Chinese insurance market and strengthen the sustainable development capability of the Chinese insurance industry.

(2) Key Works

2015 is a vital year for the Company in terms of deepening its reform, reorganization, consolidation and innovation and also is the last year of "the 12th five-year-plan". Based on the key aspiration of "Further reform and innovation, maintenance of stable growth and emphasizing value creation", the Company will seize opportunities, overcome difficulties, enhance innovative power, identify potential of synergies, inspire the fundamental vigor and fully speed up the transformation to customer-oriented system. The Company will emphasize the enhancement of innovative capability to adapt to social changes, strengthen the establishment of the customer-oriented value, continue to optimize any operation mechanisms that can show this customer-oriented value, continue to strengthen the power to implement the customer-oriented system and further push ahead the transformation of customer-oriented value; it will stress on enhancing the ability to have integrated development, focus on the combination of the top level design and fundamental needs, connect the transitional missions and long term targets of reform, continue to push ahead reform and reorganization with high quality, endeavour to achieve breakthrough in coordination of strategies and resource consolidation and sharing, enhance the efficiency of the overall operation, emphasize the enhancement of the ability to explore markets, continue the building-up of our core team, further inspire the fundamental vigor, continue to push ahead the fundamental coordination, strengthen the sharing and development of client resources, identify the market demand smartly and further strengthen the adaptability of products. The Company will also focus on strengthening of law obedience and compliance and risk prevention, increase the restraints of systems and procedures, prevent the spread of external risks and deepen the systematic establishment of compliance work.

In 2015, all subsidiaries will consider their own professional positioning to pay more attention to the improvement of quality and efficiency, enhance the ability to create value for clients in a comprehensive manner. PICC P&C will grasp the first and foremost mission of development, insist on market orientation, maintain the basic stability of its market share, and while pushing ahead the stable development of motor vehicle insurance business, it will make non-vehicle insurance business to become an important force for the upgraded development of the Company, and at the same time actively adapt to the new regulatory measures, secure its leading position in the comprehensive cost ratio and stabilize the profitability of insurance undertaking. PICC Life will focus on the transformation of development, and pay more attention to raise the value of business, consolidate the fundamental basis, strengthen team building, and while maintaining stable growth of business and the overall stability of cash flow, it will realize the continuous optimization of business structure, increasingly strengthen team building, as well as the overall enhancement of management ability and service standard. PICC Health will stress on mastering the opportunities of the policy of Several Opinions on Accelerating the Development of Commercial Health Insurance of the State Council, further specify its positioning in the promotion of the establishment of the national medical protection system, build up a sustainable business model, strengthen the professional development ability in health insurance, accelerate the construction and operation of a professional health management platform, and endeavour to achieve new breakthroughs in areas of health insurance and health management. In the investment segment, it will grasp the opportunities presented by better investment policy environment, utilize the new investment conditions of "Shanghai-Hong Kong Stock Connect", push ahead alternative investment business steadily, endeavour to obtain new development in the investment domains of developing the healthcare and retirement sector and supporting the development of the real economy and improve gains on investment in entrustment assets. It will push forward the expansion of third party business and increase its influence in the wealth management market; meanwhile, it will further improve the investment decision making mechanism, continue to optimize the assets and liabilities management model and enhance support to the development of the insurance business.

EMBEDDED VALUE

1. Result Summary

This section summarizes the Embedded Value of PICC Life and PICC Health as at 31 December 2014, as well as the Value of One Year's New Business for the 12 months up to 31 December 2014 with 10% as the risk discount rate (RMB in millions):

	PICC Life	PICC Health
Value of In-Force Business before CoC	17,504	1,367
Cost of Capital	(649)	(157)
Value of In-Force Business after CoC	16,855	1,209
Adjusted Net Worth	30,560	3,254
Embedded Value	**47,414**	**4,463**
Value of One Year's New Business before CoC	4,008	321
Cost of Capital	(340)	(45)
Value of One Year's New Business after CoC	**3,668**	**276**

Note: Figures may not add up due to rounding.

The Value of One Year's New Business for the 12 months up to 31 December 2014 and the 12 months up to 31 December 2013 of PICC Life and PICC Health by distribution channel are summarized below (RMB in millions):

	PICC Life		PICC Health	
	up to 31 December 2014	up to 31 December 2013	**up to 31 December 2014**	up to 31 December 2013
Bancassurance Channel	**1,592**	2,219	**90**	99
Individual insurance agent Channel	**1,554**	1,407	**47**	55
Group insurance sales Channel	**462**	445	**138**	328
Reinsurance	**60**	–	**–**	–
Total	**3,668**	4,070	**276**	481

Note: Figures may not add up due to rounding.

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

2. Key Assumptions

For the results as at 31 December 2014 disclosed above, the assumption on risk discount rates is 10% and the assumption on the rate of investment return is 5.75% p.a. used by PICC Life and PICC Health. Corporate income tax is currently levied at 25% on taxable profits. The short-term accidental insurance business is subject to 5.5% business tax and surcharges. The assumptions on mortality rates, claim ratio, lapse rates, expenses and commissions are based on the operational experience of PICC Life and PICC Health, as well as future expectations and etc.

3. Sensitivity Tests

Sensitivity tests base on a range of alternative assumptions. 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 results for sensitivity tests for PICC Life at 31 December 2014 are summarized below (RMB in millions):

	Risk Discount Rate at 10% (Note)	
Scenarios	**Value of In-Force Business after CoC**	**Value of One Year's New Business after CoC**
Base Scenario	16,855	3,668
Risk discount rate at 9.0%	17,991	4,042
Risk discount rate at 11.0%	15,869	3,338
Investment rate of return plus 50 bps	20,124	5,001
Investment rate of return less 50 bps	13,606	2,336
Expenses increased by 10%	16,610	3,330
Expenses reduced by 10%	17,099	4,006
Lapse rates increased by 10%	16,384	3,412
Lapse rates reduced by 10%	17,325	3,929
Mortality increased by 10%	16,733	3,618
Mortality reduced by 10%	16,978	3,718
Morbidity increased by 10%	16,818	3,652
Morbidity reduced by 10%	16,891	3,684
Short-term business claim ratio increased by 10%	16,806	3,566
Short-term business claim ratio reduced by 10%	16,903	3,770
Participating Ratio (80/20)	15,972	3,570
150% of Minimum Solvency Requirement	15,850	3,317
Taxable Income Based on China Accounting Standards	16,565	3,560

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

The results for sensitivity tests for PICC Health at 31 December 2014 are summarized below (RMB in millions):

	Risk Discount Rate at 10% (Note)	
Scenarios	**Value of In-Force Business after CoC**	**Value of One Year's New Business after CoC**
Base Scenario	1,209	276
Risk discount rate at 9.0%	1,309	295
Risk discount rate at 11.0%	1,121	258
Investment rate of return plus 50 bps	1,512	346
Investment rate of return less 50 bps	910	205
Expenses increased by 10%	1,134	231
Expenses reduced by 10%	1,289	321
Lapse rates increased by 10%	1,155	249
Lapse rates reduced by 10%	1,286	323
Mortality increased by 10%	1,203	276
Mortality reduced by 10%	1,216	276
Morbidity increased by 10%	1,197	275
Morbidity reduced by 10%	1,222	276
Short-term business claim ratio increased by 10%	749	(4)
Short-term business claim ratio reduced by 10%	1,728	555
Participating Ratio (80/20)	1,183	273
150% of Minimum Solvency Requirement	1,087	238
Taxable Income Based on China Accounting Standards	1,158	255

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

4. Movement Analysis

This section shows the analysis of Embedded Value movement of PICC Life and PICC Health from 31 December 2013 to 31 December 2014 based on 10% risk discount rate (RMB in millions).

		Risk Discount Rate at 10.0% *(Note)*	
No	**Description**	**PICC Life**	**PICC Health**
1	Embedded Value as at 31 December 2013	36,863	2,491
2	New Business Contribution	4,112	312
3	Expected Return	1,956	237
4	Investment Variance	6,005	934
5	Other Experience Variances	(1,253)	(719)
6	Assumption Changes	(1,868)	(364)
7	Capital Change and Market Value Adjustment	1,600	1,571
8	Embedded Value as at 31 December 2014	47,414	4,463

Note: Figures may not add up due to rounding.

Explanations to above items 2 to 7:

2. The contribution of new business sold in 2014 to the embedded value as at 31 December 2014.

3. The expected return in 2014 arising from the in-force business and adjusted net worth at 2013 year end.

4. Change in Embedded Value arising from variances in 2014 between the actual investment and related investment assumption;

5. Change in Embedded Value arising from other variances in 2014 between the actual experience and assumption other than relating to investment;

6. The impact on Embedded Value due to the changes in assumptions in 2014.

7. The impact on Embedded Value due to capital changes and the changes in market value of held-to-maturity financial assets due to the change in market interest rates during 2014.

CORPORATE GOVERNANCE

During the reporting period, CIRC has approved the amendments to the Articles of Association as passed by the shareholders on 27 December 2013.

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, and that "An issuer must appoint independent non-executive directors representing at least one-third of the board" under Rule 3.10A of the Listing Rules, the Company had complied with all other code provisions of the Corporate Governance Code in 2014, and adopted recommended best practices under appropriate circumstances.

Regarding the non-compliance with the code provision A.4.2 of the Corporate Governance Code, since the qualification of Mr. Luk Kin Yu, Peter as a Director of the Company is still subject to the approval of the CIRC, Mr. Cai Weiguo therefore continues to serve as a Director of the Company. Thus, during the reporting period, the Company failed to satisfy the requirement of every Director should be subject to retirement by rotation at least once every three years under the code provision of the Corporate Governance Code in Appendix 14 to the Listing Rules. For details, please refer to the announcement of the Company dated 11 March 2014.

Regarding the non-compliance with Rule 3.10A of the Listing Rules, on 26 September 2014, Mr. Xiang Huaicheng resigned as the independent non-executive Director of the Company, so that the independent non-executive Directors of the Company was less than one-third of the Board. On 30 December 2014, a Board meeting was convened to consider and approve the resolution to nominate Mr Tang Shisheng as candidate of independent non-executive Director. However his appointment is subject to the approval of the shareholders. For details, please refer to the announcements of the Company dated 26 September 2014 and 30 December 2014. The relevant resolution will be proposed by the Company in the annual general meeting.

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

The annual general meeting of the Company will be held on 26 June 2015 (Friday) at No. 28 Qinghua West Road (W), Haidian District, Beijing, the PRC. In order to determine the list of holders of H shares who are entitled to attend the annual general meeting of the Company, the H share register of members of the Company will be closed from 27 May 2015 (Wednesday) to 26 June 2015 (Friday), both days inclusive. Holders of H shares who wish to attend the annual general meeting must deposit the share certificates together with the transfer documents at the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 26 May 2015 (Tuesday).

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the year of 2014, save for the participation in the rights issue of PICC P&C contributing a capital amount of RMB5 billion, the Company and its subsidiaries did not purchase, dispose of or redeem any listed securities of the Company or its subsidiaries. For details of the rights issue, please refer to the announcement of the Company dated 4 November 2014.

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

The Board has recommended a final dividend of RMB0.094671 per 10 shares (tax inclusive) for the year ended 31 December 2014, amounting to a total of approximately RMB402 million, subject to the approval of shareholders at the annual general meeting to be held on 26 June 2015 (Friday). If approved, the final dividend is expected to be paid on or around 26 August 2015 (Wednesday) to the holders of H shares whose names appear on the H share register of members of the Company on 9 July 2015 (Thursday).

For the purpose of determining the entitlement of the holders of H shares to the final dividend for 2014, the H share register of members of the Company will be closed from 4 July 2015 (Saturday) to 9 July 2015 (Thursday) (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to the final dividend for 2014, holders of H shares should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 3 July 2015 (Friday).

The above proposal will be put forward to the annual general meeting for consideration and approval. The specific arrangements regarding dividend and its distribution (including arrangement of withholding and payment of income tax for shareholders) will be disclosed separately in the circular for the annual general meeting.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Board has reviewed, in the presence of the external auditor of the Company, the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014, including the accounting principles and practices.

PUBLICATION OF THE ANNUAL REPORT

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

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

Beijing, the PRC
27 March 2015

As at the date of this announcement, the executive directors are Mr. Wu Yan, Mr. Wang Yincheng and Ms. Zhuang Chaoying, the non-executive directors are Mr. Yao Zhiqiang, Mr. Wang Qiao, Ms. Li Shiling, Ms. Zhang Hanlin and Mr. Ma Qiang, and the independent non-executive directors are Mr. Lau Hon Chuen, Mr. Du Jian, Mr. Xu Dingbo and Mr. Luk Kin Yu, Peter.*

Note(*): Mr. Luk Kin Yu, Peter shall become an independent non-executive director and a member of the audit committee and the nomination and remuneration committee of the Company upon receiving approval from the China Insurance Regulatory Commission in relation to his qualification as a director. Mr. Cai Weiguo currently serves as the independent non-executive director of the Company and shall retire on the day when Mr. Luk obtains his qualification.