中国平安
PING AN

Annual Report 2011

中国平安 PING AN

保险·银行·投资

Expertise Creates Value

Expertise makes life simple

Ping An, your reliable friend
A lifetime companion,
Right where you want, serves you whole-heartedly.

Ping An, your partner walks hand in hand
A pioneer in the financial frontier,
Cares what you care, and helps you achieve your dreams.

Ping An, your trustworthy steward
Faithfully performing its duty,
Together, we grow and harvest value.

Insurance-banking-investment
Expertise makes life simple.

Ping An has a simple dream. It is to simplify and transform the redundant traditional model in which different financial functions have to be carried out by separate entities. Its constant efforts towards the "one customer, one account, multiple products and one-stop services" have turned this dream into reality. Ping An is able to meet the various needs of customers with its integrated financial services covering insurance, banking and investment. It has established a reputation of being a wealth management expert backed by its personalized services, strong professional teams, advanced modern technology and excellent operating platforms.
Right where you want, Ping An is devoted to helping you achieve a blessed and simple life. Ping An cares what you care, safeguards and maximizes your wealth. With Ping An's expertise, we can build a future with boundless opportunities together.

Five-Year Summary

(in RMB million)	2011	2010	2009	2008	2007
GROUP(2)					
Total income	**272,244**	195,814	152,838	87,658	138,213
Net profit	**22,582**	17,938	14,482	1,635	19,219
Net profit attributable to shareholders of the parent company	**19,475**	17,311	13,883	1,418	18,688
Basic earnings per share (in RMB)	**2.50**	2.30	1.89	0.19	2.61
Total assets	**2,285,424**	1,171,627	935,712	704,564	692,222
Total liabilities	**2,114,082**	1,054,744	843,969	637,405	578,371
Total equity	**171,342**	116,883	91,743	67,159	113,851
Equity attributable to shareholders of the parent company	**130,867**	112,030	84,970	64,542	111,822
Investment portfolio of insurance funds	**867,301**	762,953	589,713	464,665	441,308
Net investment yield of insurance funds (%)	**4.5**	4.2	3.9	4.1	4.5
Total investment yield of insurance funds (%)	**4.0**	4.9	6.4	(1.7)	14.1
Embedded value	**235,627**	200,986	155,258	122,859	150,311
Group solvency margin ratio (%)	**166.7**	197.9	302.1	308.0	486.7
INSURANCE BUSINESS(2)					
Life Insurance Business					
Written premiums	**187,256**	164,448	134,503	102,369	79,279
Net profit	**9,974**	8,417	10,374	(1,464)	10,883
Net investment yield (%)	**4.5**	4.3	4.0	4.0	4.8
Total investment yield (%)	**4.1**	5.0	6.7	(2.4)	14.2
Embedded value	**144,400**	121,086	100,704	69,643	73,407
Solvency margin ratio – Ping An Life (%)	**156.1**	180.2	226.7	183.7	287.9
Property and Casualty Insurance Business					
Premium income	**83,708**	62,507	38,774	27,014	21,666
Net profit	**4,979**	3,865	675	500	2,073
Net investment yield (%)	**4.6**	4.0	4.0	4.3	4.0
Total investment yield (%)	**3.9**	4.2	5.4	7.0	14.7
Combined ratio (%)	**93.5**	93.2	98.6	104.0	97.6
Solvency margin ratio – Ping An Property & Casualty (%)	**166.1**	179.6	143.6	153.3	181.6
BANKING BUSINESS(3)					
Net interest income	**18,371**	5,438	3,425	3,814	3,478
Net profit	**7,977**	2,882	1,080	1,444	1,537
Net interest spread (%)	**2.33**	2.18	1.77	2.66	2.81
Net interest margin (%)	**2.51**	2.30	1.89	2.84	3.05
Cost/income ratio (%)	**44.17**	52.87	59.50	46.96	40.87
Total deposits	**850,845**	182,118	149,065	106,814	113,053
Total loans	**620,642**	130,798	107,562	72,486	61,900
Capital adequacy ratio (%)	**11.51**	10.96	13.05	10.69	9.07
Core capital adequacy ratio (%)	**8.46**	9.26	10.87	10.53	9.11
Non-performing loan ratio (%)	**0.53**	0.41	0.46	0.54	0.83
Provision coverage ratio (%)	**320.66**	211.07	155.96	153.71	82.19
INVESTMENT BUSINESS					
Securities Business					
Total income	**3,080**	3,850	2,477	1,471	3,271
Net profit	**963**	1,594	1,072	550	1,492
Trust Business					
Total income	**2,407**	2,155	1,192	1,661	1,216
Net profit	**1,063**	1,039	606	1,207	744

(1) Certain comparative figures have been reclassified or restated to conform to relevant period's presentation.
(2) The figures of 2011, 2010, 2009 and 2008 are prepared according to the Company's accounting policies after adoption of No.2 Interpretation and the figures of 2007 have not been restated.
(3) The figures of banking business in 2011 include figures of Shenzhen Development Bank and Ping An Bank that are consolidated by the Group. In 2010, SDB was an associate company of the Company, net profit of banking business includes the share of profits from SDB based on the equity method and profit from Ping An Bank, other data of 2010 only relate to Ping An Bank.The figures of 2009, 2008 and 2007 relate to Ping An Bank.

Contents

Cautionary Statements Regarding Forward-Looking Statements

To the extent any statements made in this report contains information that is not historical are essentially forward-looking. These forward-looking statements include but are not limited to projections, targets, estimates and business plans that the Company expects or anticipates will or may occur in the future. These forward-looking statements are subject to known and unknown risks and uncertainties that may be general or specific. Certain statements, such as those include the words or phrases "potential", "estimates", "expects", "anticipates", "objective", "intends", "plans", "believes", "will", "may", "should", and similar expressions or variations on such expressions may be considered forward-looking statements..

Readers should be cautioned that a variety of factors, many of which are beyond the Company's control, affect the performance, operations and results of the Company, and could cause actual results to differ materially from the expectations expressed in any of the Company's forward-looking statements. These factors include, but are not limited to, exchange rate fluctuations, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions and other risks and factors beyond our control. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. In addition, the Company undertakes no obligation to publicly update or revise any forward-looking statement that is contained in this report as a result of new information, future events or otherwise. None of the Company, or any of its employees or affiliates is responsible for, or is making, any representations concerning the future performance of the Company.

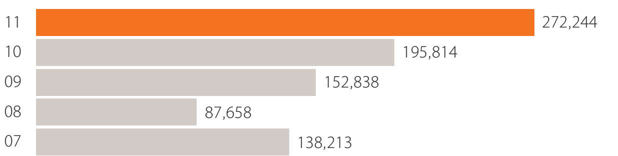
Introduction

Headquartered in Shenzhen, Ping An is China's leading integrated financial services group. Backed by our integrated financial structure, local expertise and best practices in corporate governance by international standards, we provide insurance, banking and investment services to more than 70 million customers.

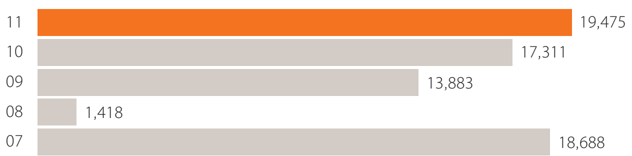
HIGHLIGHTS

- Net profit attributable to shareholders of the parent company reached RMB19,475 million, up 12.5% compared to last year.
- The major asset restructuring through transactions to gain control of SDB was completed; integration of the banking business progressed smoothly.
- Total Group assets exceeded RMB2 trillion on strengthening overall competitiveness.
- Ping An Life achieved stable increases in its business scale and in the number of agents. Ping An Property & Casualty's premium income breached the RMB80 billion mark.
- Net profit of the banking business surged while the assets grew to RMB1.2 trillion in size.
- Ping An Trust recorded stable and high growth in its private wealth management business. Ping An Securities' investment banking business maintained its leading position. Ping An-UOB Fund was established and successfully launched two funds.

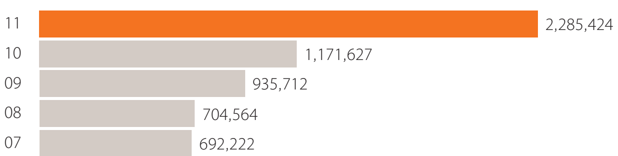
Total Income *(in RMB million)*



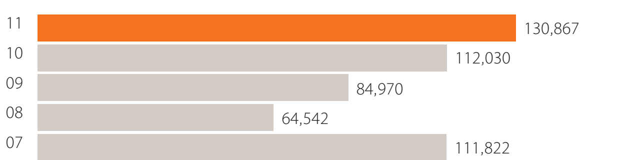
Net Profit attributable to Shareholders of the Parent Company *(in RMB million)*



Total Assets *(in RMB million)*

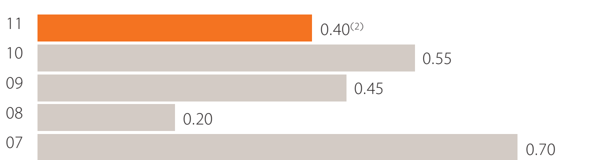


Equity attributable to Shareholders of the Parent Company *(in RMB million)*



EPS *(in RMB)*

Dividend per Share(1) *(in RMB)*



(1) Dividend per share includes final dividend and interim dividend.

(2) The 2011 final dividend of RMB0.25 per share is proposed for approval at the annual general meeting.

Business at a Glance

Ping An is one of China's leading integrated financial services groups offering a broad array of products and services.

Ping An's single-brand, multi-channel distribution network reaches every corner of the country's most economically-developed areas. Leveraging the capabilities of our subsidiaries, the Company provides a comprehensive range of financial services, including insurance, banking, investment and etc.

The areas that **Ping An** covers, be they in terms of geographical reach, sectors or products, form the basis of a solid foundation for our quality customer service and stable shareholders returns. By pushing ahead with our business strategy, building a centralized back office platform, and improving our asset liability management capability, we strive to continue to promote the steady growth of our customer base and asset scale in the years ahead.

Customers

70 million

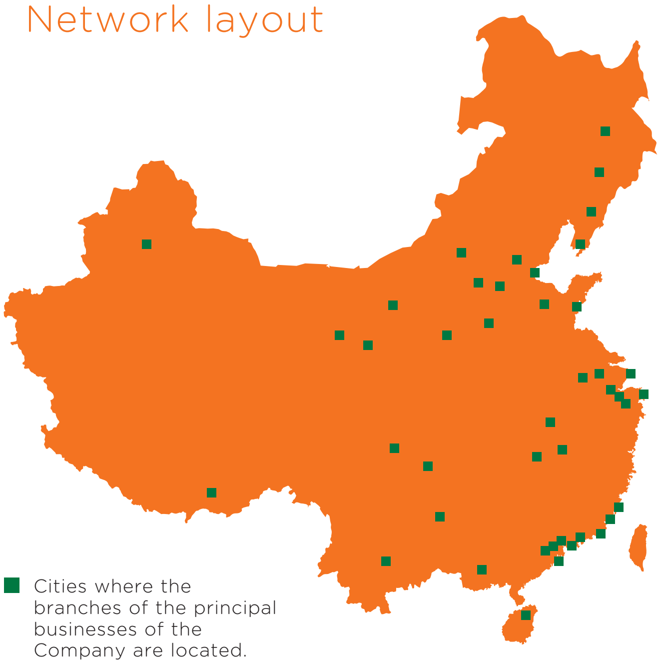
Employees

175,136

Sales agents

486,911

Network layout



Cities where the branches of the principal businesses of the Company are located.

Ping An Insurance (Group) Company of China, Ltd.

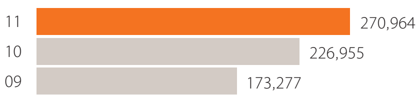
INSURANCE

- Ping An Life
- Ping An Property & Casualty
- Ping An Annuity
- Ping An Health
- Ping An Hong Kong

Ping An was primarily engaged in the property and casualty insurance business. After 23 years of growth, insurance remains the Group's core business, shared among four major subsidiaries: Ping An Life, Ping An Property & Casualty, Ping An Annuity and Ping An Health. Collectively, these companies provide clients with a full range of insurance products and services.

- Ping An Life achieved stable increases in its business scale and in the number of agents.
- Ping An Property & Casualty's premium income breached the RMB80 billion mark while combined ratio remained at an excellent level.
- Ping An Annuity maintained its leading position in the industry.

Written Premiums *(in RMB million)*



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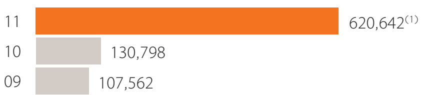
BANKING

- Shenzhen Development Bank
- Ping An Bank

Banking business is an essential part of the integrated financial services platform of the Company. Shenzhen Development Bank was established in Shenzhen in 1987 and has been listed on the Shenzhen Stock Exchange (stock code: 000001) since 1991. SDB currently holds a 90.75% stake in Ping An Bank. Shenzhen Development Bank (together with Ping An Bank) offers a variety of financial services to retail, corporate and government sector customers.

- Successfully completed the major asset restructuring through transactions to gain control of SDB; SDB's absorption merger of Ping An Bank was approved by shareholders in a general meeting.
- Net profit of the banking business jumped 176.8% year on year to approximately RMB8 billion.
- The scale of our banking business reached a new high, with total assets exceeding RMB1.2 trillion, the number of trade finance customers exceeding ten thousand and accumulated credit cards in circulation amounting to 9,040 thousand.

Loan Balances *(in RMB million)*



(1) The 2011 balance is after the consolidation of SDB, while those balances for previous years include that of Ping An Bank only.

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INVESTMENT

- Ping An Trust
- Ping An Securities
- Ping An Asset Management
- Ping An Overseas Holdings
- Ping An Asset Management (Hong Kong)
- Ping An-UOB Fund

Investment business is one of the core businesses of the Company. Ping An Trust, Ping An Securities, Ping An Asset Management, Ping An Overseas Holdings, Ping An Asset Management (Hong Kong) and Ping An-UOB Fund together form the investment and asset management platform of the Company, providing customers with diversified investment products and services.

- Ping An Securities successfully sponsored 34 IPOs and seven refinancing projects as the lead underwriter; ranked first in terms of the number of deals and underwriting revenue for IPOs.
- Ping An Trust recorded stable and high growth in its private wealth management business.
- Ping An-UOB Fund was established and successfully issued two funds.

Assets Held in Trust *(in RMB million)*

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SHARED PLATFORM

Ping An Technology | Ping An Processing & Technology | Ping An Channel Development | Ping An Financial Technology

Chairman's Statement

The rise of integrated finance is inevitable in the course of the development of the financial industry in the long run. Ping An is, and has always been, devoted to the pursuit of becoming an internationally leading integrated financial services group. The term "integrated finance" signifies the best customer experience that one can come to expect from a company like ours. It begins with one customer and one account, through which a multitude of products and one-stop services are readily available to the customer. The path to becoming a top tier financial group internationally begins with being professional in everything we do, and setting higher benchmarks in the different sectors of the financial industry. This will ultimately benefit our shareholders, customers, employees and the community as we create long term value in a sustainable manner.

1. Ping An pioneered the concept of "Finance Factory" in China's finance and insurance industry with the establishment of the Shanghai Zhangjiang Support Centre which centralizes the back-office functions of its service operations.

2. Ping An-UOB Fund is the largest Sino-foreign joint venture fund in China to date by registered capital. The establishment of Ping An-UOB Fund has made Ping An's investment business more complete and has further complemented its integrated financial structure.

3. The private wealth management business of Ping An Trust turns in fine performance, with the number of high net-worth customers reaching more than 10,000 and third-party assets under management approaching RMB200 billion.

We are living in an era where the customer experience is paramount. It is a time abundant with innovations and opportunities. The development in science and technology has made life easier for people in all corners of the world. Ping An is fortunate to be one of the pioneers of this evolution. We want to transcend the traditional thinking that different financial services must be conducted through different financial institutions. Our mission is to use our expertise to deliver one-stop services to customers, which we believe is the very essence of customer experience, and which resonates with our belief that "Expertise Makes Life Simple".

Innovation is a continuous process of growth and renewal, filled with give and take along the way. In 2011, we were faced with a severe and complicated macroeconomic environment. But we responded to market changes and challenges in a proactive manner, and persevered with the belief that the bedrock of our existence is professionalism, value and innovation. We strived to provide one-stop integrated financial services to our customers, with an emphasis on offering them a more convenient and valuable consumer experience. At the same time, we further strengthened our integrated financial platform. As a result, our three pillar businesses, namely insurance, banking and investment, all delivered steady and healthy growth. The Group's total assets exceeded RMB2 trillion. The standards of our corporate governance and risk management continued to improve, along with our growing competitive strength. The Group also pressed ahead with the integration of its banking business by successfully completing the acquisition of a controlling stake in SDB. Our banking business was further enhanced, which not only complements our integrated financial services but also provides us with added protection against the cyclical impacts inherent in the financial industry.

As at December 31, 2011, total assets of the Company were RMB2,285,424 million, representing an increase of 95.1% as compared with the beginning of the year. Equity attributable to shareholders of the parent company was RMB130,867 million, representing an increase of 16.8% as compared with the beginning of the year. Net profit attributable to shareholders of the parent company for the year was RMB19,475 million, representing an increase of 12.5% as compared with the previous year. The Company was affected by an one-off accounting treatment of RMB1,952 million as a result of the consolidation of SDB's financial statements in the third quarter. Excluding this factor, the Company realized a net profit attributable to shareholders of the

parent company of RMB21,427 million for the year, representing an increase of 23.8% as compared with the previous year.

Business Highlights

In 2011, each pillar of Ping An's businesses performed strongly. Notable achievements include:

- **Our insurance business maintained a fast and healthy growth momentum with stable increases in both scale and the number of agents of our life insurance business. Premium income of our property and casualty insurance business exceeded RMB80 billion.** Written premiums of life insurance were RMB187,256 million, representing an increase of 13.9% as compared with last year. Among which, written premiums from the more profitable individual life insurance business were RMB159,990 million, representing an increase of 22.9% as compared with last year. The market share of Ping An Life increased by 1.3 percentage points to 16.4% as compared with 2010. Through continued expansion of sales channels, the number of sales agents of individual life insurance steadily increased to 487 thousand, representing an increase of 7.4% as compared with the end of last year. The Mobile Integrated Terminal (MIT) was also widely implemented, which contributed to the continued increase of per capita productivity. More than 400,000 agents had used MIT, and over 3.5 million customers insured through MIT. New policies secured through MIT accounted for 62.9% for the whole year and exceeded 90% on a monthly basis in December. Premium income of Ping An Property & Casualty surged 34.2%, exceeding RMB80 billion, while market share increased by 2.0 percentage points to 17.4% from the end of last year, which further consolidated its position as the second largest leader in the market. We also made satisfactory progress on professionalizing operation channels. Premium income from cross-selling and telephone marketing increased by 61.6% and accounted for a higher proportion of sales through channels at 41.2%. While our business maintained a rapid pace of growth, its quality remained sound, with combined ratio remaining at a remarkable 93.5%. Our annuity business also achieved rapid and healthy growth, with three major performance indicators – annuity payments received, assets entrusted, and assets under investment management – all maintaining leading positions in the annuity industry. On health insurance business, through the introduction of intellectual property rights of business systems (e.g. Claims System) and management tools (e.g. Medical Risk Management tool) from the South African company Discovery, we took gradual steps to set up a professional medical risk management platform as well as a foundation for products and services innovation, which had established our core competencies in the mid-to-high-end medical insurance market.

4. In 2011, Ping An successfully completed its major asset restructuring plan. SDB has since then become a subsidiary of Ping An while Ping An Bank has in turn become a subsidiary of SDB. The integration of the two banks paves the way towards the goal of becoming the best commercial bank in China.

Chairman's Statement

5. In 2011, Ping An was named the winner of "The Most Respected Companies of China – 10 Years Achievement Award" for its commitment to shareholders, customers, employees and the community. Ping An was the only integrated financial services group to have been given the award, and one of only two companies to have won the honour in the award's 10 years history.

6. In 2011, Ping An completed its plan to help build 100 Hope Primary Schools and 12 "Dream Center" multimedia classrooms. A total of 1,527 volunteers have participated in the Company's rural teacher program which has benefitted 20,982 students so far.

7. Ping An was the only insurance partner of the 26th Summer Universiade held in Shenzhen in August 2011. During the event, Ping An operated the Ping An Universiade Stadium in the New Universiade Town in Longgang, Shenzhen.

- **Successfully completed the major asset restructuring through transactions to gain control of SDB, profit from our banking business significantly increased by 176.8% as compared with last year and total assets of the bank after merger exceeded RMB1.2 trillion.** In July 2011, the Company successfully completed the major asset restructuring to gain control of SDB. The Company and its subsidiaries hold 52.38% of the issued shares of SDB, which has since become a subsidiary of Ping An. Ping An Bank in turn has become a subsidiary of SDB. In 2011, profit contributed by our banking business amounted to RMB7,977 million, a significant increase of 176.8%. After the merger with Ping An Bank, the overall strength of SDB was further enhanced with total assets exceeding RMB1.2 trillion. During the transition period of the integration of the banks, our banking business maintained its solid pace and good quality. Total deposits amounted to RMB850,845 million, an increase of 14.2%, of which retail deposits amounted to RMB152,280 million, up 30.3%. Total loans amounted to RMB620,642 million, up 15.3%. The number of trade finance customers exceeded 10,000, while trade finance facilities balance amounted to RMB233,356 million, representing an increase of 28.3% as compared with the end of 2010. The accumulated number of credit cards in circulation reached 9,040 thousand while new cards issued through cross-selling in 2011 exceeded one million. Our asset quality was stable and has strong resistance to risks. Non-performing loan ratio and provision coverage ratio were 0.53% and 320.66% respectively, both ahead of industry level. Our capital adequacy ratio and core capital adequacy ratio were 11.51% and 8.46% respectively, in line with regulatory requirement.

- **The personal wealth management business of Ping An Trust grew at a rapid and stable pace while the investment banking business of Ping An Securities continued to hold its leading position in the market. Ping An-UOB Fund was officially set up followed by the successful launches of two funds.** The personal wealth management business of Ping An Trust achieved satisfactory growth, with the number of high net worth customers exceeding 13,000. The average fund raised per month reached RMB6 billion, representing an increase of 200.0% as compared with last year. Management fees income of trust products amounted to RMB1,802 million, a surge of 152.4%. The investment banking business continued to top the SMEs and the GEM underwriting market, having sponsored 34 IPOs and seven refinancing projects as lead underwriter. We were ranked top in the league table by the number of deals and underwriting fees for IPO transactions. The fixed income business experienced rapid growth, and had completed 17 corporate bond issuances as lead underwriter, a new record in our history. Based on its outstanding performance and comprehensive strength, Ping An Securities was rated AA grade under category A as unveiled by the CSRC for the classification of securities companies, which was the highest grade among all domestic securities companies. Ping An-UOB Fund was officially set up on January 7, 2011, which further enriched the product lines of our investment business and helped to enhance our integrated financial service capability. During 2011, Ping An-UOB Fund successfully issued two funds. One of its first products, Ping An-UOB Industries Pioneer Equity Fund, by leveraging the Group's comprehensive financial strength successfully raised more than RMB3 billion, making it the largest equity fund launched in terms of funds raised in the same period. Our investment management business actively explored new business opportunities and launched the "Ping An of China SIF-RMB Bond Fund" – the first retail fund in Hong Kong for overseas investors. The fund, designed to meet market trends and customers' needs, had achieved first-mover advantages in Hong Kong's fund market and contributed positively to Ping An's reputation of being a professional offshore investment brand.

- **Continuous enhancement in cross-selling synergy, smooth completion of the back-office centralization project, constant improvement in service standard.** We have set up a well-established cross-selling and remote selling management platform, which has unleashed growing synergy. In 2011, Ping An Property & Casualty generated 51.0% of its premium income from automobile insurance through cross-selling and telemarketing. Cross-selling also accounted for 42.9% of the new credit cards issued by SDB and Ping An Bank, 42.9% of new retail deposits at Ping An Bank and 63.3% of the funds raised by the first fund of Ping An-UOB Fund. In 2011, the Company's back office centralization project was completed as scheduled, thus establishing two distinct back office operating models: centralized and decentralized. Going forward, our back office centralization platform will continue to focus on four core values, namely risk control, service enhancement, strengthened professionalism and cost reduction. Through effective and quality operation and services, we aim to give full support to the rapid development of every business and deepen the implementation of our integrated financial strategy. In 2011, by implementing optimizing measures such as operation sharing and increased automation, claims processing time for life insurance and automobile insurance was shortened to 7.25 hours and 10 hours respectively, a direct result of continued improvement in our insurance claims service. Ping An Life's commitment of "72-hour settlement for standard cases with full documentation" was fulfilled 99.7% of the time, while Ping An Property & Casualty's commitment of "24-hour settlement for claims below RMB10,000 with full documentation" was fulfilled 99.9% of the time.

Corporate Honors

In 2011, Ping An brand continued to maintain a leading position with widespread recognition for overall strength, corporate governance and corporate social responsibility from domestic and overseas rating agencies and media, and received a range of honors and awards:

- Ranked 328th in 2011 Fortune 500, and maintained first place among mainland Chinese companies in the non-SOE category.
- Included in the Forbes Global 2000 for the seventh time and advanced by 319 places in the ranking to 147th from the year ago; ranked 10th among mainland Chinese companies. In the global diversified insurance company category, Ping An was ranked No.9 and was the only Chinese company included in the list.
- Included in the renowned financial magazine Euromoney's "Best Managed Insurer in Asia" for the third consecutive year; Ping An was also the only insurance company in Asia included in the list in 2011.
- Winner of "Corporate Governance Asia Recognition Awards" for five consecutive years, as named by Corporate Governance Asia, a leading corporate governance magazine in Asia.
- Winner of "The Most Respected Companies of China – Ten Years Achievement Award" and "The Charitable Enterprise – Ten Years Achievement Award", jointly awarded by the Economic Observer and the Management Case Center of Peking University (MCCP). Ping An is one of only two companies that have ever received the prestigious award of "The Most Respected Companies" since it began ten years ago.
- With a brand value of US$10.54 billion, Ping An was ranked 83rd in the Financial Times' "Brandz Top 100 2011" ranking; it was also ranked 83rd in "2011 BrandZ 100 Most Valuable Global Brand" and No.9 in "BrandZ 50 Most Valuable Chinese Brand" by Millward Brown under the WPP marketing communication group.
- Leveraging the "one-stop" financial services and innovative business model, as well as the seamless integration of modern technology with financial services, Ping An's Mobile Integrated Terminal (MIT) system was named a top winner of "2011 Shenzhen Financial Innovation Award" by Shenzhen Municipal Government.

Chairman's Statement

Corporate Governance

In 2011, we were committed to improving our corporate governance practice against higher standards moving from merely in compliance with relevant laws and regulations with due considerations given to our own operating conditions. The General Meeting, the Board of Directors, the Supervisory Committee and the senior management operated independently and performed their respective rights and obligations in accordance with the Articles of Association of the Company. The Board actively contributed in various aspects, including strategic planning, investment decision, risk management, internal control and compliance, corporate social responsibility as well as talent recruitment and appointment. For the outstanding performance of the Company's corporate governance, we received numerous awards including "Board of Directors Award 2011" by Shanghai Stock Exchange, "Directors of the Year Awards" by Hong Kong Institute of Directors, "Hong Kong Corporate Governance Excellence Awards" by Chamber of Hong Kong Listed Companies (CHKLC), "Top 50 Best Board of Directors of Listed Company on Main Board in China" and "Top 10 Board of Directors in Fastest Value Creation of Listed Company on Main Board in China" by Moneyweek.

Social Responsibility

In 2011, our constant efforts to provide financial services with green features and our commitment to corporate social responsibility have gained wide-spread public recognition. Regarding environmental protection, the promotion of community programmes, such as "Low Carbon 100", have embedded the concept of corporate social responsibility into our professionalized financial services related to each business section, including insurance, banking and investment. Our newly launched second generation MIT system has provided customers with more diversified insurance products through one-stop integrated financial services, with the advantages of being more "speedy", "effective" and "environment friendly". So far more than 3.5 million customers have been insured through the MIT system. The use of MIT, electronic policies and electronic bills for life insurance and credit card business saved a total of approximately 511.7 tons of paper and mailing cost for more than 18 million mails. On education, Ping An has sponsored the building of more than 100 Hope primary schools and 12 "Dream Center" multi-media classrooms. To date, 5,362 students from Ping An Hope Primary Schools have received Ping An Hope Scholarship amounting to a total of RMB2,899,500 and 3,905 university students have received RMB14,090,000 in financial aid granted by the Endeavourers Plan Thesis Award and Future Entrepreneur Award. Charitable donations made by the Company have exceeded RMB100 million in total.

Prospects

The rise of integrated finance is inevitable in the course of the development of the financial industry in the long run. Ping An is, and has always been, devoted to the pursuit of becoming an internationally leading integrated financial services group. The term "integrated finance" signifies the best customer experience that one can come to expect from a company like ours. It begins with one customer and one account, through which a multitude of products and one-stop services are readily available to the customer. The path to becoming a top tier financial group internationally begins with our being professional in everything we do, and setting higher benchmarks in the different sectors of the financial industry. Professionalism is the key to become an internationally leading provider of integrated financial services. We believe "expertise creates value" and integrated financial services will help make life simpler for our customers by saving their time, their worries and efforts. In 2012, Ping An will continue to maintain effective, sustainable, healthy and stable development in its various businesses and further enhance its core competitive advantages. Meanwhile, we will constantly improve the management of platform to facilitate our cross-selling strategy through the merger and integration in the banking business. We will strive to deepen the reform of back-office centralization and actively explore an innovative development model that combines modern technology with financial services. We will also build a solid platform for integrated financial services, aiming at improving service quality and optimizing customer experience. Relying on our one-stop integrated financial services, customers can enjoy comprehensive, outstanding, convenient and professional financial service. We are confident that we can create long term value for our shareholders, customers, employees and society in a sustainable manner.

Looking ahead, China's economy is expected to maintain its upward trend in the long run. With the continued increases in residents' income and in the demand for financial services, as well as further reforms in China's financial system, the room for growth for China's insurance companies remains substantial. It has also created a good environment for innovation in the integrated financial services industry. Meanwhile, under the current fluid internal and external economic environment and with accelerating reforms in China's financial regime, the Company faces a multitude of challenges, such as rising operating cost, uncertainties in the investment markets, and the need to improve the competiveness of our products and services. However, we are fully confident that Ping An will be able to move with the times, seize every opportunity and meet with the challenges along the way as we forge ahead towards our goal of being an internationally leading integrated financial services provider. This journey begins with each and every one of our employees, every team and every project. Every step we make we make it together, and we shall advance in unison towards our grandiose goal of becoming an internationally leading integrated financial services group!

Chairman and Chief Executive Officer

Shenzhen, PRC
March 15, 2012

Strategy and Vision

Strategic Goal: To be an internationally leading integrated financial services group

STRATEGIC POSITIONING

- Establish a core business framework supported by the Group's three pillar businesses: insurance, banking and investment;
- Build an integrated financial services platform that is in line with the vision of "one customer, one account, multiple products and one-stop services";
- Grow customer base and assets to further enhance our unrivalled competitive advantages;
- Achieve sustainable growth in profits to provide shareholders with stable returns on a long-term basis.

VISION

Insurance Business

- Maintain the healthy and steady development of our property and casualty insurance and life insurance businesses while promoting their competitiveness and steady expansion in market share;
- Increase efforts in new business areas such as corporate annuity and health insurance.

Banking Business

- Develop an integrated banking business by fully utilizing existing advantages such as customer base, products, channels and platforms to produce synergies across our businesses and to create win-win partnerships;
- Turn the banking business into a core one-stop service platform to provide the Group's customers with integrated financial services.

Investment Business

- Strive to develop an investment platform that are unequalled in the industry;
- Strengthen the asset-liability-management capability while building on a solid and comprehensive risk management system;
- Improve and enhance third-party asset management business by providing a full array of premium investment products with the aim of becoming a leader in China's wealth management market.

The Group

- Integrate internal resources and unleash synergies in an efficient and optimal manner under one strong brand by leveraging the rapid growth in cross-sales and a powerful and centralized back office platform;
- Continue to enhance the Group's competitiveness and profitability to promote the rapid growth of its business value, profitability, business scale, customer numbers and total assets.

Investment Value

DISTINCTIVE COMPETITIVE ADVANTAGES

- Maintained healthy and rapid **growth** across the Group's businesses on the back of China's robust economic development;
- An active promoter of reform and **innovation** in various areas, Ping An remains a trailblazer in the industry;
- Leveraging a solid integrated financial platform, our performance in the **cross-selling** of a multitude of financial products and services continues to improve alongside customer loyalty and brand awareness;
- Growing cost advantages and synergies supported by a powerful and **centralized back office** operating platform;
- A nationally leading **integrated financial services** group with the most number of operating licenses in the industry, the widest range of business offerings, and the most closely guarded governance structure.

Please refer to pages 12-21 for further details.

SOUND CORPORATE GOVERNANCE SYSTEM

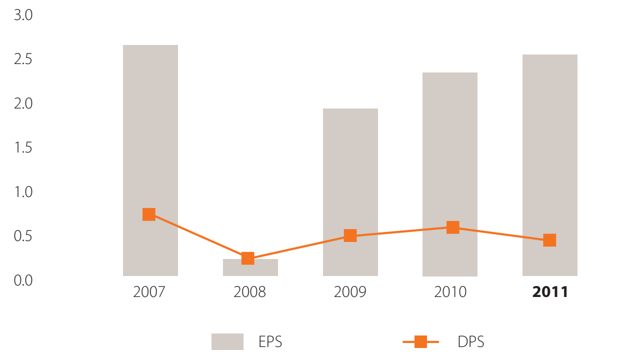
- Corporate duties in a comprehensive system: ensures the independent operation of our three parties (i.e. the Board of Directors, the Supervisory Committee and the General Meeting), with the Professional Committees and the Executive Committee under the Board of Directors respectively responsible for decision-making and execution;
- A clear development strategy, a unique corporate culture, and an international and professional management team;
- A pioneering and comprehensive risk management system;
- A disclosure mechanism characterized by truthfulness, accuracy, completeness, timeliness and fairness;
- An investor relations function that operates with rigor, enthusiasm and effectiveness.

FULL COMMITMENT TO SOCIAL CORPORATE RESPONSIBILITY

- Commitment to shareholders: increase asset value and generate stable returns
- Commitment to clients: first class customer service that can be depended on
- Commitment to employees: career opportunities that promise a balanced home and work life
- Commitment to communities: give back to society to strengthen the foundation of our nation
- Commitment to business partners: forge partnerships that are beneficial to all parties involved

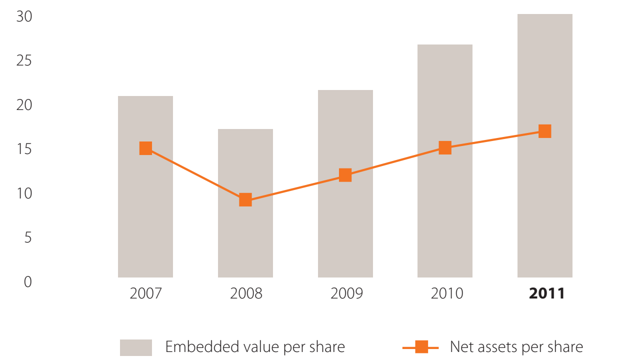
EPS/Dividend per share

(in RMB)



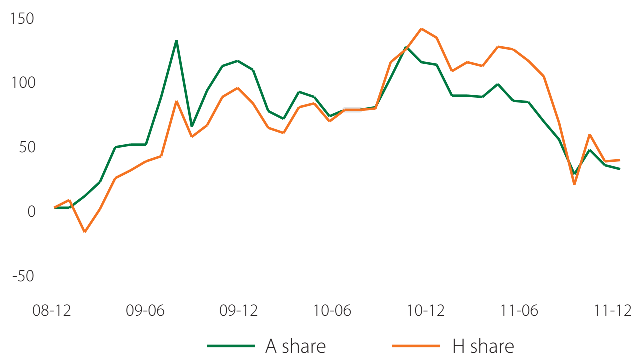
Embedded value per share/Net assets per share

(in RMB)



Total shareholders' return

(%)



Source: Bloomberg

Growth. China, where economic growth continues to be strong and with one fifth of the global population resources, has created massive growth potential for providers of integrated financial services such as Ping An.

Ping An has become one of the few financial service providers in China which offers one-stop insurance, banking and investment products and services.

In spite of a complex market environment in 2011, the Company embraced challenges with a positive attitude. As a result, our three pillar businesses – insurance, banking and investment – sustained healthy and steady growth in the following areas:

- Total Group assets exceeded RMB2 trillion on strengthening overall competitiveness.
- Ping An Life achieved stable increases in its business scale and in the number of agents.
- Ping An Property & Casualty's premium income breached the RMB80 billion mark.
- Profit contribution from the banking business was RMB7,977 million, up 176.8% year on year.
- Income of Ping An Trust's private wealth management business rose by 152.4% to RMB1,802 million.
- Ping An Securities successfully sponsored 34 IPOs and seven refinancing projects as the lead underwriter.

Innovation. Ever since Ping An started its operations in 1988, innovation has driven and inspired the Group's development.

Through innovation, we were the first in China's financial industry to:

- Introduce foreign capital
- Engage international accounting firms and actuarial advisers to perform auditing and valuations
- Offer investment-linked life insurance products
- Establish a nationwide integrated operating center
- Provide nationwide claims settlement service to automobile insurance policyholders
- Achieve group structure listing on an overseas stock exchange

For over 23 years, Ping An has been committed to unrelenting innovation in its operation, products and services, allowing the Company to sustain its rapid growth and development whilst playing an important role in promoting the reform and development of China's insurance industry.

During 2011, we achieved transformation and innovations in the following fields:

- Ping An Property & Casualty launched its third service upgrade to be consistent with its commitment to ensure "24-hour settlement for claims below RMB10,000 with full documentation", and a new free roadside assistance service was introduced: VIP policyholders of Ping An automobile insurance and those who purchased its commercial automobile insurance by telephone, through the internet or Ping An Life's insurance agents are entitled to unlimited free roadside assistance service during the policy period. Adhering to its commitment to keep "promises unchanged and service upgraded", Ping An Property & Casualty has consolidated and developed its fundamental services, such as prompt arrival at the scene of accidents, whole-process claims handling on the clients' behalf, accompany and intermediate for cases that involve casualties, follow-up and feedback on claims handling, enabling Ping An to offer more comprehensive services and to improve customer satisfaction.
- Ping An Life's commitment to deliver "72-hour settlement for standard cases with full documentation" service marks its third service upgrade since the "Respecting the contracts, we will find reasons for your claims" campaign in 2009 and the second service upgrade in 2010 with the launch of "E-policy service". As a leading integrated financial services provider and with its highly efficient operation and professional platform, Ping An respects the requests of every client and strives to offer them new and improved services that raise industry standards.
- Ping An Life's first-of-its-kind Mobile Integrated Terminal (MIT) is a perfect combination of modern technology and the insurance sales business, which put into practice the green concept of a paperless, low-carbon operation and an efficient and environmentally friendly production line. It pioneered the transformation of the business of insurance sales into a paperless practice, making it a leader in this area in both the domestic and international markets. Due to the clear advantages of improved operational efficiency, cost-effectiveness and low-carbon environmentally-friendly practices, MIT presents great value to the society, customers, industry and companies, and is worthy to be widely adopted by the industry. In 2011, MIT was officially introduced to all the sales outlets of Ping An Life and has been operating smoothly since.

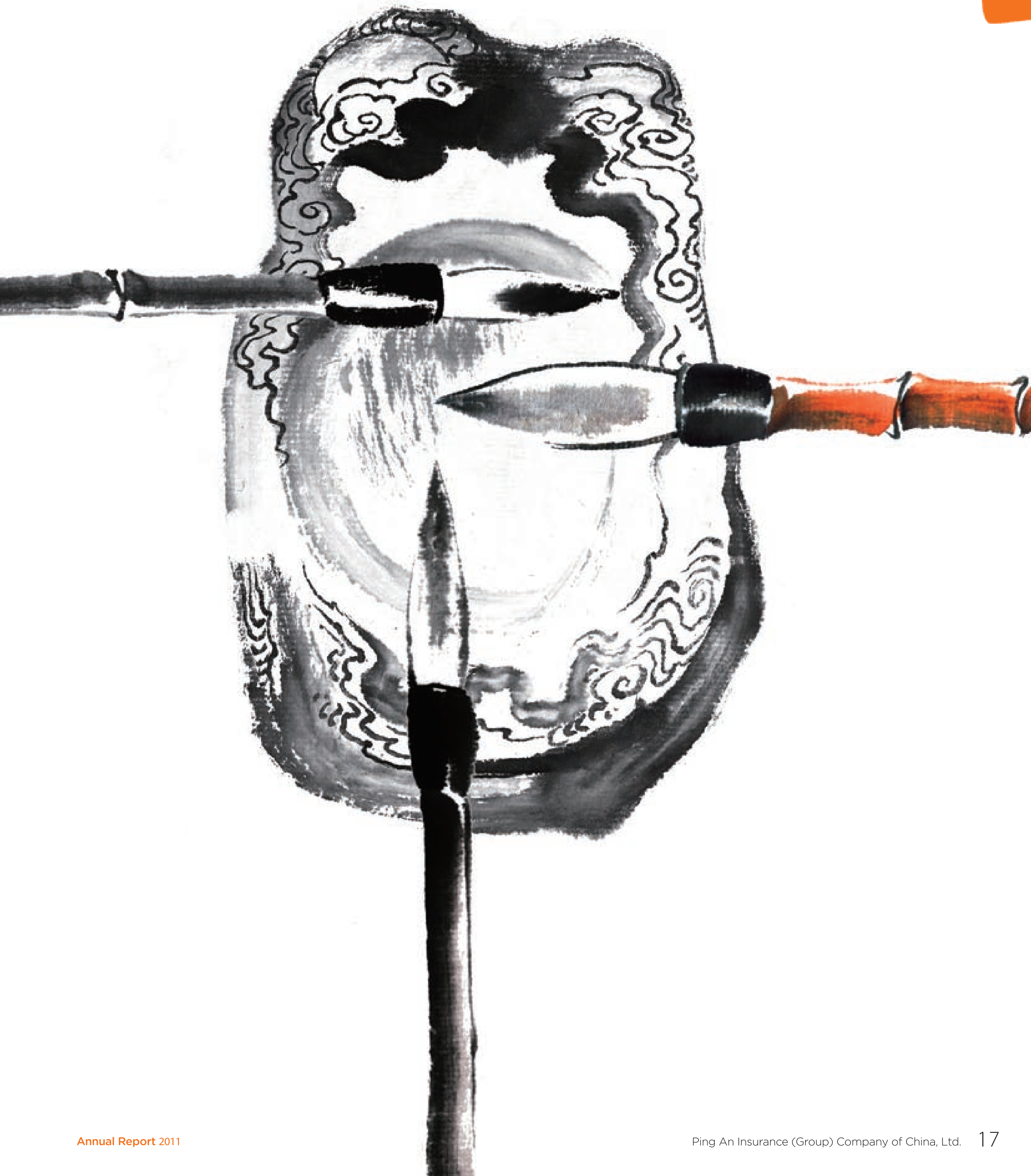
Cross-selling. Ping An's integrated financial structure and multifarious financial products and services enable us to meet the growing needs of our customers, which helps enhance efficiency and promote growth of the Group.

Cross-selling is the Group's core strategy for achieving the "one customer, one account, multiple products and one-stop service" business goal.

The Group's subsidiaries, including Ping An Life, Ping An Property & Casualty, Ping An Annuity, Ping An Health, Shenzhen Development Bank, Ping An Securities, Ping An Trust and Ping An-UOB Fund, cover all areas of the financial services sector, providing solid support to the implementation of the cross-selling strategy.

Cross-selling reinforces customer loyalty, which often takes years to establish. It also helps enhance the overall influence of the Ping An brand, making it a byword for value, efficiency and integrity.

And thanks to our highly sophisticated centralized operation platform, the implementation of cross-selling becomes easier and more cost-efficient than ever before.



Back Office Centralization. The formation of the Group's centralized operation platform provides a solid foundation for the development of Ping An's three pillar businesses – insurance, banking and investment.

The result of a six-year investment costing billions of yuan, Ping An's centralized operation and management platform are already providing the Group with enhanced efficiencies and increased production capacities. This gives the Group a competitive advantage in terms of controlling costs and also raises the quality of customer service.

Other advantages include greater levels of support for sales staff and improvements in the risk management process. Overall, the application of advanced technology and the benefits of standardised operational flow will help Ping An achieve integrated financial strategic targets.

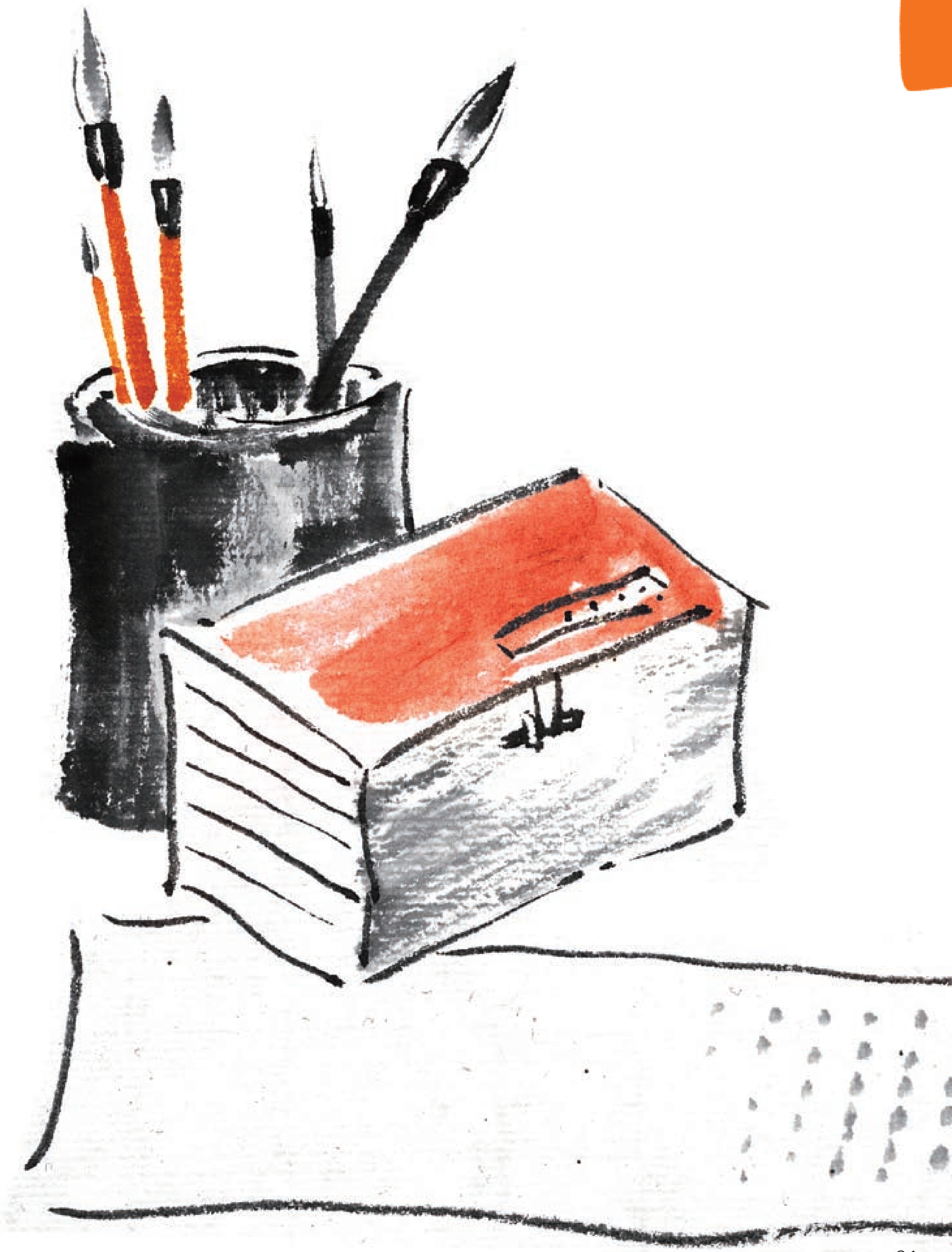
In 2011, the Company's back office centralization project was completed as scheduled, thus creating two distinct back office operating models: centralized and decentralized. Going forward, our back office centralization platform will continue to focus on four core values, namely risk control, service enhancement, strengthened professionalism and cost reduction. Through effective and quality operation and services, we aim to give full support to the rapid development of every business and deepen the implementation of our integrated financial strategy.

Integrated financial services. Over the next decade, Ping An's vision is to become a leading international integrated financial services group. This will involve the balanced development of the Group's insurance, banking and investment businesses based on our "one customer, one account, multiple products and one-stop services" strategy.

Ping An started offering insurance products from a single office in Shenzhen. Over the past 23 years, that venture has grown to become China's leading integrated financial services provider.

Today, Ping An is an integrated financial group in China with the most financial service licences, the widest range of services and the closest shareholders relationship.

Furthermore, leveraging Ping An's culture of innovation, cross-selling and centralization, we are well placed to promote the internationalization of Ping An against the backdrop of continued economic growth in China.



Honors and Awards

In 2011, Ping An continued to maintain a leading position in terms of brand value. Our comprehensive strength and efforts in corporate governance and corporate social responsibility have won us numerous accolades and awards at home and aboard from independent third parties such as rating agencies and the media.

STRENGTH

- Fortune

  Ranked No. 328 in "Fortune 500" and maintained first place among mainland Chinese companies in the non-SOE category

- Financial Times (UK)

  Ranked No. 107 in "FT Global 500"

  "Best Innovation Award"

- Forbes

  Ranked No. 147 in "Forbes Global 2000"

- Shenzhen Municipal Government

  "2011 Shenzhen Financial Innovation Award"

- Finance Asia

  Ranked No. 43 in "100 Best Blue Chips in Asia"

- China Business Journal

  "2011 Outstanding Competitiveness Financial Holdings Company"

- The Asset

  "The Asset Triple A Investment Awards 2011 (Insurance category)"

- China Enterprise Confederation and China Enterprise Directors Association

  "2011 China Top 500 List", "2011 China Top 200 Company with Highest Revenue"

- Capital Magazine

  "The Sixth China Outstanding Enterprise Awards"

- Tencent (QQ.com) & Quamnet.com

  Ranked No. 34 in "Top 100 Hong Kong Listed Companies"

BRAND

- Millward Brown, WPP

  Ranked No. 83 in "BrandZ 100 Most Valuable Global Brand", Ranked No. 9 in "BrandZ 50 Most Valuable Chinese Brand"

- Financial Times (UK)

  Ranked No. 83 in "2011 Brandz Top 100"

- Interbrand

  Ranked No. 6 in "2011 Best China Brands"

- Reader's Digest

  "2011 Platinum Award as Trusted Brand (Financial/Insurance category)

- Ming Pao

  "Pride of Hong Kong" Mainland Chinese Consumers (Insurance)

- Hurun Report

  Ranked No. 9 in "Hurun Most Valuable Chinese Home-grown Brands List 2011"

- Insurance Culture

  "Most Influential Insurance Brand of the Year Award"

SOCIAL RESPONSIBILITY

- 21st Century Business Herald

  "21st Century's Best Corporate Citizen"

- Running & Loving Consulting for Common Welfare (RLCCW)

  "Best Social Responsibility Report Award" for the third consecutive year among listed companies (A Shares)

- The Economic Observer

  "2011 Best Low-carbon Enterprise in China", "Best Public Service Marketing Award"

- The Economic Observer and The Management Case Center of Peking University (MCCP)

  "The Most Respected Companies of China – Ten Years Achievement Award", "The Charitable Enterprise – Ten Years Achievement Award"

- National Business Daily

  "Chinese Enterprises Environment Contribution Award"

- Forbes (Chinese edition)

  Ranked No. 63 in "2011 China's Charity List"

- National Development and Reform Committee, State-owned Assets Supervision and Administration Commission of the State Council and China News Weekly

  "China's Low-carbon Model"

- Business Value

  "China Outstanding CSR Competitiveness Case Study"

- Fortune (Chinese edition)

  Ranked No. 18 in "Top 100 Social Responsibility of Chinese Enterprise"; No. 4 in the financial category and No. 1 in the insurance category

- China News Weekly

  "Most Responsible Enterprise" for five consecutive years

CORPORATE GOVERNANCE

- Euromoney

  "Best Managed Insurer in Asia" for the third consecutive year

- Corporate Governance Asia

  "Corporate Governance Asia Recognition Awards" for the fifth consecutive year

- Chamber of Hong Kong Listed Companies (CHKLC)

  "Hong Kong Corporate Governance Excellence Awards"

- Shanghai Stock Exchange

  "Board of Directors Award 2011"

- The Hong Kong Institute of Directors

  "Directors of the Year Awards"

- Moneyweek

  "Top 50 Best Board of Directors of Listed Company on Main Board in China", "Top 10 Board of Directors in Fastest Value Creation of Listed Company on Main Board in China"

- The Asset

  Winner of the "Platinum Award for All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations" for the third consecutive year

- Directors & Boards and Sina.com.

  Winner of "Best Board of Directors under Gold Round Table Awards for the Boards of Directors of Chinese Listed Companies" for the fourth consecutive year

- ARC Awards International

  Silver winner of the 25th Annual Report Excellence Award (interior design: Insurance)

Management Discussion and Analysis
Overview

- Maintained healthy and steady growth in our three pillar businesses: insurance, banking and investment.
- Successfully completed the major asset restructuring through transactions to gain control of Shenzhen Development Bank; integration of the banking business progressed smoothly.
- Net profit attributable to shareholders of the parent company reached RMB19,475 million, up 12.5% year on year.

We offer various financial products and services to clients under a single brand name via a multiple distribution network that leverages the capabilities of our major subsidiaries. These are Ping An Life, Ping An Property & Casualty, Ping An Annuity, Ping An Health, Shenzhen Development Bank, Ping An Trust, Ping An Securities, Ping An Asset Management Ping An Asset Management (Hong Kong) and Ping An-UOB Fund.

In 2011, in the face of the complicated and tough economic situation at home and abroad, Ping An Group was proactive in dealing with market changes and challenges to ensure the robust and steady growth of its three pillar businesses, namely insurance, banking and investment. In particular, Ping An Life achieved stable increases in its business scale and in the number of agents. Ping An Property & Casualty breached the RMB80 billion mark in premium income while its combined ratio was maintained at an excellent level. The integration of our banking business progressed smoothly following the completion of the major asset restructuring to gain control of Shenzhen Development Bank. Profit contribution from the banking business was remarkable, increasing substantially by 176.8% compared with last year, while total assets topped RMB1.2 trillion, marking a new phase in the development of our banking business. Ping An Trust achieved rapid and stable growth in its private wealth management business while Ping An Securities maintained its leading position in the investment banking business arena. Ping An-UOB Fund was officially established and it successfully launched two funds. The management of our cross-selling efforts continued to make progress; the second phase of our operation centralization was fully completed. Our integrated financial strategy continued to make steady progress while the Company's competitiveness was further enhanced.

Whilst its business grew at a brisk pace, the Company's profitability continued to stay at a stable level. Net profit attributable to shareholders of the parent company recorded for 2011 was RMB19,475 million, representing a growth of 12.5% year on year. If excluding the RMB1,952 million one-off accounting treatment resulting from the consolidation of SDB's financial statements in the third quarter, the Company's net profit attributable to shareholders of the parent company for 2011 would have been RMB21,427 million, representing an increase of 23.8% year on year. As at December 31, 2011, total assets of the Company reached RMB2,285,424 million while equity attributable to shareholders of the parent company stood at RMB130,867 million, representing increases of 95.1% and 16.8%, respectively, compared with the end of 2010.

CONSOLIDATED RESULTS

(in RMB million)	2011	2010
Total income	**272,244**	195,814
Total expenses	**(242,218)**	(173,467)
Profit before tax	**30,026**	22,347
Net profit	**22,582**	17,938
Net profit attributable to shareholders of the parent company	**19,475**	17,311

NET PROFIT BY BUSINESS SEGMENT

(in RMB million)	2011	2010
Life insurance	**9,974**	8,417
Property and casualty insurance	**4,979**	3,865
Banking	**7,977**	2,882
Securities	**963**	1,594
Other businesses(1)	**641**	1,180
Consolidation adjustments	**(1,952)**	–
Net profit	**22,582**	17,938

(1) Other businesses mainly include corporate, trust business and asset management business, etc.

Our life insurance business realized a net profit of RMB9,974 million, up 18.5% over last year due to a combination of factors such as the growth in life insurance business, the volatilities in capital market and changes in assumptions of the benchmark yield curve for the measurement of insurance contract liabilities. Net profit from our property and casualty insurance business increased by 28.8% from RMB3,865 million in 2010 to RMB4,979 million in 2011. Under the stable and favourable operating environment, Ping An Property & Casualty intensified its professional channel operation in promoting business growth as well as stabilising its profitability through continued refinement in management. Profit contribution from our banking business increased significantly, producing RMB7,977 million in net profit, including RMB5,620 million from Shenzhen Development Bank and RMB2,357 million from Ping An Bank. Shenzhen Development Bank has become a subsidiary of the Group since July 2011 and its operating results for the second half of 2011 was consolidated into that of the Group. Net profit from our securities business decreased by 39.6% from RMB1,594 million in 2010 to RMB963 million in 2011, mainly as a result of the downturn in the stock market and the slowdown in the investment banking business. For a detailed analysis of the operating results of individual business lines, please refer to the respective sections.

In this annual report, the financial statements of Shenzhen Development Bank have been consolidated into the Group. The loss of RMB1,952 million arising from the consolidation adjustments, as listed in the above table, was a result of the accounting treatment of the one-off re-measurement of the 29.99% equity interest previously held in Shenzhen Development Bank. According to the "Accounting Standards for Business Enterprises" and other relevant accounting regulations issued by the Ministry of Finance, in a business merger carried out by stages, the acquirer shall re-measure its previously held equity interest in the acquiree at fair value when preparing consolidated financial statements. This one-off re-measurement reduced the Group's investment income for 2011 by RMB1,952 million. Correspondingly, the Group's consolidated net profit and net profit attributable to shareholders of the parent company for the year decreased by RMB1,952 million.

INVESTMENT PORTFOLIO OF INSURANCE FUNDS

Insurance is the core business of the Group. The insurance funds represent the funds that can be invested by the Company and its subsidiaries engaged in the insurance business. The investment of insurance funds is subject to relevant laws and regulations. The investment portfolio of insurance funds represents a majority of the investment assets of the Group. This section analyzes the investment portfolio of insurance funds.

In 2011, the economies and financial markets around the world made for a complicated picture. Affected by the sovereign debt crisis, economic growth in developed countries was lower than expected as they continued to implement quantitative easing monetary policies. Emerging markets, suffering from high inflation, responded by tightening their monetary policies. The PRC government considered the control of inflation and property prices as the top priorities of its macroeconomic policies. China's economic growth had slowed on a quarterly basis. Affected by the multitude of negative factors at home and abroad, the A-share market trended downward, while the bond market climbed higher despite intermittent setbacks. Thanks to our in-depth research into the changing macroeconomic conditions, continuous improvement in risk control measures and optimization of assets allocation, we managed to achieve relatively stable return on investment.

Investment Income

(in RMB million)	2011	2010
Net investment income(1)	**33,148**	25,343
Net realized and unrealized gains(2)	**(961)**	4,372
Impairment losses	**(2,606)**	(540)
Others	**(65)**	97
Total investment income	**29,516**	29,272
Net investment yield (%)(3)	**4.5**	4.2
Total investment yield (%)(3)	**4.0**	4.9

(1) Net investment income includes interest income from bonds and deposits, dividend income from equity investments, and operating lease income from investment properties, etc.
(2) Net realized and unrealized gains include realized gains from security investments and profit or loss through fair value change.
(3) Net foreign currency gains/losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yields. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.

Net investment income increased by 30.8% to RMB33,148 million in 2011 from RMB25,343 million in 2010. This was primarily attributable to the increase in interest income from fixed maturity investments as a result of an expanded scale of investment assets, as well as the increase in dividend income from equity investments as compared with the previous year. Net investment yield increased to 4.5% in 2011 from 4.2% in 2010, mainly due to higher interest rates of newly-added fixed maturity investments and the increase in dividend income from equity investments.

As a result of the substantial adjustments in the domestic and international stock markets, the Company recorded a substantial decrease in net realized and unrealized gains, from a gain of RMB4,372 million in 2010 to a loss of RMB961 million in 2011. Impairment losses on available-for-sale equity investments in 2011 increased to RMB2,606 million in 2011 from RMB540 million in 2010.

As a result of the above factors, total investment income stood at RMB29,516 million in 2011, compared to RMB29,272 million in 2010. Total investment yield fell to 4.0% in 2011 from 4.9% in 2010.

Investment Portfolio

In accordance with the changes in market conditions, we proactively optimized the asset allocation of our investment portfolio by increasing the allocation of fixed maturity investment assets to take advantage of the potential increase in interest rates in the market. We also controlled the cost of taking positions in the equity investment assets, and reduced the proportion of cash and cash equivalents in our portfolio. The percentage of fixed maturity investments out of total investments increased to 81.0% as at December 31, 2011 from 77.8% as at December 31, 2010, and that of equity investments rose from 9.8% to 11.5%.

The following table presents our investment portfolio allocations of insurance funds:

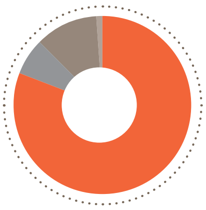
	December 31, 2011		December 31, 2010	
(in RMB million)	Carrying value	%	Carrying value	%
By category				
Fixed maturity investments				
Term deposits(1)	**169,946**	**19.6**	133,105	17.5
Bond investments(1)	**504,909**	**58.2**	451,882	59.2
Other fixed maturity investments(1)	**27,372**	**3.2**	8,633	1.1
Equity investments				
Equity investment funds(1)	**25,362**	**2.9**	22,615	3.0
Equity securities	**74,508**	**8.6**	51,673	6.8
Infrastructure investments	**8,938**	**1.0**	9,235	1.2
Cash, cash equivalents and others	**56,266**	**6.5**	85,810	11.2
Total investments	**867,301**	**100.0**	762,953	100.0
By purpose				
Carried at fair value through profit or loss	**21,803**	**2.5**	21,122	2.8
Available-for-sale	**208,991**	**24.1**	188,418	24.7
Held-to-maturity	**373,072**	**43.0**	318,937	41.8
Loans and receivables	**246,715**	**28.5**	217,771	28.5
Others	**16,720**	**1.9**	16,705	2.2
Total investments	**867,301**	**100.0**	762,953	100.0

(1) These figures exclude items that are classified as cash and cash equivalents.

Investment portfolio

(%)

December 31, 2011 (December 31, 2010)



- Fixed maturity investment 81.0 (77.8)
- Cash, cash equivalents and others 6.5 (11.2)
- Equity investments 11.5 (9.8)
- Infrastructure investments 1.0 (1.2)

FOREIGN CURRENCY LOSSES

In 2011, the Renminbi continued to appreciate against other major currencies, especially the US dollar. In addition, the issuance of 272 million of the Company's H Shares to JINJUN LIMITED had increased our HKD-denominated assets. As a result, we recorded a net exchange loss of RMB434 million on foreign currency-denominated assets in 2011.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 47.1% to RMB50,575 million in 2011 from RMB34,385 million in 2010, partly due to the consolidation of Shenzhen Development Bank's general and administrative expenses of RMB6,615 million for the second half of 2011, but also because of business growth, increased investment in marketing and investment in strategic initiatives.

INCOME TAX

(in RMB million)	2011	2010
Current income tax	**8,541**	2,832
Deferred income tax	**(1,097)**	1,577
Total	**7,444**	4,409

Income tax increased by 68.8% to RMB7,444 million for 2011 from RMB4,409 million in 2010, partly due to the consolidation of Shenzhen Development Bank' s income tax of RMB1,144 million for the second half of 2011, but also due to the increase in our other subsidiaries' taxable profits.

- Ping An Life achieved stable increases in its business scale and in the number of agents.
- Premium income from Ping An Property & Casualty surpassed RMB80 billion while combined ratio remained at an excellent level.
- Ping An Annuity maintained its leading position in the industry.

In 2011, our insurance business continued its rapid and healthy growth. Under the two core strategies of "Reaching New Heights" and "Two-Tier Market Development", written premiums generated by our life insurance business amounted to RMB187,256 million, among which, written premiums from the more profitable individual life insurance business recorded an increase of 22.9%. Throughout the year, Ping An Property & Casualty made consistent efforts to deepen the specialization of channel operations and to promote the level of delicacy management. This led to a significant increase of 34.2% in premium income to RMB83,333 million. Of that amount, RMB22,190 million came from the automobile insurance telesales business, representing a 76.1% growth. Furthermore, its market share increased by 2.0 percentage points compared with 2010 while the business' combined ratio remained at an excellent level of 93.5%, resulting in the stable profitability. Three major performance indicators of our annuity business – annuity payments received, assets entrusted, and assets under investment management – maintained their leading positions in the industry.

LIFE INSURANCE BUSINESS

Business Overview

Our life insurance business is conducted through Ping An Life, Ping An Annuity and Ping An Health.

The written premiums and the premium income of our life insurance business are as follows:

(in RMB million)	2011	2010
Written premiums(1)		
Ping An Life	**180,781**	159,064
Ping An Annuity	**6,076**	5,184
Ping An Health	**399**	200
Total written premiums	**187,256**	164,448
Premium income(2)		
Ping An Life	**118,967**	92,644
Ping An Annuity	**4,995**	4,171
Ping An Health	**132**	62
Total premium income	**124,094**	96,877

(1) Written premiums of life insurance business mean all premiums received from the policies underwritten by the Company, which is prior to the significant insurance risk testing and unbundling of hybrid contracts.
(2) Premium income of life insurance business refers to premiums calculated according to the "Circular on the Printing and Issuing of the Regulations regarding the Accounting Treatment of Insurance Contracts" (Cai Kuai [2009] No.15), which is after the significant insurance risk testing and unbundling of hybrid contracts.

In 2011, the driver of China's national economy shifted from policy stimulation to organic growth, steering it towards a direction set by the government's macroeconomic measures and leading to stable and rapid growth overall. In this first year of the Twelfth Five-Year Plan, the life insurance market maintained its stable and healthy development, with individual life insurance, direct sales, telesales and internet sales all growing at a rapid pace, pointing to an overall optimistic trend in the long term.

Based on its principles of risk prevention and compliance, in 2011, the Company steadily developed its individual life business, which offers better profitability and persistently built up a scalable and efficient sales network. Steady and valuable business growth was achieved as a result and our market competitiveness increased as the year progressed.

Ping An Life

Ping An Life, through its nationwide service network of 35 branches and over 2,400 business outlets, provides individual customers and institutional clients with life insurance products. In 2011, an additional capital of RMB10 billion was injected into Ping An Life. As at December 31, 2011, Ping An Life had a paid-up capital of RMB33.8 billion, net assets of RMB38,340 million and total assets of RMB847,954 million.

The written premiums and the market share of Ping An Life are as follows:

	2011	2010
Written premiums (in RMB million)	**180,781**	159,064
Market share (%)	**16.4**	15.1

Of the total written premiums generated by China's life insurance companies in 2011, Ping An Life accounted for 16.4% approximately. It is calculated based on the PRC life insurance industry data published by the CIRC. In terms of written premiums, Ping An Life is the second largest life insurer in China.

Summary of operating data

	2011	2010
Number of customers (in thousands)		
Individual	**49,784**	45,318
Corporate	**795**	652
Total	**50,579**	45,970
Persistency ratio (%)		
13-month	**94.2**	93.1
25-month	**89.5**	87.0
Agent productivity		
First-year written premiums per agent per month (in RMB)	**7,527**	7,922
New individual life insurance policies per agent per month	**1.1**	1.1

	2011	2010
Distribution network		
Number of individual life sales agents	**486,911**	453,392
Number of group sales representatives	**3,016**	2,906
Bancassurance outlets	**62,022**	60,222

Our life insurance products are primarily distributed through a network that includes a sales force of approximately 487 thousand individual sales agents, over 3,000 group insurance sales representatives, and over 60,000 commercial bank outlets that have made bancassurance arrangements with Ping An Life.

In 2011, Ping An Life continued to uphold its two core strategies of "Reaching New Heights" and "Two-Tier Market Development", and made great efforts in exploring new channels such as telesales on the basis of balanced development of the existing channels, so as to explore new opportunities for business development. While constantly consolidating its leading position in key cities, it also actively explored markets on the township level. Ping An Life is committed to building a team of sales agents of high productivity and impressive cross-selling capability. In 2011, written premiums from the more profitable individual life insurance segment amounted to RMB159,990 million, representing an increase of 22.9% as compared with the previous year. Furthermore, the value of Ping An Life's one year new business in 2011 was RMB16,822 million, representing an increase of 8.5% from the previous year.

Ping An Life continued to promote and establish its e-sales platform and innovate its marketing strategies. Following the successful launch of the Mobile Integrated Terminal (MIT) in 2010, the second generation of MIT was put into operation in 2011, further enhancing efficiency and service quality and providing customers with more convenient premium payment channel and comprehensive financial services. It has secured a leading position domestically and internationally.

Ping An Life managed to continue to reduce its operating expense ratio, thanks to the implementation of e-service, automation in work process and optimization of operation process; constantly enhanced customer experience through promoting the P-STAR service concept; constructed a systematic, continuous and efficient business operation platform through reorganising the mid and back-office functions for our integrated financial services, so as to steadily improve customer satisfaction. As at December 31, 2011, we had approximately 50 million individual customers and 800 thousand corporate clients. For our individual life insurance customers, we managed to maintain a 13-month persistency ratio with a satisfactory rate of 94.2%.

Business information of insurance products

In 2011, among all the insurance products offered by Ping An Life, the five highest premium income products were Fuguirensheng Endowment, Jinyurensheng Endowment, Caifuyisheng Endowment, Hongli Endowment and Xinli Endowment, which accounted for 38.0% of the premium income of Ping An Life in 2011.

(in RMB million)	Sales channel	Premium income	Standard premiums of new business[1]
Fuguirensheng Endowment (Participating)	Individual agents, bancassurance outlets	18,177	12
Jinyurensheng Endowment (Participating)	Individual agents, bancassurance outlets	10,152	3,987
Caifuyisheng Endowment (Participating)	Individual agents, bancassurance outlets	6,392	514
Hongli Endowment (Participating)	Individual agents, bancassurance outlets	5,370	–
Xinli Endowment (Participating)	Individual agents, bancassurance outlets	5,089	2,013

(1) Calculated in accordance with the method set by the CIRC.

Ping An Annuity

Ping An Annuity was set up on December 13, 2004. Having obtained approval from the CIRC on December 27, 2006, Ping An Annuity conducted its business restructuring with the group insurance division of the original Ping An Life. As at December 31, 2011, Ping An Annuity had a registered capital of RMB3.36 billion. Ping An Annuity provides corporate annuity, supplementary pension and group short-term accident and health insurance services and has been profitable since 2010.

2011 witnessed the continuous and rapid development of the Ping An annuity with accumulated annuity payments received amounted to RMB9,575 million (2010: RMB10,235 million). As at December 31, 2011, assets entrusted amounted to RMB37,400 million (December 31, 2010: RMB29,807 million), and assets under investment management amounted to RMB53,930 million (December 31, 2010: RMB38,448 million). These figures firmly cemented our market leading position amongst domestic professional annuity companies.

Ping An Health

In 2011, Ping An Health made rapid progress in business development and platform construction. Written premiums increased by 99.5% year on year. Ping An Health adhered to its aim of providing mid and high-end medical insurance and medical care service, and continued product and service innovation on the basis of professional service and risk control, providing protection and liability insurance such as hospitalisation, clinic expenses, and accidental protection, as well as clinic appointment, direct settlement, hospitalisation arrangement, health check, health evaluation, dental care, etc. Through the introduction of intellectual property rights of business systems (e.g. Claims System) and management tools (e.g. Medical Risk Management tool) from Discovery, it has gradually built up a professional medical risk management platform for health insurance and a foundation for product and service innovation, establishing a key competitive edge in the mid and high-end medical insurance market and a solid foundation for future expansion.

Financial Analysis

Other than those specified, the financial data in this section include that of Ping An Life, Ping An Annuity and Ping An Health.

Results of operation

(in RMB million)	2011	2010
Written premiums	**187,256**	164,448
Less: Written premiums on products not passing significant insurance risk testing	**(3,568)**	(3,221)
Less: Premium deposits for universal life products and investment linked products	**(59,594)**	(64,350)
Premium income	**124,094**	96,877
Net earned premiums	**123,197**	95,586
Investment income	**26,557**	26,661
Other income	**3,671**	3,232
Total income	**153,425**	125,479
Claims and policyholders' benefits	**(109,058)**	(89,841)
Commission expenses of insurance operations	**(11,351)**	(8,790)
Foreign currency losses	**(241)**	(102)
General and administrative expenses	**(15,642)**	(13,363)
Other expenses	**(4,177)**	(3,235)
Total expenses	**(140,469)**	(115,331)
Income tax	**(2,982)**	(1,731)
Net profit	**9,974**	8,417

In 2011, net profit from our life insurance business increased by 18.5% to RMB9,974 million in 2011 from RMB8,417 million in 2010 due to a combination of factors such as the growth in life insurance business, the volatilities in capital market and changes in the assumption of the benchmark yield curve for the measurement of insurance contract liabilities.

Written premiums and premium income

The following is the breakdown of written premiums and premium income for our life insurance business by distribution channels:

	Written premiums		Premium income	
(in RMB million)	2011	2010	2011	2010
Individual life				
New business				
First-year regular premiums	**37,577**	38,893	**24,220**	21,314
First-year single premiums	**6,331**	1,883	**5,151**	40
Short-term accident and health premiums	**1,925**	1,923	**2,349**	1,923
Total new business	**45,833**	42,699	**31,720**	23,277
Renewal business	**114,157**	87,447	**71,163**	58,249
Total individual life	**159,990**	130,146	**102,883**	81,526
Bancassurance				
New business				
First-year regular premiums	**1,727**	1,328	**1,710**	1,307
First-year single premiums	**15,134**	24,863	**11,784**	8,364
Short-term accident and health premiums	**2**	2	**3**	2
Total new business	**16,863**	26,193	**13,497**	9,673
Renewal business	**2,079**	905	**2,037**	882
Total bancassurance	**18,942**	27,098	**15,534**	10,555
Group insurance				
New business				
First-year regular premiums	**197**	115	**-**	1
First-year single premiums	**2,825**	2,765	**465**	495
Short-term accident and health premiums	**5,199**	4,278	**5,174**	4,255
Total new business	**8,221**	7,158	**5,639**	4,751
Renewal business	**103**	46	**38**	45
Total group insurance	**8,324**	7,204	**5,677**	4,796
Total	**187,256**	164,448	**124,094**	96,877

Management Discussion and Analysis
Insurance Business

Individual Life Insurance. Written premiums for our individual life business increased by 22.9% to RMB159,990 million in 2011 from RMB130,146 million in 2010. First-year written premiums increased by 7.3% to RMB45,833 million in 2011 from RMB42,699 million in 2010. The persistency ratio of renewal business remained at an excellent level; renewal premiums for our individual life business increased by 30.5% to RMB114,157 million in 2011 from RMB87,447 million in 2010.

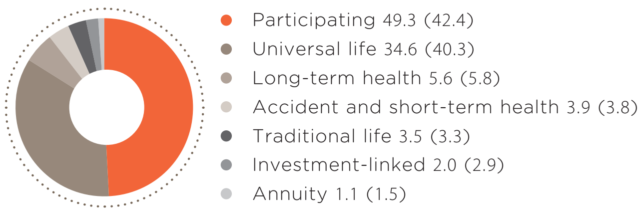
Bancassurance. Written premiums for our bancassurance business in 2011 was RMB18,942 million, a decrease of 30.1% from RMB27,098 million in 2010. Owing to changes in the industry environment and adjustment of sales strategy of our bancassurance business, first-year single written premiums of bancassurance business decreased.

Group Insurance. Written premiums for our group insurance business increased by 15.5% to RMB8,324 million in 2011 from RMB7,204 million in 2010. The Company strengthened the development of multiple distribution channels and promoted the sales of employee benefits scheme. Written premiums for our short-term group accident and health insurance increased by 21.5% to RMB5,199 million in 2011 from RMB4,278 million in 2010.

The following is the breakdown of written premiums for our life business by product type:

(in RMB million)	2011	2010
Participating	**92,372**	69,696
Universal life	**64,861**	66,294
Long-term health	**10,506**	9,501
Accident and short-term health	**7,224**	6,204
Traditional life	**6,494**	5,456
Investment-linked	**3,682**	4,842
Annuity	**2,117**	2,455
Total	**187,256**	164,448

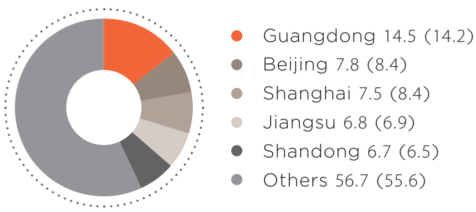
By product type
(%)
2011 (2010)



The following is the breakdown of written premiums for our life business by region:

(in RMB million)	2011	2010
Guangdong	**27,083**	23,421
Beijing	**14,570**	13,830
Shanghai	**14,037**	13,843
Jiangsu	**12,660**	11,380
Shandong	**12,619**	10,643
Subtotal	**80,969**	73,117
Total written premiums	**187,256**	164,448

By region
(%)
2011 (2010)



Total investment income

(in RMB million)	2011	2010
Net investment income(1)	**29,272**	22,777
Net realized and unrealized gains(2)	**(309)**	4,399
Impairment losses	**(2,289)**	(495)
Others	**(65)**	97
Total investment income	**26,609**	26,778
Net investment yield (%)(3)	**4.5**	4.3
Total investment yield (%)(3)	**4.1**	5.0

(1) Net investment income includes interest income from bonds and deposits, dividend income from equity investments, and operating lease income from investment properties.
(2) Net realized and unrealized gains include realized gains from security investments and profit or loss through fair value change.
(3) Net foreign currency gains/losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yields. Average investment assets used as the denominator are computed based on the Modified Dietz method in principle.

Net investment income for our life insurance business increased by 28.5% to RMB29,272 million in 2011 from RMB22,777 million in 2010. This was primarily due to the increase in interest income from fixed maturity investments as a result of the increase in the scale of investment assets, as well as the increase in dividend income from equity investments as compared with the previous year. Net investment yield for our life insurance business increased to 4.5% in 2011 from 4.3% in 2010, mainly because of higher interest rates of newly-added fixed maturity investments and the increase in dividend income from equity investments.

Affected by the volatility in the domestic stock market, net realized and unrealized gains for our life insurance business decreased significantly from RMB4,399 million in 2010 to a loss of RMB309 million in 2011. Impairment losses on the available-for-sale equity investments increased to RMB2,289 million in 2011 from RMB495 million in 2010.

As a result of the above factors, total investment income for our life insurance business was RMB26,609 million in 2011, basically flat from the previous year's RMB26,778 million. Total investment yield decreased to 4.1% in 2011 from 5.0% in 2010.

Claims and policyholders' benefits

(in RMB million)	2011	2010
Surrenders	**4,407**	3,816
Claims	**7,554**	5,312
Annuities	**4,721**	4,028
Maturities and survival benefits	**12,598**	6,640
Policyholder dividends	**5,000**	3,907
Interests credited to policyholder contract deposits	**6,075**	5,564
Net increase in policyholders' reserves	**68,703**	60,574
Total	**109,058**	89,841

Payments for surrenders rose by 15.5% to RMB4,407 million in 2011 from RMB3,816 million in 2010. This was primarily due to the increased payments for surrenders of certain participating products as compared to those payments made in 2010.

Payments for claims rose by 42.2% to RMB7,554 million in 2011 from RMB5,312 million in 2010. This was primarily due to the continuous growth of accident and health insurance business.

Payments for annuities increased by 17.2% to RMB4,721 million in 2011 from RMB4,028 million in 2010. This was primarily due to the fact that the policies entitled to annuity payments gradually increased.

Payments for maturities and survival benefits increased by 89.7% to RMB12,598 million in 2011 from RMB6,640 million in 2010, which was mainly due to the fact that the maturity of certain life insurance policies reached a peak in 2011.

Payments for policyholder dividends rose by 28.0% to RMB5,000 million in 2011 from RMB3,907 million in 2010. This was primarily due to the increase in the sales of participating insurance policies.

Payments for interests credited to policyholder contract deposits increased by 9.2% to RMB6,075 million in 2011 from RMB5,564 million in 2010. This was primarily due to the increase in interest payments resulting from the growth in the scale of our universal life insurance business.

Net increase in policyholders' reserves increased by 13.4% to RMB68,703 million in 2011 from RMB60,574 million in 2010. This was primarily due to the growth of our life insurance business.

Commission expenses of insurance operations

(in RMB million)	2011	2010
Health insurance	**1,336**	1,283
Accident insurance	**547**	436
Life insurance and others	**9,468**	7,071
Total	**11,351**	8,790

Commission expenses of insurance operations which are mainly paid to our sales agents increased by 29.1% to RMB11,351 million in 2011 from RMB8,790 million in 2010. This was primarily due to the increase in premium income.

General and administrative expenses

General and administrative expenses increased by 17.1% to RMB15,642 million in 2011 from RMB13,363 million in 2010. The increase was primarily due to the growth in our insurance business.

Income tax

Income tax increased by 72.3% to RMB2,982 million in 2011 from RMB1,731 million in 2010. This was primarily due to the increase in taxable profits. The effective tax rate was 23.0%, which was lower than the statutory tax rate, as there was a higher level of tax-free income such as interest income from government bonds, fund dividends, and etc.

PROPERTY AND CASUALTY INSURANCE BUSINESS

Business Overview

We conduct property and casualty insurance business mainly through Ping An Property & Casualty, while Ping An Hong Kong also offers this insurance service in the Hong Kong market. In 2011, an additional capital of RMB5 billion was injected into Ping An Property & Casualty. As at December 31, 2011, Ping An Property & Casualty had a registered capital of RMB17 billion, net assets of RMB22,021 million and total assets of RMB108,648 million.

Market share

The premium income received by Ping An Property & Casualty and its market share are as follows:

	2011	2010
Premium income (in RMB million)	**83,333**	62,116
Market share (%)(1)	**17.4**	15.4

(1) Calculated in accordance with the PRC insurance industry data published by the CIRC.

In 2011, China's national economy was stable overall, providing an ideal environment for the development of insurance business. However, changes in the macroeconomic situation had an adverse impact on the insurance market to a certain extent. With the withdrawal of stimulus policies for vehicle consumption, the growth of new car sales had dropped sharply. As a result of which, there was also a significant slowdown in the growth of the car insurance business as compared with the previous year.

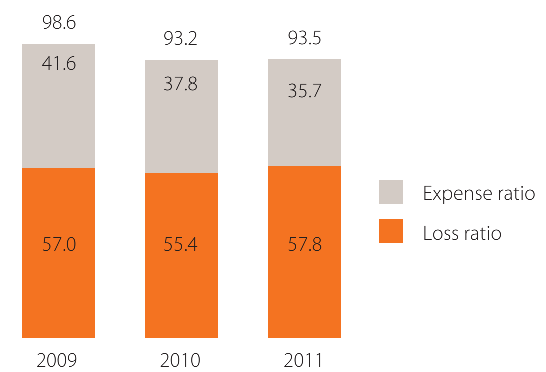
Ping An Property & Casualty has deepened the construction of its sales channels, and vigorously promoted the development of products that were closely correlated with national economic growth. The automobile insurance telesales business grew rapidly by 76.1% to RMB22,190 million, accounting for 26.6% of the total premiums and representing an increase of 6.3 percentage points. Meanwhile, we also maintained rapid growth in liability insurance, credit insurance, guarantee insurance, and etc. In 2011, according to the PRC insurance industry data published by the CIRC, Ping An Property & Casualty accounted for approximately 17.4% of the total premium income received by property and casualty insurance companies in China. Ping An Property & Casualty is currently the second largest property and casualty insurance company in China in terms of premium income.

Combined ratio

In 2011, the market conditions for property and casualty insurance in China continued to improve and profitability of the industry as a whole was enhanced. Ping An Property & Casualty was able to seize the opportunity to turn in higher profits at a combined ratio of 93.5% while maintaining rapid business growth through continuously enhancing its risk screening and cost control capabilities.

Combined ratio

(%)



Summary of operating data

	2011	2010
Number of customers (in thousands)		
Individual	**18,894**	14,898
Corporate	**1,892**	1,781
Total	**20,786**	16,679
Distribution network		
Number of direct sales representatives	**7,444**	9,764
Number of insurance agents[(1)]	**26,067**	22,349

(1) The number of insurance agents includes individual agents, professional agents and ancillary agents.

Ping An Property & Casualty distributes its products mainly through its network of 40 branches and over 1,800 sub-branches across the country. Main distribution channels include in-house sales representatives, the cross-selling between Ping An's subsidiaries, sales agents, insurance brokers and telemarketers.

Business information of insurance products

In 2011, among all the commercial insurance products offered by Ping An Property & Casualty, the five highest premium income products are automobile insurance, corporate property and casualty insurance, guarantee insurance, liability insurance and accident insurance, which accounted for 93.9% of the premium income of Ping An Property & Casualty in 2011.

(in RMB million)	Insured amount	Premium income	Claim expenses	Underwriting profit	Balance of policyholders' reserves
Automobile insurance	9,397,176	65,113	28,232	3,178	46,280
Corporate property and casualty insurance	6,890,100	4,894	1,825	(194)	3,828
Guarantee insurance	117,407	4,731	176	(21)	4,773
Liability insurance	7,690,072	1,787	671	152	1,582
Accident insurance	104,628,837	1,724	477	150	1,108

Reinsurance arrangement

For the year 2011, Ping An Property & Casualty's outward reinsurance premiums amounted to RMB10,422 million in total, of which, RMB6,050 million and RMB4,360 million were from its automobile and non-automobile insurance businesses, respectively, while RMB12 million was contributed by the accident and health insurance division. Ping An Property & Casualty's gross inward reinsurance premiums amounted to RMB103 million, all of which were from the non-automobile insurance business.

Ping An Property & Casualty has actively engaged in reinsurance arrangements that help diversify its underwriting risks and at the same time enhance its underwriting capabilities. We have endeavoured to expand the scope of collaboration by stepping up our efforts to work with reinsurers to expand reinsurance channels and acquire inward reinsurance businesses. In 2011, major reinsurers that Ping An Property & Casualty has partnered with include China Property & Casualty Reinsurance Company Ltd., Swiss Re, Allianz SE Reinsurance Branch Asia Pacific, Everest Reinsurance Company, SCOR Reinsurance Company (Asia) Limited, etc.

Financial Analysis

Unless specified, the financial data in this section include that of Ping An Property & Casualty together with Ping An Hong Kong.

Results of operation

(in RMB million)	2011	2010
Premium income	**83,708**	62,507
Net earned premiums	**63,465**	45,538
Reinsurance commission income	**3,861**	2,461
Investment income	**2,854**	2,146
Other income	**305**	279
Total income	**70,485**	50,424
Claim expenses	**(36,706)**	(25,236)
Commission expenses of insurance operations	**(6,843)**	(5,934)
Foreign currency losses	**(32)**	(34)
General and administrative expenses	**(19,689)**	(13,801)
Including: investment-related general and administrative expenses	**(22)**	(40)
Other expenses	**(455)**	(340)
Total expenses	**(63,725)**	(45,345)
Income tax	**(1,781)**	(1,214)
Net profit	**4,979**	3,865

Net profit from our property and casualty insurance business increased by 28.8% from RMB3,865 million in 2010 to RMB4,979 million in 2011. Under the stable and favourable operating environment, Ping An Property & Casualty intensified its professional channel operation in promoting business growth as well as stabilising its profitability through continued refinement in management.

Premium income

In 2011, all three principal lines of our property and casualty insurance business recorded steady growth.

(in RMB million)	2011	2010
Automobile insurance	**65,292**	49,420
Non-automobile insurance	**16,249**	11,205
Accident and health insurance	**2,167**	1,882
Total	**83,708**	62,507

By product type

(%)

2011 (2010)

Automobile insurance. Premium income increased by 32.1% to RMB65,292 million in 2011 from RMB49,420 million in 2010. With the withdrawal of automobile consumption stimulus measures, the growth of new cars sales slowed substantially, resulting in a significant decline in the growth of automobile insurance business compared with last year. Under such macroeconomic environment, the Company responded by actively promoting the building of distribution channels, ensuring the rapid growth in its automobile insurance business. In particular, premium income derived from telemarketing increased rapidly.

Non-automobile insurance. Premium income increased by 45.0% to RMB16,249 million in 2011 from RMB11,205 million in 2010. This was primarily driven by the rapid growth of premium income from guarantee insurance, corporate property insurance and liability insurance. Premium income attributable to guarantee insurance increased significantly to RMB4,731 million in 2011 from RMB1,653 million in 2010. Premium income attributable to corporate property insurance increased by 17.8% to RMB4,982 million in 2011 from RMB4,228 million in 2010. Premium income attributable to liability insurance increased by 24.5% to RMB1,794 million in 2011 from RMB1,441 million in 2010.

Accident and health insurance. Premium income increased by 15.1% to RMB2,167 million in 2011 from RMB1,882 million in 2010. The relatively low growth was due to the slowdown in the accident and health insurance market in recent years, thus the Company proactively optimized its business structure and reduced those health insurance products with lower profitability.

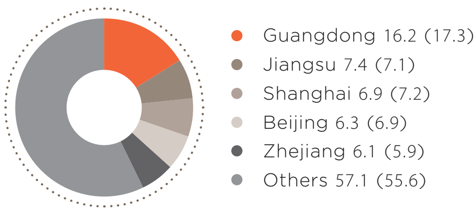
The following is the breakdown of premium income for our property and casualty insurance business by region:

(in RMB million)	2011	2010
Guangdong	**13,575**	10,797
Jiangsu	**6,179**	4,437
Shanghai	**5,793**	4,527
Beijing	**5,292**	4,339
Zhejiang	**5,090**	3,690
Subtotal	**35,929**	27,790
Total premium income	**83,708**	62,507

By region

(%)

2011 (2010)



OUR PERFORMANCE

Total investment income

(in RMB million)	2011	2010
Net investment income[1]	**3,333**	2,041
Net realized and unrealized gains[2]	**(202)**	105
Impairment losses	**(277)**	–
Total investment income	**2,854**	2,146
Net investment yield (%)[3]	**4.6**	4.0
Total investment yield (%)[3]	**3.9**	4.2

(1) Net investment income includes interest income from bonds and deposits, dividend income from equity investments, and operating lease income from investment properties.
(2) Net realized and unrealized gains include realized gains from security investments and profit or loss through fair value change.
(3) Net foreign currency gains/losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yields. Average investment assets used as the denominator are computed based on the Modified Dietz method in principle.

Net investment income from our property and casualty insurance business increased by 63.3% to RMB3,333 million in 2011 from RMB2,041 million in 2010. This was mainly due to a rapid growth in premium income which resulted in a substantial increase in the scale of investment assets which in turn led to a corresponding increase in interest income from fixed maturity investments. Net investment yield increased to 4.6% in 2011 from 4.0% in 2010, mainly as a result of higher interest rates of newly-added fixed maturity investments and the increase in dividend income from equity investments compared to the previous year.

Affected by the volatility in domestic stock market, net realized and unrealized gains for our property and casualty insurance were down from RMB105 million in 2010 to a loss of RMB202 million in 2011.

Overall, although total investment income had increased by 33.0% to RMB2,854 million in 2011 from RMB2,146 million in 2010, its rate of growth was lower than that of investment assets. As a result, total investment yield for our property and casualty insurance business fell to 3.9% in 2011 from 4.2% in 2010.

Claims expenses

(in RMB million)	2011	2010
Automobile insurance	**31,978**	21,500
Non-automobile insurance	**3,891**	2,837
Accident and health insurance	**837**	899
Total	**36,706**	25,236

Claims attributable to automobile insurance business increased by 48.7% to RMB31,978 million in 2011 from RMB21,500 million in 2010. This was the result of a continuous growth in premium income.

Claims attributable to non-automobile insurance business increased by 37.2% to RMB3,891 million in 2011 from RMB2,837 million in 2010. This was primarily due to the growth in premium income.

Claims attributable to accident and health insurance business decreased by 6.9% to RMB837 million in 2011 from RMB899 million in 2010, as the Company continued to enhance its risk screening ability and lowered the proportion of health insurance business that incurred higher claims.

Commission expenses

(in RMB million)	2011	2010
Automobile insurance	**4,900**	4,112
Non-automobile insurance	**1,571**	1,446
Accident and health insurance	**372**	376
Total	**6,843**	5,934
Commission expenses as a percentage of premium income(%)	**8.2**	9.5

Commission expenses of our property and casualty insurance business increased by 15.3% to RMB6,843 million in 2011 from RMB5,934 million in 2010. Commission expenses as a percentage of premium income decreased to 8.2% in 2011 from 9.5% in 2010. This was primarily due to the fact that the Company actively developed and pushed the sales of automobile insurance through telemarketing channels.

General and administrative expenses

General and administrative expenses increased by 42.7% to RMB19,689 million in 2011 from RMB13,801 million in 2010. The increase was primarily due to the rapid growth in our insurance business and the increased strategic inputs into the service outlets. General and administrative expenses as a percentage of premium income increased to 23.5% in 2011 from 22.1% in 2010.

Income tax

Income tax increased by 46.7% to RMB1,781 million in 2011 from RMB1,214 million in 2010, mainly due to a substantial increase in taxable profits.

SOLVENCY MARGIN

The following table sets forth the solvency margin ratios of Ping An Life and Ping An Property & Casualty:

	Ping An Life		Ping An Property & Casualty	
(in RMB million)	**December 31, 2011**	December 31, 2010	**December 31, 2011**	December 31, 2010
Actual capital	**52,489**	50,981	**18,174**	15,002
Minimum capital	**33,623**	28,295	**10,943**	8,353
Solvency margin ratio (%)	**156.1**	180.2	**166.1**	179.6

The solvency margin ratio is a measure of capital adequacy for insurance companies. It is calculated by dividing the actual capital by the statutory minimum capital. Under the applicable CIRC regulations, the insurance companies are required to maintain their solvency margin ratios at specific levels.

As a result of the Company's business development, volatility in the capital market and dividend payment, the solvency margin ratios of Ping An Life and Ping An Property & Casualty experienced varying degrees of decline. In order to give its capital adequacy a boost, Ping An Property & Casualty completed a capital injection of RMB5 billion in the first half of 2011. Ping An Life successfully issued RMB4 billion in subordinated debts in the second half of 2011 and completed a capital injection of RMB10 billion. As at December 31, 2011, the solvency margins of Ping An Life and Ping An Property & Casualty were in compliance with the regulatory requirements.

Management Discussion and Analysis
Banking Business

- Successfully completed major asset restructuring through transactions to gain control of SDB; SDB's absorption merger of Ping An Bank was approved by shareholders in a general meeting.
- Net profit of the banking business jumped 176.8% year on year to approximately RMB8 billion.
- The scale of our banking business reached a new high, with total assets exceeding RMB1.2 trillion, the number of trade finance customers exceeding ten thousand and accumulated credit cards in circulation amounting to 9,040 thousand.

The Company conducts its banking business through Shenzhen Development Bank and Ping An Bank. The Company's major asset restructuring through transactions to gain control of SDB was completed in July 2011. Following the completion of the transactions, the Group holds 52.38% of the total shares of SDB, and the latter has become a subsidiary of the Group. Meanwhile, SDB holds approximately 90.75% of the total shares of Ping An Bank and the latter has become a subsidiary of SDB. Established in 1987, SDB is a national joint-stock commercial bank headquartered in Shenzhen, China, which has been listed on the Shenzhen Stock Exchange with stock code 000001 since 1991. SDB provides a broad range of financial services to corporate, retail, and government customers, through a network of 317 branches and sub-branches in 21 major cities across the country. As at December 31, 2011, the registered capital of SDB was RMB5,123 million.

In 2011, thanks to the acquisition of SDB and substantial growth in profit of Ping An Bank, net profit of banking business grew by 176.8% to RMB7,977 million as compared with 2010. Profit contribution from banking business to the Group increased to 35.3% from 16.1% in 2010. As at December 31, 2011, total assets of SDB following its consolidation with Ping An Bank amounted to RMB1,258,177 million, net assets were RMB75,381 million, the scale of our banking business was thus further expanded.

In view of increasing inflationary pressure in China in 2011, the Chinese government strengthened and improved its control on the economy by pursuing a stable monetary policy, and further tightened the control and supervision of the banking industry. The PBOC introduced a system of differential rates of deposit reserve to manage the size of the credit lending business of commercial banks. Interest rates were raised three times while the deposit reserve ratio was raised several times during the year, which had tightened the liquidity in the banking system, causing market interest rates to soar significantly, while competition for interbank liabilities continued to intensify. Meanwhile, the CBRC had raised regulatory requirements such as capital adequacy ratio, and further strengthened the supervision of loan-to-deposit ratio and wealth management business. Despite the complex and changing macroeconomic situation and an increasingly competitive operating environment, the Company is making steady progress towards implementing the operation and development strategy of our banking business and the integration of the two banks by adjusting the asset-liability structure and strengthening pricing management. As a result, there was a stable growth momentum across our businesses with improved operation performance.

Net profit soared on steady growth in our business scale. In 2011, net profit of SDB and Ping An Bank increased by 47.0% and 35.7% respectively as compared with the previous year. As at December 31, 2011, total deposits of SDB following the integration of Ping An Bank amounted to RMB850,845 million, representing an increase of 14.2%[(1)] as compared with the end of 2010, total loans amounted to RMB620,642 million, representing an increase of 15.3%[(1)] as compared with the end of 2010.

Asset quality remained stable while capital adequacy ratio strengthened further. As at December 31, 2011, following the consolidation of SDB and Ping An Bank, non-performing loan ratio of our banking business was 0.53%. Non-performing loan ratio of SDB itself at the end of the year increased as compared with the end of the third quarter of 2011, mainly affected by the macroeconomic environment, but remained stable as compared with the beginning of the year. Capital adequacy ratio and core capital adequacy ratio were further improved to 11.51% and 8.46% respectively following the consolidation of SDB and Ping An Bank, which has laid a solid foundation for the sustainable and healthy development of our banking business going forward.

Healthy development was achieved in our core businesses as business structure continued to improve. Remarkable results were seen in the construction of our financial business channel based on a "headquarter to headquarter" supply chain. The role of supply chain finance and cash management as a driving force had become more prominent. The number of trade finance customers exceeded ten thousand. Trade finance facilities balance amounted to RMB233,356 million, representing an increase of 28.3% as compared with the beginning of the year. Retail deposits amounted to RMB152,280 million, representing an increase of 30.3% as compared with the end of 2010, well ahead of market growth. By leveraging the integrated financial platform of Ping An Group, huge efforts were devoted to cross-selling in our credit card business. As at the end of 2011, the total number of circulated credit cards issued by SDB and Ping An Bank reached 9,040 thousand, with over one million new cards issued arising from cross-selling.

On January 19, 2012, the board of directors of SDB and the board of directors of Ping An Bank considered and approved the Resolution on Absorption Merger of Controlled Subsidiary Ping An Bank Co., Ltd. by Shenzhen Development Bank Co., Ltd., and approved the absorption merger of Ping An Bank by SDB. Following the proposed deregistration of Ping An Bank, as a result of the absorption merger, SDB will change its name from Shenzhen Development Bank Co., Ltd. to Ping An Bank Co., Ltd.. On February 9, 2011, the resolutions on the absorption merger of the banks and the bank's name change were passed respectively by more than 98.20% and 97.95% of the votes cast at the banks' respective shareholder meetings. The merger is subject to approval by relevant regulatory departments while the name change is subject to approval by banking industry regulators and administrations for industry and commerce. The name to be finally adopted will be determined by the aforementioned regulatory authorities. SDB has strength in trade finance and supply chain finance while Ping An Bank is devoted to retail business and cross-selling among the customers of Ping An Group. Upon completion of the integration, the total assets, market share and profitability of the new bank will be further enhanced and the coverage of its distribution outlets will be increased, further enhancing the integrated strength of our banking business. Going forward, Ping An Group will take full advantage of its competitive edge such as customer base, channels, operation and brand etc. to fully support the integration of two banks, so as to achieve a win-win situation by leveraging each other's strengths.

RESULTS OF OPERATION

Since July 2011, the financial statements of Shenzhen Development Bank were incorporated into that of the Group's where its operating results for the second half of 2011 were consolidated into that of the Group's. This led to a substantial increase in profit contribution from the banking business.

Note: (1) The growth rates of total deposits and total loans are for the comparison between 2011 and 2010 pro forma figures (i.e. summation of the banks' financial figures at the end of 2010).

Management Discussion and Analysis
Banking Business

Pursuant to the Accounting Standards for Business Enterprises, the identifiable assets and liabilities acquired upon the merger with SDB were to be recognised and measured at fair value on the date of merger. As a result, the figures of SDB in the consolidated financial statements of the Group were the results of further calculation on the basis of the fair value of its assets and liabilities on the date of merger. Therefore, there were differences between the data and indicators of operating results of the Group's banking business and those of the consolidated results of operations of SDB as disclosed in its annual report.

(in RMB million)	2011	2010
Net interest income	**18,371**	5,438
Net fees and commission income	**3,271**	801
Investment income(1)	**1,097**	1,218
Income from other businesses(2)	**364**	84
Total operating income	**23,103**	7,541
Asset impairment losses	**(1,717)**	(373)
Net operating income	**21,386**	7,168
General, administrative and other expenses(3)	**(11,586)**	(3,801)
Profit before tax	**9, 800**	3,367
Income tax	**(1,823)**	(485)
Net profit	**7,977**	2,882

(1) Fair value gains and losses are included in the item of investment income.
(2) Income from other businesses includes foreign exchange gains/(losses), other operating income and non-operating income.
(3) General, administrative and other expenses include operating expenses, business tax and surcharges, other expenses and non-operating expenses.

The banking business of the Company realized a net profit of RMB7,977 million in 2011, including a net profit contribution of RMB5,620 million from SDB and RMB2,357 million from Ping An Bank.

In 2011, SDB steadily pushed forward its operational strategy and adjusted its assets and liabilities structure, resulting in satisfactory performance during the period. Its asset scale increased steadily and healthily as business structure continued to improve; income structure was further enhanced, leading to improved profitability. Net profit of SDB itself increased by 47.0% from the year ago to RMB9,181 million. SDB contributed a profit of RMB5,620 million to the Group in 2011, including a gain of RMB1,183 million recognised in the first half of the year by the Company as its share of profits in SDB as an associate company based on the equity method; as well as its operating results of RMB4,437 million as a subsidiary incorporated during the second half of the year. The profit contribution of RMB1,145 million from SDB in 2010 to the Group represented the Company's share of profits in SDB as an associate company based on the equity method.

Driven by its philosophy of "Control, Growth and Service" and leveraging the Group's integrated financial platform, Ping An Bank continued to move ahead to explore the fee-based business, while focusing on pricing management and reinforcing cost control, which led to an increase in net interest spread and net fee income and a decrease in cost/income ratio. As a result, net profit increased by 35.7% to RMB2,357 million in 2011 from RMB1,737 million in 2010.

NET INTEREST INCOME

(in RMB million)	2011	2010
Interest income		
Due from the PBOC	**1,308**	394
Due from financial institutions	**4,680**	612
Loans and advances to customers	**24,709**	6,530
Interest income on investment securities	**5,483**	1,795
Others	**3,134**	–
Total interest income	**39,314**	9,331
Interest expenses		
Due to the PBOC	**(21)**	–
Due to financial institutions	**(7,331)**	(1,150)
Customer deposits	**(11,560)**	(2,618)
Bonds payable	**(561)**	(125)
Others	**(1,470)**	–
Total interest expenses	**(20,943)**	(3,893)
Net interest income	**18,371**	5,438
Net interest spread (%)(1)(3)	**2.33**	2.18
Net interest margin (%)(2)(3)	**2.51**	2.30
Average balance of interest-earning assets	**1,175,294**	236,291
Average balance of interest-bearing liabilities	**1,106,105**	219,606

(1) Net interest spread (NIS) refers to the difference between the average interest-earning assets yield and the average cost rate of interest-bearing liabilities.
(2) Net interest margin (NIM) refers to net interest income/ average interest-earning assets balance.
(3) The interest income and interest expenses of SDB following consolidation in July 2011 were annualized when calculating the net interest spread and net interest margin.

Net interest income increased significantly from RMB5,438 million in 2010 to RMB18,371 million in 2011, among which RMB11,492 million came from SDB. Net interest income of Ping An Bank increased by 26.5% to RMB6,879 million in 2011 from RMB5,438 million in 2010, mainly as a result of Ping An Bank's efforts in exploring highly profitable assets such as "Xin Yi Dai" and in lowering the percentage of high-cost negotiated deposits while focusing on growing its lending business.

Due to the interest rate hikes by the PBOC and the continuous optimization of the assets and liabilities structure, there were improvements in the net interest spread and net interest margin of Ping An Bank. Together with the effect of consolidation with SDB, the net interest spread and net interest margin of the Group's banking business also recorded a growth as compared with 2010.

NET FEES AND COMMISSION INCOME

(in RMB million)	2011	2010
Fees and commission income		
Settlement fees income	**621**	110
Agency commissions	**584**	182
Bank card fees income	**1,206**	418
Consultancy fees income	**411**	54
Others	**865**	167
Total fees and commission income	**3,687**	931
Fees and commission expenses		
Agency expense	**(61)**	–
Bank card fees expenses	**(297)**	(97)
Others	**(58)**	(33)
Total fees and commission expenses	**(416)**	(130)
Net fees and commission income	**3,271**	801

Net fees and commission income increased significantly to RMB3,271 million in 2011 from RMB801 million in 2010, among which SDB contributed a net fees and commission income of RMB1,543 million. SDB experienced good growth in its fees income in 2011, thanks to the continued expansion in its business scale and customer base, as well as the growing number of wealth management products and the development of the consultancy business and etc. Net fees and commission income of Ping An Bank in 2011 was RMB1,739 million, representing an increase of 117.1% from RMB801 million in 2010, mainly due to the rapid development of its credit card business and breakthroughs in the syndicated loans, corporate wealth management and assets management business.

INVESTMENT INCOME

Investment income was RMB1,097 million in 2011, representing a decrease of 9.9% from 2010. The Company's share of profits in SDB as an associate company based on the equity method was included in investment income, which was RMB1,183 million in 2011 and RMB1,145 million in 2010. Ping An Bank sustained a loss of RMB151 million in 2011 compared to a gain of RMB73 million in 2010, mainly due to a decrease in the realized gains from the disposal of bonds.

ASSET IMPAIRMENT LOSSES

Asset impairment losses were RMB1,717 million, of which RMB1,080 million were from SDB. Asset impairment losses from Ping An Bank were RMB637 million, representing an increase of 70.8% from RMB373 million in 2010, primarily as a result of Ping An Bank's move to increase the provision of collectively assessed loan loss as a prudent measure.

GENERAL, ADMINISTRATIVE AND OTHER EXPENSES

(in RMB million)	2011	2010
General and administrative expenses	**9,552**	3,324
Business tax and surcharges	**1,838**	403
Other expenses and non-operating expenses	**196**	74
Total general, administrative and other expenses	**11,586**	3,801
Cost/income ratio(1)	**44.17%**	52.87%

(1) Cost/income ratio refers to the total of general and administrative expenses and other expenses/operating income (excluding non-operating income and the Company's share of profits in SDB as an associate company based on the equity method).

General, administrative and other expenses were RMB11,586 million in 2011, of which RMB6,738 million were from SDB. In 2011, general, administrative and other expenses of SDB itself were RMB11,576 million, representing an increase of 33.0% as compared with the previous year. The increase was primarily due to increases in the number of staff and in business scale, as well as the continued investment in the optimization of management workflow and IT system. Ping An Bank's general, administrative and other expenses increased by 27.9% to RMB4,860 million from RMB3,801 million in 2010, mainly because of increases in labor cost, rent, depreciation of property and equipment, and sales expenses brought by the business expansion.

The cost/income ratio of the banking business decreased considerably to 44.17% in 2011 from 52.87% in 2010 due to a relatively low cost/income ratio in SDB on one hand, and stricter cost control by Ping An Bank as well as its strategic investment made during the initial stage showing results on the other. Ping An Bank's cost/income ratio decreased to 48.47% in 2011 from 52.87% in 2010.

INCOME TAX

	2011	2010
Effective tax rate (%)(1)	**21.16**	21.83

(1) Effective tax rate refers to income tax/Profit before tax (excluding the Company's share of profits in SDB as an associate company based on the equity method).

Effective tax rate in 2011 was 21.16%. This is lower than the statutory applicable corporate income tax rate, mainly because there was an increase in the interest income from government debt which are exempted from tax.

DEPOSIT MIX AND LOAN MIX

The deposit mix and loan mix of our banking business are set out as below. The figures at the end of 2011 include that of SDB's, while the figures at the end of 2010 are on Ping An Bank only. The pro forma figures are based on the simulated consolidated deposit mix and loan mix of SDB and Ping An Bank as at the end of 2010.

During the transitional period of the integration of SDB and Ping An Bank, the momentum and quality of the banking business remained good. As at December 31, 2011, total deposits amounted to RMB850,845 million while total loans amounted to RMB620,642 million, representing significant increases from the end of 2010 as a result of the merger with SDB. If based on the merger of the two banks in the same terms, total deposits and total loans would have maintained a steady growth rate of about 14.2% and 15.3%, respectively.

Deposit Mix

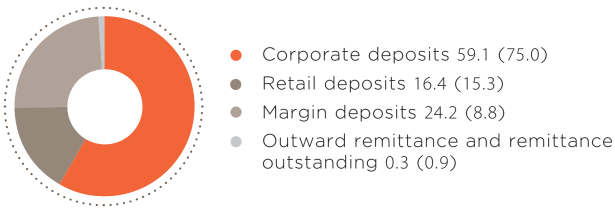
(in RMB million)	December 31, 2011	December 31, 2010	December 31, 2010 (pro forma)(1)
Corporate deposits	**502,660**	136,514	472,988
Personal deposits	**139,485**	27,821	108,665
Margin deposits	**205,703**	16,078	159,450
Outward remittance and remittance outstanding	**2,997**	1,705	3,927
Total customer deposits and margin deposits	**850,845**	182,118	745,030

(1) The pro forma data of December 31, 2010 were the summation of the data from SDB and Ping An Bank.

Deposit mix

(%)

December 31, 2011 (December 31, 2010)



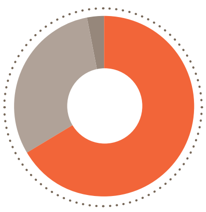
Total customer deposits and margin deposits of our banking business increased to RMB850,845 million as at December 31, 2011, of which RMB640,585 million were from SDB and RMB210,260 million from Ping An Bank.

Loan Mix

(in RMB million)	December 31, 2011	December 31, 2010	December 31, 2010 (pro forma)[1]
Corporate loans	**413,019**	85,427	354,076
Retail loans	**189,940**	43,172	163,267
Discounted bills	**17,683**	2,199	20,846
Total loans	**620,642**	130,798	538,189

(1) The pro forma data of December 31, 2010 were the summation of the data from SDB and Ping An Bank.

Loan mix
(%)
December 31, 2011 (December 31, 2010)



Total loans of our banking business rose to RMB620,642 million as at December 31, 2011, including RMB469,902 million from SDB and RMB150,740 million from Ping An Bank.

LOAN QUALITY

(in RMB million)	December 31, 2011	December 31, 2010	December 31, 2010 (pro forma)[1]
Pass	**612,937**	129,497	533,183
Special mention	**4,410**	768	2,106
Sub-standard	**1,744**	147	1,456
Doubtful	**893**	153	773
Loss	**658**	233	671
Total loans	**620,642**	130,798	538,189
Total non-performing loans	**3,295**	533	2,900
Non-performing loan ratio	**0.53%**	0.41%	0.54%
Impairment provision balance	**10,566**	1,125	7,550
Provision coverage ratio	**320.66%**[2]	211.07%	260.34%

(1) The pro forma figures at the end of 2010 are a simulation of the consolidated data relevant to loan quality of SDB and Ping An Bank as at the end of 2010.
(2) Due to rounding, provision coverage ratio at the end of 2011 does not equal to impairment provision balance/ total non-performing loans as shown in the above table.

Impacted by the macroeconomic environment, SMEs in certain regions were exposed to unfavourable business conditions such as weak exports, rising operating cost and shortages in capital. The non-performing loans of SDB increased by 15.7% to RMB2,738 million at the end of 2011 from RMB2,367 million at the end of 2010. Non-performing loan ratio remained flat as compared with the end of 2010 while overall risks remained under control. The provision coverage ratio of SDB as at the end of 2011 was 325.78%, an increase of 54.28 percentage points as compared with the end of 2010, while its ability to withstand risk was further enhanced.

Ping An Bank's loan quality continued to improve in 2011. As the sizes of loans increased, non-performing loans increased slightly to RMB557 million at the end of 2011 from RMB533 million at the end of 2010, while non-performing loan ratio decreased from 0.41% to 0.37%. In accordance with regulatory requirements, Ping An Bank maintained a high level of provisions for non-performing loans. Its provision coverage ratio increased to 295.87% at the end of 2011 from 211.07% at the end of 2010.

Overall, the asset quality of our banking business remained stable and was well protected from risks. The non-performing loan ratio and provision coverage ratio were 0.53% and 320.66%, respectively, among the best in the industry.

CAPITAL ADEQUACY RATIO

(in RMB million)	December 31, 2011	December 31, 2010
Net capital	**91,491**	18,551
Net risk weighted asset	**794,702**	169,254
CAR (regulatory requirement >=8%)	**11.51%**	10.96%
Core CAR (regulatory requirement >=4%)	**8.46%**	9.26%

As at December 31, 2011, CAR and Core CAR of the Group's banking business were in line with regulatory requirements at 11.51% and 8.46%, respectively.

OUR PERFORMANCE

Management Discussion and Analysis
Investment Business

- Ping An Securities successfully sponsored 34 IPOs and seven refinancing projects as the lead underwriter; ranked first in terms of the number of deals and underwriting revenue for IPOs.
- Ping An Trust achieved rapid and steady growth in its private wealth management business.
- Ping An-UOB Fund was established and successfully issued two funds.

SECURITIES BUSINESS

Our securities business is conducted through Ping An Securities, which provides brokerage, investment banking, asset management and financial advisory services to clients. Ping An Securities became an innovative securities company in 2006, and formed in 2008 a wholly-owned subsidiary Ping An Caizhi that conducts direct investment, and set up in 2009 a subsidiary in Hong Kong, Ping An Securities (Hong Kong). As at December 31, 2011, Ping An Securities had RMB3 billion in registered capital, RMB7,441 million in net assets and RMB28,355 million in total assets.

In 2011, factors such as property control measures, inflation and hikes in interest rates and in the reserve requirement ratio by the PBOC led to market concerns over the domestic economy. The average daily turnover of the stock market had fallen sharply while the CSI 300 Index was down by as much as 25%. The continued weaknesses and steep falls in the market had brought serious challenges to our brokerage and investment businesses. The slight reduction in commission rates in the brokerage industry also had an impact on profitability. However, increasing number of underlying securities for margin trading and securities lending business and the launch of securities and loan lending policies provided new profit growth points for business. Ping An Securities seized every opportunity arising from this reform to actively explore new business and expand the profit base of the Company.

During 2011 category classification of securities brokers, Ping An Securities was rated as AA Grade among the Category A securities company firms for the first time, putting Ping An Securities among the highest rated domestic securities companies. Based on its outstanding underwriting performance in 2010, Ping An Securities was granted a total of seven awards including the “Best Investment Bank on the SME Board”, the “Best Investment Bank on the GEM Board” and “Best Investment Bank-Pricing Ability” by Securities Times. Our investment banking business maintained leading position in the SMEs and GEM underwriting markets. We successfully sponsored 34 IPOs and seven refinancing projects as the lead underwriter, ranking first in the number of deals and underwriting revenue for IPO transactions. Our fixed income business developed rapidly. We acted as the lead underwriter and completed 17 corporate bond issuances for our fixed income business, a new record in our history, while development of innovated products also progressed well. For the brokerage business, we expanded our sales channels and achieved steady increase in the market share of newly opened customer accounts. We actively expanded our sales network and opened five new sales offices.

Looking ahead, leveraging the integrated financial advantages of the Group, we will focus on the development of investment banking, fixed income, brokerage and asset management businesses, and strive to become the most professional securities services provider with controlled operational risk and improved service quality.

Results of Operation

(in RMB million)	2011	2010
Net fees and commission income	**2,645**	3,390
Investment income	**397**	448
Other income	**38**	12
Total operating income	**3,080**	3,850
Foreign currency losses	**(8)**	(1)
General, administrative and other expenses	**(1,846)**	(1,791)
Total operating expenses	**(1,854)**	(1,792)
Income tax	**(263)**	(464)
Net profit	**963**	1,594

In 2011, net profit of Ping An Securities decreased by 39.6% to RMB963 million from RMB1,594 million in 2010, mainly due to the deep adjustments in the domestic capital market.

Net Fees and Commission Income

(in RMB million)	2011	2010
Fees and commission income		
Brokerage fees	**867**	1,173
Underwriting commission income	**2,083**	2,517
Others	**9**	15
Total fees and commission income	**2,959**	3,705
Fees and commission expenses		
Brokerage fees paid	**(162)**	(204)
Others	**(152)**	(111)
Total fees and commission expenses	**(314)**	(315)
Net fees and commission income	**2,645**	3,390

In 2011, the trading volume in the stock market dropped substantially compared with 2010. Meanwhile, brokerage commission rate declined further. As a result, our brokerage fees income decreased by 26.1% to RMB867 million in 2011 from RMB1,173 million in 2010.

Underwriting commission income decreased by 17.2% to RMB2,083 million in 2011 from RMB2,517 million in 2010, mainly due to a slowdown in the pace of financing in the primary market. Ping An Securities underwrote 34 IPOs and seven refinancing projects in 2011, comparing to 39 IPOs and 11 refinancing projects in 2010.

Total Investment Income

(in RMB million)	2011	2010
Net investment income(1)	**793**	461
Net realized and unrealized gains(2)	**(396)**	(13)
Total investment income	**397**	448

(1) Net investment income includes interest income from bonds and deposits, and dividend income from equity investments.

(2) Net realized and unrealized gains include realized gains from security investments and profit or loss through fair value change.

Net investment income from our securities business increased significantly to RMB793 million in 2011. This was primary attributable to the increase in interest income as a result of growing investment in bonds, while the dividend income from equity investment funds also increased compared with last year. Affected by the market adjustment, net realized and unrealized gains decreased significantly over last year. Overall, total investment income from our securities business decreased by 11.4% to RMB397 million in 2011 from RMB448 million in 2010.

TRUST BUSINESS

We provide third-party asset management services to customers through Ping An Trust. Ping An Trust also provides non-capital market investment services in infrastructure, properties and private equity to other Ping An subsidiaries. As at December 31, 2011, Ping An Trust had a registered capital of RMB6,988 million, net assets of RMB13,650 million and total assets of RMB15,387 million.

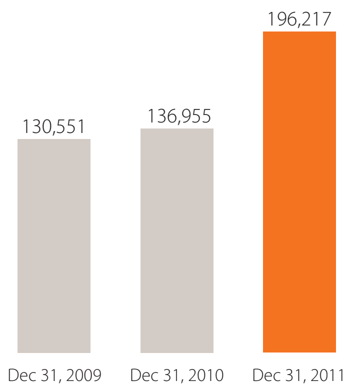
In 2011, the macro-economy maintained a steady and rapid growth momentum. However, owing to external economic impacts, deterioration in export growth, high inflation rate and more severe economic environment, the trust industry was subject to new challenges in terms of product innovation and transformation of business model. Meanwhile, we also saw opportunities in the trust industry as demand for more investment channels that gave stable returns increased as a result of substantial funds withdrawn from intermediary financial institutions. Since the implementation of the Measures for the Administration of Net Capital of Trust Companies, a risk management system based on the net capital of trust companies, the supervision and risk control of trust companies were strengthened. Under the extensive policy guidelines issued by regulators to improve the market environment for the real estate trust industry, promote risk control of trust companies, encourage business transformation and product innovation, Ping An Trust's prominent edge based on stringent risk control and healthy development was further shown.

In 2011, Ping An Trust continued to explore new business and maintained stable operation, with emphasis on products, channels and supporting platforms. Ping An Trust also devoted great efforts to its private wealth management business and achieved substantial growth in management fees income.

On products, Ping An Trust focused on non-capital markets investment capabilities. It promoted diversified and open-ended product platforms through product innovation so as to meet customer demand for asset management products across the board. As a result, tradable assets under management exceeded RMB200 billion in 2011. In response to China's national development strategy, Ping An Trust actively explored social security housing trust projects. With further improvement in our investment capabilities, new investment in private equity (PE) reached RMB6 billion. We also successfully established an investment management system focusing on "additional value output", under which, a team of "industry elites" comprising of external experts was assembled, signifying that we are now in full swing in the provision of value-added services to investment entities. With channel constructions, Ping An Trust steadily rolled out its market strategy in 2011, building service channels for private wealth management and extending the scope of cross-selling activities. As a result, the number of high net-worth customers grew to more than 13,000 cumulatively. Regarding platform development, we continued to optimize the capabilities of our service operations and the 158 subprojects under operation reform had started to show results, which provided a strong and industry-leading platform to support operation and had greatly enhanced the wealth management service for high net-worth clients. In addition, a "systematic, comprehensive and quantitative" risk management system established by a team of overseas experts had become the benchmark for risk management in the industry for the effective control of project risk and customer protection.

Thanks to its solid business performance and outstanding services, Ping An Trust enjoyed a good reputation in the market for which it received numerous awards and accolades such as "Trustees Excellent Company" by Shanghai Securities News and www.cs.com.cn, "Trust Company of the Year" by Financial Times, "Financial Innovation Award 2010" by Shenzhen Municipal Government and Financial Services Office, "China Capital Market Annual Conference Golden Abacus Award" by Securities Daily and www.ccstock.cn, "Best R&D Team" of the "Chinese High-end Private Wealth Management Jinding Award" by Daily Economy News, "Most Influential Trust Company" by CBN Financial Value Ranking, and "China Best Trust Company", "Most Stable Trust Company", "Trust Wealth Management Product with Best Investment Value" and "Best Real Estate Trust Plan" by Securities Times.

Assets held in trust
(in RMB million)



Results of Operation

(in RMB million)	2011	2010
Net fees and commission income	**1,590**	702
Investment income	**806**	1,451
Other income	**11**	2
Total operating income	**2,407**	2,155
Foreign currency losses	**(1)**	–
Asset impairment losses	**32**	(53)
General, administrative and other expenses	**(1,021)**	(741)
Total operating expenses	**(990)**	(794)
Income tax	**(354)**	(322)
Net profit	**1,063**	1,039

(1) The above figures are presented at company level, where interests in subsidiaries are accounted for at cost.

Net profit of our trust business increased slightly to RMB1,063 million in 2011.

Net Fees and Commission Income

(in RMB million)	2011	2010
Fees and commission income		
Management fees of trust products	**1,802**	714
Others	**207**	189
Total fees and commission income	**2,009**	903
Fees and commission expenses		
Handling charges of trust products	**(396)**	(179)
Others	**(23)**	(22)
Total fees and commission expenses	**(419)**	(201)
Net fees and commission income	**1,590**	702

Management fees of trust products increased significantly to RMB1,802 million in 2011 from RMB714 million in 2010. This was primarily due to an increase in fixed management fees income from trust products as a result of the enlarged scale of assets held in trust, as well as the increase in variable management fees income derived from trust schemes profits.

Handling charges of trust products increased by 121.2% to RMB396 million in 2011 from RMB179 million in 2010. This was primarily due to the enlarged scale of the trust products business, and an increase in variable investment consultation fees on securities trust products as a result of the increased investment income from securities trust products.

Total Investment Income

(in RMB million)	2011	2010
Net investment income(1)	**498**	470
Net realized and unrealized gains(2)	**308**	981
Total investment income	**806**	1,451

(1) Net investment income includes interest income from bonds, loans and deposits, and dividend income from equity investments.
(2) Net realized and unrealized gains include realized gains from security investments, profit or loss through fair value change, and equity investment income excluding dividend.

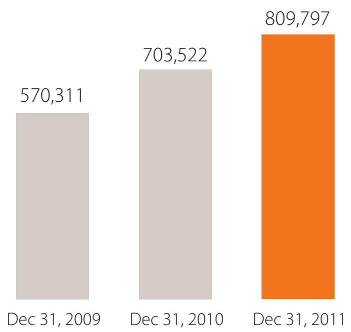
In 2011, total investment income of Ping An Trust amounted to RMB806 million, representing a decrease of 44.5% from RMB1,451 million the year ago, primarily due to lower realized gains from the sale of equity investments in the year, including the exit from private equity investments, as compared with the previous year.

INVESTMENT MANAGEMENT BUSINESS

We provide investment management services mainly through two subsidiaries, Ping An Asset Management and Ping An Asset Management (Hong Kong).

Ping An Asset Management is responsible for domestic investment management services in China and is entrusted to manage the insurance funds of the Group as well as investment assets of other subsidiaries of the Group. It also provides investment products and third-party asset management services for other investors through various channels. As at December 31, 2011, Ping An Asset Management had a registered capital of RMB500 million.

Assets under investment management
(in RMB million)



As at December 31, 2011, assets under the management of Ping An Asset Management amounted to RMB809,797 million, an increase of 15.1% compared with the end of 2010. This was primarily due to the increase in investible assets generated by a steady growth of our insurance business.

In 2011, building on its effective risk management, Ping An Asset Management actively responded to an adverse environment caused by a depressed stock market and generated stable investment income by optimizing its asset allocation and seizing opportunities to invest in the domestic bond market while strengthening fixed asset investment. As a result, total investment income of insurance fund for the year amounted to RMB29,516 million, and total investment yield was 4.0%, contributing positively to the profit of the Company.

Our third-party business achieved steady growth. Faced with an adverse market environment, we responded by adjusting our strategy in a timely and flexible manner. As a result, we were able to achieve stable growth both in terms of the scale and income of our third-party asset management business while keeping risks at a manageable level.

In 2011, Ping An Asset Management actively pressed ahead with the construction of the investment management platform. Following the successful launch of the investment and research platform, performance analysis platform and intelligent statement platform, the accuracy and timeliness of investment data analysis was greatly enhanced. It effectively supported investment and research, facilitated decision making and contributed to better business performance, laying out a strong foundation for building an IT competition barrier for the Company.

Going forward, Ping An Asset Management will continue to deepen its analysis of macroeconomic trends and strengthen overall investment strategy. We will optimize asset allocation, enhance interaction between investment and research units, improve risk control and build a world class investment management system platform. This will help strengthen our competitive advantage and cement our image as a leading brand in the industry.

Ping An Asset Management (Hong Kong), incorporated in May 2006 with a registered capital of HK$65 million, is an overseas subsidiary of Ping An Overseas Holdings. As an entity responsible for the overseas investment management business of Ping An Group, apart from managing investments for other subsidiaries, it also offers various types of overseas investment products and third party investment management services to clients from China and overseas. Since March 2007, it has been licensed by the Hong Kong Securities and Futures Commission to conduct types 9, 4 and 5 regulated activities in Hong Kong. These licenses allow the Company to provide asset management services and to be the consultant for securities transactions or futures contracts.

Ping An Asset Management (Hong Kong) has a professional team with ample experience in international investment to take charge of research on global macroeconomics, strategic asset allocation and investment in Hong Kong stocks and other core functions. The team also focuses on establishing an international investment platform for the introduction of foreign products to achieve innovation in services and products. As at December 31, 2011, Ping An Asset Management (Hong Kong) had HK$27,054 million in assets under management denominated in foreign currencies.

In April 2011, the Company successfully launched the first public retail fund – Ping An of China SIF-RMB Bond Fund in Hong Kong. The fund, designed to meet market trends and customers' needs, had achieved first-mover advantages in Hong Kong's fund market and contributed positively to Ping An's reputation of being a professional offshore investment brand.

FUND BUSINESS

Ping An-UOB Fund Management Company Limited, established on January 7, 2011 with a registered capital of RMB300 million, is the 63rd fund management company in China, and also has the highest registered capital among funds management companies in China. Ping An-UOB Fund mainly engages in raising securities investment funds, sales, assets management business, and provides professional investment products, portfolio and related services to retail and institutional investors.

In 2011, Ping An-UOB Fund formed its initial product line and issued two public funds during the year: Ping An-UOB Industries Pioneer Equity Fund, with an initial size of RMB3,198 million, was ranked among the top ten equity funds issued in 2011. The other fund, Ping An-UOB SSE 300 Index Enhanced Securities Investment Fund, had an initial size of RMB417 million. Meanwhile, Ping An-UOB Fund obtained approval to conduct asset management for specific customers. Alongside the rollout of new products, works on channel expansion and customer services for the Ping An-UOB Fund also went ahead in full steam. More than 400 fund investment seminars and investment workshops were conducted for distribution channels and investors during the year, which had provided comprehensive investment and wealth management services to over 60,000 retail customers and hundreds of institutional customers.

Owing to its outstanding performance since establishment and the influence of the "Ping An" brand, Ping An-UOB Fund was awarded "2011 Most Potential Fund Companies in China" by Money Week Magazine and "Most Growth Potential Fund Company 2011" in the 9th Finance and Economics Ranking by Hexun.com.

Going forward, Ping An-UOB Fund will continue to construct its fund product line and actively apply for approval to conduct businesses including QDII and annuity and social security fund business. It will continuously refine its investment research platform system, improve risk control level, and offer diversified fund investment products and high quality wealth management services for families through improving services while maintaining stable investment performance.

Management Discussion and Analysis
Synergy

- Continued to extend and deepen the scope of cross-selling activities.
- Further optimised the highly efficient, stable and cost-effective operating platform.

Ping An Technology, Ping An Processing & Technology and Ping An Channel Development are responsible for the development of the Company's shared platforms for IT, back office, cross-selling, and etc. In 2011, the Company's integrated financial service structure and governance structure were further improved through the corporate operations of our three major business units. In addition, market oriented operations increased the efficient use of resources and lowered service costs.

CROSS-SELLING

We have further increased the depth and scope of cross-selling activities between our financial businesses, achieving prominent results through increasing synergies. The following table sets out the results of the Company's cross-selling efforts in 2011:

New Business Acquired through Cross-selling

(In RMB million)	2011 Amount	2011 Business contribution percentage (%)	2010 Amount	2010 Business contribution percentage (%)
Property and casualty insurance business				
Premium income	**11,940**	**14.3**	8,582	13.7
Group short-term accident and health insurance business of Ping An Annuity				
Sales volume	**2,231**	**44.2**	1,923	45.0
Trust business				
Trust schemes	**22,546**	**9.4**	13,812	14.1
Banking business				
Corporate deposits (increase of daily average size)[1]	**2,433**	**8.7**	5,200	21.1
Retail deposits (increase of daily average size)[1]	**1,377**	**42.9**	–	–
Credit cards (in ten thousands)[2]	**114**	**42.9**	124	54.5

(1) Only includes deposits through cross-selling of Ping An Bank.
(2) The 2011 figures refer to new credit cards issued by Ping An Bank and SDB through cross-selling. The 2010 figures only refer to Ping An Bank.

BACK OFFICE CENTRALIZATION

In 2011, Ping An Processing & Technology was awarded the title of "Growth Enterprise in Service Outsourcing in China" for the second year in a row. As at December 31, 2011, the following progress was made with regard to the Company's centralized back office and operating platform:

Specialized Operations:

- 73.7% of the policyholder business was centralized as at the end of 2011, following the full centralization of the underwriting and claims operations of the individual life insurance business.

- Centralization of claims processing of automobile insurance and property and casualty insurance, and manual underwriting of automobile insurance through telemarketing channel were fully completed. The underwriting operation of Ping An Property & Casualty's accident and health insurance business became fully centralized.

- For group insurance, concentration of claims was 97.76% completed, up 0.67 percentage points from end of 2010. The underwriting of new group insurance contracts were 100% automated. Centralization of policyholder services was 83.53% completed, up 1.76 percentage points from end of 2010. For the annuity business, centralization of fiduciary services, investment management and account management, was 100% completed.

- Centralized resource sharing was achieved smoothly in the banking business, which saw steady growth in scale. Higher rates of success in fulfilling our service pledge were achieved post-centralization; the extent of cost optimization was higher than the Company's average.

Shared Operations:

- The centralization of document processing among major Ping An subsidiaries such as Ping An Property & Casualty, Ping An Life, Ping An Annuity, Ping An Health, Ping An Bank and Ping An Securities was 53% completed.

- 100% of accounting processes of the major subsidiaries of the Company such as Ping An Property & Casualty, Ping An Life, Ping An Annuity, Ping An Health, Ping An Bank, Ping An Trust, Ping An Securities, Ping An Asset Management, Ping An Technology and Ping An Channel Development was done on a shared-service basis.

- Centralization of call centre services for Ping An Property & Casualty, Ping An Life, Ping An Annuity, Ping An Health, Ping An Bank, Ping An Trust and Ping An Technology was implemented, with 67% of all calls taken centrally.

- The integration project of back office functions progressed steadily as planned. As at the end of September 2011, all seven subprojects were completed.

The integration of back office functions was completed as scheduled in 2011, resulting in a centralized back office operating model which co-exists with the decentralized model within the Company. Going forward, we will adhere to the four core values of risk control, service enhancement, professionalism and cost reduction to support and drive the rapid development of all of our businesses and the successful implementation of the Group's integrated financial strategy through greater efficiency and quality operations.

Embedded Value

As at December 31, 2011, the embedded value of the Company was RMB235,627 million, and the value of one year's new business of life insurance sold during 2011 was RMB16,822 million.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON THE EMBEDDED VALUE DISCLOSURES

To the Directors of
Ping An Insurance (Group) Company of China, Ltd.

We have reviewed the accompanying Embedded Value disclosures of Ping An Insurance (Group) Company of China, Ltd. ("the Company") as set out in the Company 2011 Year-end annual report ("the Disclosures"). The Disclosures comprise: the Economic Value, which is the Embedded Value as at December 31, 2011 and the Value of one year's new business after the cost of solvency ("the New Business Value"); the Methodology and Assumptions; New Business Volumes; Embedded Value Movement; and Sensitivity Analysis.

The Embedded Value and the New Business Value have been prepared in accordance with Embedded Value Principles specified in the "Guideline on Preparing the Life Insurance Embedded Value" published by the Chinese Insurance Regulatory Commission in September 2005 as described on, and using the methodology and assumptions ("the Embedded Value basis") as set out in the Disclosures.

The components of the Economic Value are calculated, prepared and presented by the Company. Our responsibility, as independent actuaries, is to express an opinion as to whether the Economic Value in the Disclosures has been properly determined in accordance with the Embedded Value basis.

Basis of Our Opinion

In conducting our review, we have carried out a combination of reasonableness checks, analytical reviews and tests of computational accuracy as we considered necessary to provide reasonable assurance that the Economic Value has been properly determined in accordance with the Embedded Value basis. We have relied upon audited and unaudited data supplied to us by the Company.

The calculation of the Economic Value requires numerous assumptions and projections about future experience, including economic and other financial conditions, many of which are outside the Company's control. Therefore actual experience is likely to deviate from that assumed and variances from the projected Economic Value are to be expected.

Opinion

In our opinion:

- The assumptions used to assess the value of the in-force business, the cost of holding the required solvency margin and the value of one year's new business as of the year ended December 31, 2011 are reasonable, and

- The calculations have been carried out in accordance with the Embedded Value basis, the sample calculations which we checked were satisfactory and overall results are reasonable.

We also confirm that the embedded value information disclosed in the Company's 2011 Year-end annual report is consistent with the information we have reviewed.

Ernst & Young (China) Advisory Limited

Xiaojing Zhao, Actuary
March 15, 2012

EMBEDDED VALUE REPORT OF PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD. 2011

In order to provide investors with an additional tool to understand our economic value and business performance results, the Company has disclosed information regarding embedded value in this section. The embedded value represents the shareholders' adjusted net asset value plus the value of the Company's in-force life insurance business adjusted for the cost of regulatory solvency margin deployed to support this business. The embedded value excludes the value of future new business sales.

In accordance with the related provisions of the Rules for the Compilation of Information Disclosures by the Companies Offering Securities to the Public (No. 4) – Special Provisions on Information Disclosures by Insurance Companies, the Company has engaged Ernst & Young (China) Advisory Limited to review the reasonableness of the methodology, the assumptions and the calculation results of the Company's embedded value as at December 31, 2011.

The calculation of embedded value necessarily makes a number of assumptions with respect to future experience. As a result, future experience may vary from that assumed in the calculation, and these variations may be material. The market value of the Company is measured by the value of the Company's shares on any particular day. In valuing the Company's shares, investors take into account a variety of information available to them and their own investment criteria. Therefore, these calculated values should not be construed as a direct reflection of the actual market value.

On December 22, 2009, the Ministry of Finance issued the "Regulations regarding the Accounting Treatment of Insurance Contracts" (Cai Kuai [2009] No.15), regulating the measurement of the premiums income and the reserves on accounting terms, and requiring insurance companies to adopt such regulations since the preparation of their 2009 annual financial statements. On January 25, 2010, CIRC promulgated the "Rules on the Preparation of Insurance Company Solvency Reports-Q&A No.9: Connection between Rules on the Preparation of Solvency Reports and No.2 Interpretation of Accounting Standards for Business Enterprises" (Bao Jian Fa [2010] No.7), pursuant to which, admitted principles for insurance contract liabilities in solvency reports still follow the statutory assessment standards set up by CIRC, while admitted principles for non-insurance contract liabilities in solvency reports should apply to accounting standards. The future profit involved in the calculation of embedded value shall be the distributable profit when solvency requirements are satisfied. Therefore, during the preparation of 2011 embedded value report, relevant contract liabilities of life insurance business were measured according to the assessment standards of the liabilities pursuant to the solvency regulations, and the income tax was also based on the results before adoption of the "Regulations regarding the Accounting Treatment of Insurance Contracts".

Components of Economic Value

(in RMB million)	December 31, 2011	December 31, 2010
	Earned Rate/	Earned Rate/
Risk discount rate	**11.0%**	11.0%
Adjusted net asset value	**139,446**	123,573
Including: Adjusted net asset value of life insurance business	**48,219**	43,673
Value of in-force insurance business written prior to June 1999	**(8,549)**	(9,858)
Value of in-force insurance business written since June 1999	**126,099**	104,816
Cost of holding the required solvency margin	**(21,369)**	(17,545)
Embedded value	**235,627**	200,986
Including: Embedded value of life insurance business	**144,400**	121,086

(in RMB million)	December 31, 2011	December 31, 2010
Risk discount rate	**11.0%**	11.0%
Value of one year's new business	**19,339**	18,192
Cost of holding the required solvency margin	**(2,518)**	(2,686)
Value of one year's new business after cost of solvency	**16,822**	15,507

Note: Figures may not match totals due to rounding.

The adjusted net asset value of life insurance business was based on the unaudited shareholders net asset value of the relevant life insurance business of the Company as measured on the PRC statutory basis. This unaudited shareholders net asset value was calculated based on the audited shareholders net asset value in accordance with CAS by adjusting the relevant differences, such as reserves. The adjusted net asset value of other business was based on the audited shareholders net asset value of the relevant business of the Company in accordance with CAS. The relevant life insurance business includes business conducted through Ping An Life, Ping An Annuity and Ping An Health. The values placed on certain assets have been adjusted to the market value.

Embedded Value

Key Assumptions

The assumptions used in the embedded value calculation in 2011 have been made on a "going concern" basis, assuming continuation of the economic and legal environment currently prevailing in China. The statutory reserving basis and solvency margin requirement were assumed in the calculation. Certain portfolio assumptions were based on the Company's own recent experience as well as considering the more general China market and other life insurance markets' experience. The principal bases and assumptions used in the calculation are described below:

1. **Risk discount rate**
   The discount rate for the in-force life insurance business in each future year has been assumed to be the non-investment-linked fund's earned rate or 11.0%. The earned rate is the investment return adjusted for tax paid. This specific discount rate approach for the in-force business is to avoid understating the effect of losses arising from those high-interest-rate-guaranteed products we sold prior to June 1999. A level of 11.0% has been assumed in each future year for the calculation of one year's new business value.

2. **Investment returns**
   Future investment returns have been assumed to be 5.00% in 2012 and to increase by 0.25% every year to 5.5% in 2014 and thereafter for the non-investment-linked fund. For the investment-linked fund, future investment returns have been assumed to be slightly higher than the above non-investment-linked fund investment returns assumption. These returns have been derived by consideration of the current capital market condition, the Company's current and expected future asset allocations and associated investment returns for a range of major asset classes.

3. **Taxation**
   A 25% average income tax rate has been assumed. It is also assumed that 18% of investment returns can be exempted from income tax. In addition, a 5.5% business tax rate has been applied to the gross written premiums of the short-term accident insurance business.

4. **Mortality**
   The experience mortality rates have been based on 65% and 65% of China Life (2000-2003) table for male and female respectively for non annuitants. For annuitants, the experience mortality rates since the grant period have been based on 45% and 40% of China Life Annuity (2000-2003) table for male and female respectively.

5. **Morbidity**
   Morbidity assumptions have been based on the Company's own pricing table. The loss ratios have been assumed to be in the range of 15% and 85% for short-term accident and health insurance business.

6. **Discontinuances**
   Policy discontinuance rates have been based on the Company's recent experience studies. The discontinuance rates are dependent on the pricing interest rate and the product type.

7. **Expenses**
   Expenses assumptions have been based on the Company's most recent expenses investigation. Expenses assumptions are mainly separated into acquisition expenses and maintenance expenses assumptions. The unit maintenance expenses were assumed to increase at 2% per annum.

8. **Policyholder dividends**
   Policyholder dividends have been based on 75% of the interest and mortality surplus for individual life and bancassurance participating business. For group life participating business, dividends have been based on 80% of interest surplus only.

New Business Volumes and Value of New Business

The volume of new business sold and modelled used to calculate the value of one year's new business were RMB69,355 million and RMB74,556 million in terms of first year premium for year 2011 and 2010. The new business volumes measured by first year premium and one-year new business value by segment was:

(in RMB million)	FYP used to calculate value of new business 2011	2010	Growth	Value of one year's new business 2011	2010	Growth
Individual	**42,002**	39,304	6.9%	**15,417**	13,926	10.7%
Group	**10,506**	8,998	16.8%	**661**	507	30.4%
Bancassurance	**16,848**	26,255	-35.8%	**744**	1,074	-30.7%
Total	**69,355**	74,556	-7.0%	**16,822**	15,507	8.5%

Note: Figures may not match totals due to rounding.

Embedded Value Movement

The table below shows how the embedded value changed to RMB235,627 million as at December 31, 2011.

(in RMB million)	2011	Description
Embedded value of life insurance business as at December 31, 2010	**121,086**	
Expected return on year-start embedded value	12,248	Expected growth of embedded value occurred in 2011
Value of one-year new business	17,343	The contribution came from new business sold during 2011 and discounted at earned rate/11.0%
Assumption and modelling changes	(1,050)	Assumption changes, such as policyholder participating level and interest spread of universal life products changes, and modelling changes decreased embedded value on an aggregate basis
Market value adjustment	(10,563)	The market value adjustment of relevant investments decreased due to unrealized capital losses
Investment return variance	(1,705)	Actual investment return in 2011 was lower than the assumed return
Other experience variances	(926)	Other variances between actual experience and assumptions
Embedded value of life insurance business before capital changes	**136,433**	Embedded value of life insurance business before impact of capital change increased by 12.7%
Shareholder dividends	(1,989)	The impact of dividends paid to shareholders by Ping An Life
Impact of capital injection	9,953	Capital injection to Ping An Life by the Company was RMB9,953 million
Dividends received	4	Dividends received from Ping An Asset Management
Embedded value of life insurance business as at December 31, 2011	**144,400**	
Adjusted net asset value of other business as at December 31, 2010	**79,900**	

Embedded Value

(in RMB million)	2011	Description
Net Profit of other business	8,790	
Market value adjustment and other variances	(1,384)	
Adjusted net asset value of other business as at December 31, 2011 before capital changes	**87,306**	
Shareholder dividends	(4,120)	The impact of dividends paid to shareholders by Ping An Property & Casualty was RMB3,940 million; The impact of dividends paid to shareholders by Ping An Asset Management was RMB180 million;
Dividends received from subsidiaries	6,105	Dividends paid to the Company by Ping An Life was RMB1,989 million; Dividends paid to the Company by Ping An Property & Casualty was RMB3,940 million; Dividends paid to the Company by Ping An Asset Management was RMB176 million
Capital injection	21,111	The increase in net assets from the issuance of additional H shares by the Company was RMB16,134 million; Capital injection to Ping An Property & Casualty by the Company was RMB4,977 million;
Capital investment	(14,930)	Capital investment to Ping An Property & Casualty was RMB4,977 million; Capital investment to Ping An Life was RMB9,953 million
Shareholder dividends paid by the Company	(4,245)	Dividends paid to shareholders by the Company
Adjusted net asset value of other business as at December 31, 2011	**91,227**	
Embedded value as at December 31, 2011	**235,627**	
Embedded value per share as at December 31, 2011 (in RMB)	**29.8**	

Note: Figures may not match totals due to rounding.

Sensitivity Analysis

The Company has investigated the effect, on the value of in-force business and the value of one year's new business, of certain independently varying assumptions regarding future experience. Specifically, the following changes in assumptions have been considered:

- Risk discount rate
- Assumptions and model used in 2010 valuation
- Investment return increased by 50 basis points every year
- Investment return decreased by 50 basis points every year
- A 10% reduction in mortality and morbidity for assured lives
- A 10% reduction in policy discontinuance rates
- A 10% reduction in maintenance expenses
- A 5% increase in the policyholders' dividend payout ratio
- Solvency margin at 150% of the regulatory level

(in RMB million)	Risk Discount Rate			
	Earned Rate/10.5%	Earned Rate/11.0%	Earned Rate/11.5%	11.0%
Value of in-force business	100,460	96,181	92,135	96,838
	10.5%	11.0%	11.5%	Earned Rate/11.0%
Value of one year's new business	17,762	16,822	15,947	17,343

Assumptions (in RMB million)	Value of in-force business	Value of one year's new business
Central case	96,181	16,822
Assumptions and model used in 2010 valuation	97,232	16,864
Investment return increased by 50bp every year	110,096	17,875
Investment return decreased by 50bp every year	81,251	15,775
10% reduction in mortality and morbidity rates	98,033	17,268
10% reduction in policy discontinuance rates	98,589	17,371
10% reduction in maintenance expense	97,651	17,137
5% increase in the policyholders' dividend payout ratio	92,524	16,251
Solvency margin at 150% of the regulatory level	85,273	15,566

Note: Risk discount rates were earned rate/11.0% and 11.0% for in-force business and new business respectively.

Liquidity and Financial Resources

The Company manages its liquidity and financial resources from the perspective of the Group as a whole.

As at December 31, 2011, the solvency of the Group was adequate.

GENERAL PRINCIPLES

Liquidity refers to the availability of cash assets or cash supply to meet the financial requirements of the Group whenever needed. The aim of the Company's liquidity management is to meet the liquidity requirements of operations, investment and financing activities of the Group while continuously refining its financial resources allocation and capital structure to maximise shareholder return.

The Company manages its liquidity and financial resources from the perspective of the Group as a whole. Overseeing these essentials at group level are the Budget, Risk Control and Investment Committees, under the Group Executive Committee. In addition, as the Group's liquidity management execution unit, the Treasury Division is responsible for the management of cash, liquidity, funding and capital and so forth.

The liquidity management of the Group comprises capital planning and cash flow management. The Company has put in place a comprehensive capital management and decision-making mechanism. As part of this process, the Group's subsidiaries put forward their capital requirements based on their own business development needs. The parent company then submits its recommendations on the overall capital planning for the Group, based on the overall situation of its subsidiaries' business development. The Group Executive Committee then determines a final capital planning scheme based on the strategic planning of the entire group before allocating capital accordingly. In 2011, the capital injections into our subsidiaries by the Company are as follows:

- RMB4,977 million to Ping An Property & Casualty
- RMB9,953 million to Ping An Life in two exercises

All operations, investment and financing activities should follow the requirements of liquidity management. Ping An Group and its subsidiaries implement separate management on their operating cash inflow and outflow. Through the pooling of cash inflow and outflow, allocation and deployment of funds are centralized. The Group is therefore able to monitor its cash flow status in a timely manner.

In 2011, the Group maintained net cash inflows in its operating cash flows.

The Group manages its investment assets through strategic asset allocation. As part of their strategic asset allocation, all subsidiaries maintain a certain proportion of high liquidity assets to meet their liquidity requirements.

The Company is a holding company and, with the exception of investment activities, does not engage in any substantive business operations itself. The Company's cash flow mainly depends upon dividends from its subsidiaries and the returns from its investment assets. Ping An's overall liquidity, with the exception of investment in subsidiaries, is mainly exemplified by its asset allocation status and realization ability. Borrowings and assets sold under agreements to repurchase also constitute part of the source of the parent company's liquidity in the ordinary course of business.

The Company's financing capability is an important part of the management of its liquidity and financial resources. The Company centrally manages all financing activities.

CAPITAL STRUCTURE

As at December 31, 2011, equity attributable to shareholders of the parent company was RMB130,867 million, representing an increase of 16.8% as compared to the end of 2010. The growth in equity was partly due to the contribution from operating profits, and also from the increased net assets of RMB16,134 million, following the direct issuance of 272 million H Shares to JINJUN LIMITED on June 17, 2011.

As at the end of 2011, the parent company's capital structure mainly comprised contributions from shareholders as well as proceeds from issuance of H shares and A shares. The parent company did not issue any form of debt securities.

To enhance capital strength and improve the solvency margin ratio, Ping An Life and SDB issued subordinated term debts and hybrid capital debts in 2011. The transactions are summarised as follows:

- Ping An Life: subordinated term debts, 5+5 years, RMB4,000 million
- Shenzhen Development Bank: hybrid capital debts, 10+5 years, RMB3,650 million.

The following table sets out the balances of subordinated debts and hybrid capital debts held by the subsidiaries of the Group by the end of 2011:

(in RMB million)	Subordinated debts	Hybrid capital debts
Ping An Property & Casualty	4,500	–
Ping An Life	4,000	–
Ping An Bank	3,000	–
Shenzhen Development Bank	8,000	5,150

GEARING RATIO

	December 31, 2011	December 31, 2010
Gearing ratio (%)	**94.3**	90.4

The gearing ratio is computed by dividing the sum of total liabilities and minority interests by total assets.

CASH FLOW ANALYSIS

(in RMB million)	2011	2010
Net cash flows from operating activities	**75,348**	139,255
Net cash flows from investing activities	**(32,109)**	(189,475)
Net cash flows from financing activities	**(13,339)**	42,253

Net cash inflows from operating activities decreased by 45.9% to RMB75,348 million in 2011 from RMB139,255 million in 2010. This was mainly affected by net cash outflows of agency collection and payment business as a result of consolidation of SDB.

Net cash outflows from investing activities decreased significantly to RMB32,109 million in 2011 from RMB189,475 million in 2010. This was primarily due to the increase of cash and cash equivalents of the Company as a result of consolidation of SDB.

Net cash outflows from financing activities were RMB13,339 million in 2011 while there were inflows of RMB42,253 million in 2010, mainly due to the increase in amount due in 2011 for short-term funds obtained from repurchase transactions for insurance business at the end of 2010.

CASH AND CASH EQUIVALENTS

(in RMB million)	December 31, 2011	December 31, 2010
Cash	**95,178**	61,289
Money market funds	**4,334**	4,657
Bond investment with original maturity less than 3 months	**103**	–
Asset purchased under agreements to resell with original maturity less than 3 months	**10,866**	14,992
Total cash and cash equivalents	**110,481**	80,938

The Company believes that the liquid assets currently held, together with net cash generated from future operations and the availability of short-term borrowings, can sufficiently meet the expected liquidity requirements of the Group.

GROUP SOLVENCY MARGIN

The insurance group solvency margin represents the consolidated solvency margin calculated as if the company and its subsidiaries, joint ventures and associates were a single reporting entity. The group solvency margin ratio is an important regulatory measure of an insurance group's capital adequacy, calculated by dividing the actual capital of the insurance group by its minimum capital requirement.

The following table sets out the relevant data in relation to the solvency of the Group:

(in RMB million)	December 31, 2011	December 31, 2010
Actual capital	**182,492**	124,207
Minimum capital	**109,489**	62,778
Solvency margin ratio (%)	**166.7**	197.9

The above figures indicate that the solvency of the Group was adequate as at December 31, 2011.

The Group's solvency margin ratio decreased as compared with the end of 2010, mainly due to the impact of the growth of insurance business and banking business, capital market volatility and dividend distribution. Besides, the actual capital of the Company was increased by RMB16,134 million following the direct issuance in June 2011. Consolidation of financial statements of Shenzhen Development Bank had resulted in dilution of the Group's solvency margin ratio by 20 percentage points, mainly because of the capital adequacy of SDB was 100% considered as a subsidiary, when evaluating the Group's solvency margin. SDB's solvency margin ratio as determined using its capital adequacy ratio was lower than the Group's previous level.

Risk Management

We aim to become an international leading integrated financial services group through the gradual development of an effective and centralized platform for risk management.

By continually identifying, evaluating and managing risks to support decision-making, we strive to achieve a balance between risk and optimal return.

We consider risk management to be an integral part of our operation and business activities and aim to build a comprehensive risk management system that is integrated with the characteristics of our business and is aligned to our goal of becoming an international leading integrated financial group. Our risk management system, through an optimized risk management framework and standardized risk management procedures, adopts risk management methodologies and measures that are both qualitative and quantitative in order to identify, evaluate and manage risks, thereby supporting our decision making and facilitating the effective, sustainable and healthy growth of the Group. To further increase our risk management standards, the Group introduced the advanced international risk management concepts and carried out thorough reviews of its risk management system so as to further manage its risk management structure, set clearly defined risk management goals and explore new risk management techniques.

RISK MANAGEMENT FRAMEWORK

The Group actively complied with the PRC Company Law, the Articles of Association of Ping An Insurance (Group) Company of China, Ltd. and relevant requirements on corporate risk governance. We have in place a comprehensive risk governance framework which holds the Board of Directors ultimately accountable and is led directly by the management. Supported closely by various committees and relevant departments, the framework covers risk management across all subsidiaries and business units.

The Audit and Risk Management Committee, formed under the Board of Directors, is responsible for functions as follows:

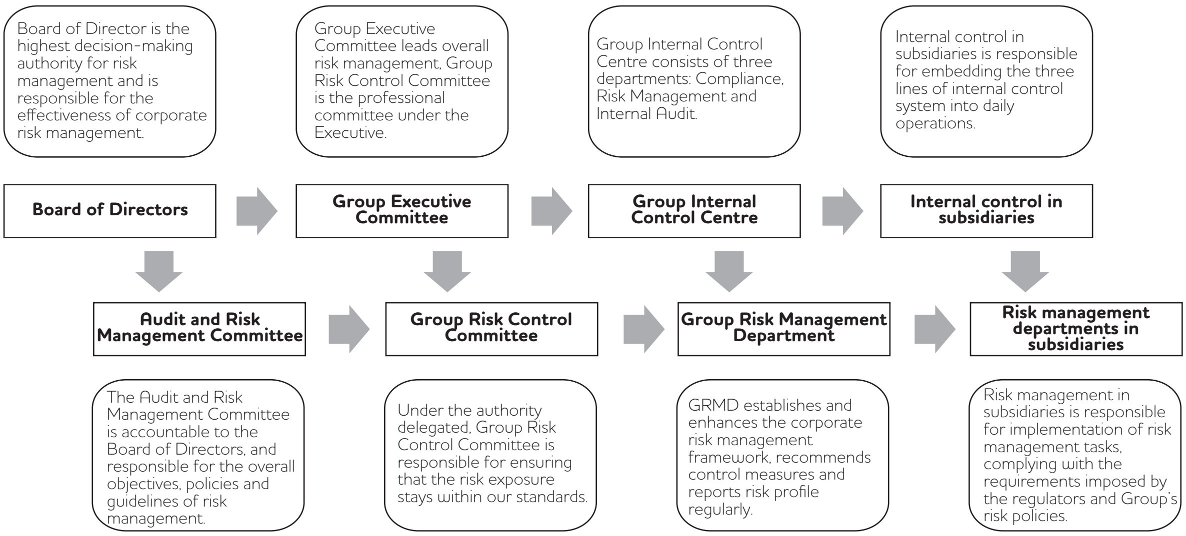
Have a thorough understanding of the major risks the Group faces and of the Group's management; monitor the effectiveness of the risk management system; make recommendations to the Board of Directors after deliberation on the following matters:

- overall objectives, basic policies and operating procedures of risk management;
- risk management organizational structure and responsibilities;
- risk assessment of major strategic and policy decisions and mitigating plan and solution for significant risks;
- annual risk assessment report.

The Group Executive Committee leads all aspects of the Group's risk management work. Formed under the Group Executive Committee, the Group Risk Control Committee's main responsibilities include: the development of overall objectives, basic policies and operating procedures for risk management based on the Company's development strategy; overseeing the set-up of risk management organization at subsidiaries and their performance; monitoring the Company's risk exposure and level of capital available and issuing warnings and recommendations on risk mitigation measures; supervising each subsidiary or business line on the implementation of the risk management system and ensuring the implementation of key risk management measures recommended by the auditor.

Members of the Risk Control Committee include the Group's Vice Chief Executive Officer, President, Chief Financial Officer, Chief Actuary, Chief Internal Auditor, Vice Chief Financial Officer, Chief Information Officer, Chief Legal Officer and the General Manager of the Group Risk Management Department.

The Group Risk Management Department, (GRMD) under the Internal Control Center, is responsible for supporting the operation of the Group Risk Control Committee, establishing and strengthening the Enterprise Risk Management (ERM) framework across the Group. Through continuously identifying and evaluating risks, it helps develop risk control measures and solutions and makes relevant reports in a timely manner. It also provides guidelines to the risk management departments of subsidiaries regarding implementation of the Group's risk management policy and risk-based limits etc.



As the risk management structure becomes more established, a risk management culture has spread throughout the Group, from the Board of Directors to management to employees. It helps establish an effective and efficient top-down working approach, which lays a solid foundation for the effective integration of risk management into the Group's daily operation going forward, which in turn facilitates the protections of shareholders equity, improves capital efficiency, supports management decisions and creates values.

RISK MANAGEMENT OBJECTIVES

Over the past two decades, Ping An has continuously improved its risk management framework, policies and control measures to support the Group's business strategies. We follow the principle of strategy-oriented risk management and risk-focused control mechanism, towards the goal of becoming a sustainable international leader in integrated financial services.

As the domestic and international economic environments become increasingly volatile, relevant regulations continue to evolve. Ping An, based on its enhanced management on internal control and compliance, places capital in the center and takes quantitative risk assessment as the chief method to establish a comprehensive scientific risk management system that complies with the highest international standards. We continuously improve and enhance our risk management and utilize our dynamic quantitative methodologies and techniques to manage individual and collective risks, in order to achieve the ideal balance between risk and return.

MAJOR MEASURES OF RISK MANAGEMENT

The Group combines both quantitative and qualitative approaches in its principle for risk management. By improving a series of risk management mechanisms and procedures, it aims to ensure that all risks are effectively managed within their respective confines. At the same time Ping An conducts various qualitative analyses on major risks, such as scenario (including sensitivity) analysis and stress tests, by applying advanced risk management techniques to ensure its risk exposure is proportional to returns.

Scenario analysis and stress tests are important tools for assessing the Group's solvency and for evaluating the potential impact on the Group in the event of adverse changes occurring in our business activities. We regularly carry out scenario analysis and stress tests on key risk factors to analyze risk exposure, evaluate potential risks and our overall risk tolerance level so we can have a better understanding of their impact on our solvency. Such exercises enable us to plan ahead and take precautions in a timely manner so as to neutralize any risks and reduce potential losses, while helping the management make decisions more effectively and making sure regulatory requirements are met and shareholders' interests are protected.

Insurance Risk

Insurance risk refers to the risk that actual indemnity might exceed expected indemnity due to the frequency and severity of insurance accidents, as well as the possibility that insurance surrender rates and etc. might deviate from estimation.

To evaluate and control the risks faced by our insurance business, we adopt discount rates, investment returns, mortality rates, morbidity rates, lapse rates and expense rates as the key actuarial assumptions in sensitivity analysis and stress tests to analyze impacts of the insurance risks on the Group's gross policyholders' reserves, solvency and earnings.

Sensitivity analysis on long term life insurance contracts

December 31, 2011 (in RMB million)	Change in assumptions	Impact on gross policyholders' reserves (after reinsurance) increase/(decrease)
Discount rate/ Investment return	+10bps	(4,633)
Discount rate/ Investment return	-10bps	4,813
Morbidity/mortality rates*	+10%/-10%	4,860
Policy lapse rates	+10%	2,739
Maintenance expense rates	+5%	1,217

* Morbidity/mortality rates change refer to a 10% increase in morbidity rates, mortality of life insurance policies and annuity policies before the payment period, and a 10% decrease in mortality of annuity policies in the payment period.

Sensitivity analysis on property and casualty and short term life insurance contracts

December 31, 2011 (in RMB million)	Change in average claim cost	Impact on net liabilities (after reinsurance) increase/(decrease)
Property and casualty insurance	+5%	1,048
Short term life insurance	+5%	67

The mechanisms adopted by the Group to manage the insurance risks are as follows:

- Implement effective product development policy to enhance product risk control;
- Issue underwriting guidelines and policies to effectively control and reduce the risk of adverse selection;
- Limit the Group's exposure to large claims and catastrophe claims by transferring excessive risks to reinsurance companies with high credit-ratings;
- Follow proactive procedures to investigate and process claims, thereby preventing dubious or fraudulent claim payment;
- Apply actuarial models and statistical techniques to assist in pricing decisions and to monitor the pattern of claim payment with periodic model validation;

- Use management information systems (MIS) to provide up-to-date, accurate, and reliable risk exposure data. Conduct experience analysis and trend research periodically as the basis for adjustment and improvement of pricing and actuarial valuation assumptions.

Market Risk

Market risk refers to the potential loss for the Ping An Group as a result of changes in interest rates, market prices, foreign currency exchange rates and other related risk factors.

The major market risk types for the Group include interest rate risk, equity risk, foreign currency risk.

Interest rate risk

Fixed income investments held by the Group are exposed to interest rate risks. These investments are substantially represented by bond investments booked at fair value on the balance sheet. The Group uses various tools such as scenario analysis, value at risk (VaR), and stress tests to evaluate the risk profile of such investments.

Interest rate risk is assessed by assuming a 50 basis-point parallel shift of the government bond yield curve.

December 31, 2011 (in RMB million)	Change in interest rate	Decrease in profit	Decrease in equity
Bond investments carried at fair value through profit or loss and available-for-sale	+50 basis point	106	4,020

The interest rate re-pricing risk of banking business is assessed primarily through a gap analysis approach. Analysis on the re-pricing characteristics of our assets and liabilities is conducted on a regular basis, and scenario analyses on interest rate risk are conducted with the aid of the asset and liability management system. Based on the condition of the gap, the duration mismatch of re-pricing could be reduced by adjusting the frequency of re-pricing and the duration and category of corporate deposits. Meanwhile, the Asset and Liability Management Committee meets regularly to make timely and appropriate adjustments on the asset and liability structure and manages interest rates risks based on the analysis of the macroeconomic situation and the interest rate policies of the People's Bank of China.

Equity risk

Listed equity investments held by the Group are exposed to market price risks. These investments are primarily equity securities and equity investment funds.

The Group adopts the 10-day market price VaR technique to estimate its risk exposure. Market price VaR measures a maximum loss in the value of our portfolio of equity investment due to adverse market event within a given confidence interval ("99%") and a specified timeframe ("10 days").

As at December 31, 2011, VaR for equity securities and equity investment funds is as follows:

December 31, 2011 (in RMB million)	Impact on equity
Equity securities and equity investment funds carried at fair value through profit or loss and available-for-sale	7,150

Foreign currency risk

Foreign currency-denominated assets held by the Group are exposed to foreign currency risks. These assets include monetary assets, such as deposits and bonds held in foreign currencies, and non-monetary assets measured at fair value, such as stocks and funds held in foreign currencies. The Group's foreign currency-denominated liabilities are also exposed to the risk as a result of fluctuations in exchange rates. These liabilities include monetary liabilities, such as borrowings, customers' deposits, and claim reserves denominated in foreign currencies, and non-monetary liabilities measured at fair value. The exchange risks related to the above assets and liabilities offset each other.

The Group adopts sensitivity analysis to assess its risk exposure. The sensitivity of foreign currency risk is calculated by assuming a simultaneous and uniform 5% depreciation against the Renminbi of all foreign currency denominated monetary assets and liabilities, as well as non-monetary assets and liabilities measured at fair value as illustrated in the table below:

December 31, 2011 (in RMB million)	Decrease in profit	Decrease in equity
Net exposure to the fluctuations in exchange rates assuming a simultaneous and uniform 5% depreciation of all foreign currency denominated monetary assets and liabilities and non-monetary assets and liabilities measured at fair value against the Renminbi	325	1,243

The Group adopts the following mechanisms and procedures to manage market risks, and carries out investment decisions, formulated using a top down approach via the Investment Management Committee, Insurance Asset and Liability Committee and Investment Committee to ensure our risk management is sound and comprehensive:

- Establish and implement a series of internal management guidelines on investment based on the principle of safeguarding the security, liquidity and efficiency of the investment fund; reduce market risk by developing strategic asset allocation and investment guidelines with an aim to match assets and liabilities;
- Perform routine market risk management through scenario analysis, VaR and stress testing based on the characteristics of capital investment and market risk management to manage market risk effectively and scientifically;
- Set risk limits for each asset class to control market risk. When setting these limits, the Company takes into full consideration the risk strategy, the impact on financial position as well as the asset and liability management strategy thoroughly;
- Assets and liabilities are managed by segmentation based on liability characteristics of the various insurance products. The fluctuation of the Company's profit and net asset could be reduced through the appropriate accounting and classification of assets;
- Regulate risk reporting system, issue daily and monthly risk reports and make recommendations on risk management to ensure the market risk exposure is within the risk tolerance level.

Credit Risk

Credit risk is the risk of loss resulting from the failure of any debtors or counterparties fulfilling their obligations as agreed, or from adverse changes in their risk profiles. The Group is exposed to credit risk primarily associated with its deposit arrangements with other commercial banks, loans and advances to third parties from its banking operations, bond investments, reinsurance arrangements with reinsurance companies, policy loans and off-balance sheet related activities.

The Group manages credit risk through several measures, including:

- Establish a credit risk management mechanism with credit risk rating as its core methodology;
- Develop standardized policies, systems and procedures for credit risk management;
- Define credit risk limits in multiple dimensions for investments and credit-related portfolios;
- Monitor credit risk through risk information management system.

Based on the different characteristics and risk profiles of businesses such as insurance, banking and investment, the Group carries out targeted measures to control specific credit risks and concentrated risks:

Credit risk associated with banking business

The Group will conduct thorough credit checks on potential borrowers, review outstanding loans regularly, set credit risk limits of portfolios in multiple dimensions, get collateral and guarantees and so on. In the case of off-balance sheet credit related commitments, the Group has set up standard approval and management procedures by reference to the principles and methods applied to on-balance sheet credit asset management. Collateral and guarantees are in general received by the Group to reduce credit risk. The credit condition of off-balance sheet business is sound.

The Group sets limits for credit granted to an individual entity to mitigate the impact of credit deterioration of a single entity on the financial conditions of the Group.

Reinsurance credit risk associated with insurance business

Credit risks occur within the Group when a reinsurance company is unable to fulfil its obligations. To mitigate such risks, the Group would evaluate the credit worthiness of the reinsurer before entering into a reinsurance contract, and seek to reinsure with companies that have superior credit standing.

Credit risk associated with investment business

The Group makes credit assessments on investments in line with internal risk control policies and procedures, and would choose a counterparty that enjoys a relatively higher credit standing while also taking a multifaceted approach on setting risk limits on investment portfolios in order to manage credit risks.

The Group sets limits and allocated portions for credit granted to an individual investment entity to minimize the impact on the financial conditions of the Group in the event of fair value deterioration in the entity.

December 31, 2011	The ratio of total corporate debt
Corporate bonds held by the Group with the domestic credit rating AA and A-1 or above	99.64%
Financial bonds held by the Group with the domestic credit rating A or above	99.88%

The Group adopts a systematic approach to manage the disposal of settled assets. Any gains from the disposal are used to clear or reduce outstanding debt.

The Group continues to work on improving a credit risk management mechanism for financial institutions under a consolidated financial statement to further prevent systemic risk associated with financial businesses of the Group.

Operational Risk

Operational risk is the risk of losses resulting from internal operational failures or uncontrollable external events. Internal operational failures occur due to inadequate or failed internal processes (process risks), system failure (system risks), and human performance failure or corruption (personnel risks). Uncontrollable external events that contribute to operational risks mainly refer to legal events or changes in regulatory requirements, such as adjustments in tax laws and accounting standards and etc.

We have established and will continuously improve our comprehensive risk management framework that has three lines of internal control system, including Preemptive Safeguard, Ongoing Monitoring, and Post-hoc Investigation:

In 2011, taking reference from the New Basel Capital Accord and in accordance with the actual business development of the Company, we set up a professional operational risk management team at the group level and established and further refined our operational risk governance structure, policies, management tools and reporting mechanisms.

Risk Management

A framework for managing operational risks was established to facilitate the implementation of operational risk prevention functions and to prevent the occurrence of operational failures. This framework is based on the “three lines of defence” – formed by our business and functional departments, operational risk management department and audit and supervision department – and conforms to our operational scale. The “three lines of defence” are linked together closely, but each one of them has a different focus. During the critical period in which SDB and Ping An Bank were integrated, we focused on setting up an operational risk management framework for the banks, standardizing policy systems, establishing data collection models and channels, generalizing management tools, strengthening daily monitoring and enhancing training and promotion, thus enabling the operational risk management working group to facilitate the integration of the banks.

The first line of defence is the business and functional department of each subsidiary. As the direct stakeholders and managers of their own operational risks, they are primarily responsible for managing operational risks. In carrying out ongoing risk assessments themselves, all operational and functional departments have further enhanced the identification, assessment and control of business-specific operational risk; improved risk monitoring methods; engage in self-risk assessment; monitor key risks; rectify any discrepancies in a timely manner and submit operational risk assessment reports to the Group on a regular basis.

The second line of defence is the operational risk management department, which is responsible for establishing and running the operational risk management system as well as the coordination, support and supervision of any tasks associated with operational risk management. The operational risk management department is committed to optimizing the operational risk framework, system and management tools, etc.; formulating, improving and promoting key risk indicators (“KRI”) and operational risk lost data collection (“LDC”); and improving operational risk management with a general account verification mechanism and banking department control function checklist (“DCFC”) mechanism. It has issued new protocols such as the “Notice on Operational Risk Information Collection” and the “Operational Risk Evaluation Standard for New Products” etc., which provides a standard pattern, scope, procedure, and template for reports and enhancing the operational risk management capabilities of the Company.

The third line of defence is the Audit and Supervision Department, which is responsible for reviewing the performance of the operational risk management system and reporting issues identified in the course of the review. The Disciplinary Inspection Department would then inspect the cases to identify responsibilities and conduct investigations into accountability and the responsible personnel. The Group’s highly independent Audit and Supervision Department has implemented a vertically-centralised management structure. Through high-level consolidation and the centralisation of audit and supervisory resources, effective real-time interaction is achieved both within the Audit Supervision Department as well as between the department and the management. Furthermore, through a transition from staged supervision (i.e. reviews of the working platform, warning systems and audit and supervision) to daily supervision, the Audit and Supervision Department conducts regular assessments of the implementation of the Group’s operating risk system, therefore serving as the last line of defence for our risk control and management.

As per instructions from the five regulatory authorities – the Ministry of Finance, the China Securities Regulatory Commission, the Audit Commission, the China Banking Regulatory Commission and the China Insurance Regulatory Commission – the Company has staged a general evaluation of its internal controls. The year 2011 is a milestone that highlights the Company’s efforts in establishing its internal controls. The Company pledged to adhere to the “Internal Control Guidelines for Enterprises” as well as to all other related supporting guidelines, integrated and upgraded its internal control system and took big steps forward in the standardization of its internal control platform. The Group fully supports SDB to become the pilot bank for internal control evaluation. The establishment of internal control evaluation systems in SDB and Ping An Bank was completed in 2011 as per instructions from CBRC Shenzhen Bureau, and their performance was appraised by the regulatory authorities. Meanwhile, the Group had set up a simulated office to ensure consistent quality customer service at both banks. The Group also carefully prepared for any major risks expected on the first day of consolidation of SDB and Ping An Bank and came up with counter measures.

The Company did not incur any material losses from operating risks in 2011.

The Company has been instilling the concept of risk-oriented supervision, gearing up platform automation, continuously promoting and innovating on auditing measures, which emphasized on identifying and exercising control on highly risky domains, such as integrated financial projects, frauds and firewall, and keeping internal and external risks of frauds under close monitoring. The Group has been building a monitoring mechanism for conflict of interest between companies with the auditing of investment information firewall at its heart. It is intended to complete the relevant internal control system to identify and mitigate risks and prevent them from spreading. The Company has also been constantly improving the anti-fraud system and mechanism across the Group and reinforcing the overall fraud preventive system, so as to effectively prevent and control the cause of frauds, while deepening its anti-fraud efforts to ensure the healthy growth of the Company.

SOLVENCY MANAGEMENT

Solvency refers to the capability to repay the Group's obligations. The key goal of solvency management is to meet statutory capital requirements, and maintain a healthy capital ratio in order to support business growth and maximize shareholder value.

The Group's rapid business expansion in 2011 increased our capital requirement. This, together with the downturn of the capital market, has lowered the solvency ratio of the Group. As at December 31, 2011, the solvency ratio of the Group stood at 166.7% which was in compliance with the regulatory requirement.

The mechanism and processes implemented by the Group to manage its solvency are as follows:

- Ensure the impact on solvency is evaluated when formulating key initiatives such as strategies, business plans, investment decisions, and dividend distribution;
- Conduct periodic solvency projection and dynamic solvency testing, monitor changes and trends on solvency margin;
- Solvency target is a key indicator of the Group's quota management mechanism. In order to ensure the Group's solvency is maintained at an appropriate level, a warning and contingency system is in place in the event of significant changes to solvency margin.
- Adopt a prudent asset and liability management policy, which strengthens capital management, i.e. amplify its total assets under strictly-regulated capital control through methods such as planned assessment and quota management;
- Analyze solvency requirement and assess the impact on statutory capital when developing new products.

Corporate Social Responsibility

Ping An continuously keeps its social commitments to serving its shareholders, to being worthy of its clients' trust, to nurturing its staff and to contributing to society.

1. In 2011, Ping An delivered on its pledge to further enhance the standard of its service. Ping An Life Insurance has undertaken the promise of "72-hour settlement for standard cases with full documentation". Ping An's automobile insurance business has launched "rapid payment, easy claim and free road-side service".

2. Ping An released the Chinese Wealth Quotient Research which measures the knowledge, attitude, concept, manners and capability among the Chinese people about money. It aims to help them develop a proper understanding about wealth and enable them to better manage their financial life.

3. In 2011, the Ping An Inspiration Award Scheme was held at Dongbei University of Finance and Economics. A total of 3,905 students have benefited under the award scheme which has given out RMB14.09 million in prize money so far.

Looking back on the previous year, China's economy shook off the impact of the global economic crisis and continued to be on track for growth. Relying upon our expertise, our ability to size up situations and being ever-responsive, we achieved solid, sustained growth, outperforming the market in all of our business segments, i.e. insurance, banking and investment. With respect to social responsibility, we have developed a platform for social responsibility management, established a professional social responsibility management system and applied professional social responsibility management devices to pursue the objective of fulfilling our corporate social responsibilities to our shareholders, customers, employees, business partners and society.

COMMITMENT TO SHAREHOLDERS: BOOST ASSET VALUES AND GENERATE STABLE RETURNS

We have been generating sustainable returns to our shareholders with our clearly-defined and reliable corporate governance structure and responsible decision-making. Our well-established internal control organization, anti-money laundering and anti-corruption system lay a solid foundation for delivering sustainable growth in value.

Concerns of Shareholders

- Whether the businesses generate stable and sustainable growth.
- Whether the corporate governance practices are sufficiently clear and adequate to support the sustainable development of the Company.
- Whether the internal control system is complete and capable of safeguarding against all kinds of risks.
- Whether the mandatory anti-money laundering monitoring system is sophisticated and reliable enough to prevent money laundering risks.
- Whether the anti-corruption system is complete and reliable enough to ensure the healthy development of the Company.

Our Actions and Achievements in 2011

EXCEPTIONAL BUSINESS PERFORMANCE: facing the complex and challenging global economic environment in 2011, we proactively responded to changes and challenges in the market, thus maintained stable and healthy growth for the three pillar segments of the Company, i.e. insurance, banking and investment. The Group's total assets exceeded RMB2 trillion, with steady progress towards the execution of our integrated financial strategy and stronger overall competitiveness.

CONSTANTLY IMPROVING CORPORATE GOVERNANCE: in 2011, we maintained the well-regulated operations of the General Meeting, the Board of Directors and the Supervisory Committee. We issued the "Work Rules for Secretary of the Board", which aims to further regulate the appointment, performance, training and assessment of the Secretary of the Board, and to ensure by means of policy that he or she will provide due support to the corporate governance of the Company.

PROMOTING THE PING AN RELIANCE PROGRAM: in 2011, adhering to the theme of "The Year of Internal Control Compliance", we further refined our internal controls and risk management practices and continued to promote the "Ping An Reliance Program". In terms of the idea of "Regulation as foundation,

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Risk-based approach, Process as connector, Internal control as tool", we integrated principles, requirements and methods of risk management into our operations and management, as well as our business procedures and IT system platform, while accelerating the establishment of our internal control culture and enhancing assessment and accountability and strengthening our control of sources of risks. This, in turn, led us to implement the Company's integrated financial strategy and support the profitable and sustainable healthy development of the Company.

STRENGTHENING THE MANAGEMENT OF ANTI-MONEY LAUNDERING CONTROLS: in 2011, we further enhanced our anti-money laundering compliance system, and our staff has become more knowledgeable about our anti-money laundering activities.

ENHANCING THE ESTABLISHMENT OF THE CRIME PREVENTION AND ANTI-CORRUPTION SYSTEM:
in 2011, we stepped up our anti-corruption efforts, accelerated the establishment of our corruption-prevention and control system and set up a corruption-prevention mechanism covering the insurance, investment and banking segments. While we remained committed to adopting both preventative and punitive measures, more emphasis was placed on prevention. Based on strict investigations into any breaches of law or discipline, risk was controlled at its source, leading to the development of in-depth fraud prevention, which safeguarded the solid and stable development of the Company.

Our Plans and Objectives for 2012

CONTINUE TO ENSURE THE STEADY GROWTH OF BUSINESSES: we will continue to promote integrated financial services featuring "multiple products for one customer" and "multiple products with one-stop service" and will leverage our expertise to ensure the rapid growth of all businesses.

FURTHER ENHANCE TRANSPARENCY IN CORPORATE GOVERNANCE: we will further improve communication mechanisms with our investors to enhance transparency in the Company's corporate governance and to win the trust from them.

ACCELERATING THE IMPLEMENTATION OF THE PING AN RELIANCE PROGRAM: we will accelerate the formation of a complete and sound risk management system and explore innovative approaches to internal controls and continue to optimize our internal control system. We will also improve compliance in internal controls to gain satisfactory results from pre- risk control management.

COMMITMENT TO CLIENTS: BEING SERVICE-ORIENTED WITH STRENTHENED INTEGRITY

We adhere to our slogan, "Expertise makes life simple", to enable our customers enjoy more efficient and high quality financial services with our simple, easy-to-use products and convenient services, enhance consumer experience while accelerate the healthy development of the industry chain.

4. In 2011, the "Ping An Forest" conservation project was officially launched in Maying Town, Tongwei County, Gansu province. The project aims to promote the plantation of trees to create a forest covering 10,000 mu. As a major partner of the project, Ping An has donated 1.1 million buckthorn plants over two years. When the trees are mature, they will be able to absorb about 1,760 tons of carbon dioxide each year.

5. In 2011, Ping An volunteer teachers campaign was rolled out across the country and had enlisted a total of 1,527 volunteer teachers to work in 20 Hope Primary Schools. The annual campaign has benefited more than 20,000 students so far.

6. Ping An conducted timely investigations through its subsidiaries, including Ping An Life, Ping An Property & Casualty and Ping An Annuity into the train tragedy in Taiwan's Alishan. Two of the victims were insured with Ping An. Ping An was the first insurer to have paid out the insured amount and have sent staff to work on the ground after the accident. Our timely, effective response received wide recognition from customers in both Taiwan and mainland China.

Corporate Social Responsibility

Concerns of Customers

- Whether the products can be widely available and their accesses are easy, fast and effective.
- Whether the service is high quality, readily available and customer-oriented.
- Whether their assets will be safeguarded and expanded.
- Whether their information will be safeguarded.
- Whether the products can contribute to solving social problems.

Our Actions and Achievements in 2011

AVAILABILITY OF PRODUCTS: we have introduced diversified management measures into new business channels such as telesales and internet sales, so as to expand the depth and coverage of cross-selling. We continued to enhance customer experience through the product of "one account", opened various customer-feedback-channels, increased our investments in branches and developed diversified products in order to help customers to purchase our products easier, faster and more effective through our one-stop service.

SUPERIOR CUSTOMER EXPERIENCE: we have further enhanced our commitment to service. Ping An Life launched its guarantee of"72-Hour Settlement for Standard Cases with Complete Documentation". As at 31 December 2011, 99.7% of the cases were concluded within 3 working days, with an average of 0.68 day to close a case. Ping An Property & Casualty announced its "Fast, Easy and Free" offer that features 1) 24-hour settlement for claims below RMB10,000, 2) door-to-door collection of claims materials and 3) free roadside rescue services. Throughout the year of 2011, our promise of "24-hour settlement for claims below RMB10,000 with full documentation" was delivered 99.9% of the time. About 540,000 customers were provided the service of "door-to-door collection of claims materials". In 2011,accumulated overall customer satisfaction percentage was 93.7%, and satisfaction percentage in terms of claim settlement was 91.5%. By providing our corporate customers with cash management services featuring the fastest-ever inter-bank money transfers and an online payment platform for Public Accumulation Funds, we have enhanced our operating efficiency and service quality. In respect of payment terms, the number of our agents using MIT devices reached 400,000, while approximately 3.5 million customers in total enjoyed the convenient and environment-friendly service model.

ENSURING CUSTOMER ASSETS SAFEGUARDED AND EXPANDED: we applied scientific methods into our R&D to find the best way to protect and expand our customers' assets. On one hand, we collaborated with a market research organization to publish a research report on the"Wealth Quotient Index of Chinese People"and an investigative report on "Wealth Management of Chinese Households" with the aim of helping Chinese people manage their wealth in optimal ways. On the other hand, we launched various wealth management products and as at 31 December 2011, the wealth management products provided by the bank for 2010 reached the amount of RMB374,640 million, representing an increase of 273.0% over the last year.

SAFEGUARDING CUSTOMERS' INFORMATION: We applied strict control to the management of workflow and adopted high-tech means to supervise and control customer's information. Designated specialists were arranged to investigate and deal with suspicious websites and made best efforts to minimize potential losses and harms caused by "fishing websites", so as to safeguard customer's information.

SOLVING SOCIAL PROBLEMS: We developed a product named "Yi Wu You (Worry-free Medical Care) 2nd Generation", the first mid-end medical insurance product beyond the Social Security System, to provide a more comprehensive safeguard to numerous mid-end customers; get involved in financing programme for economically affordable houses for the first time to promote the Housing System Reform; launched universal life pension insurance products to relieve the challenges brought to society by the problem of aging population; introduced products such as "Xin Yi Dai (New UPL)", "UPL (unsecured personal loan)" and "Mortgage liability Insurance", which focused on small-to-micro enterprises, to provide financial services to the low-to-mid end customers and SMEs and make contribution to solve typical social problems such as elderly care, medical care and housing.

Our Plans and Objectives for 2012

Based on the ideology of "Expertise makes life simple", we aim to create a more enjoyable financial life to our customers by offering them products with simple and easy-to-use features, which are convenient to purchase and that offer readily available after-sales services.

- We will step up our efforts in promoting our hi-tech and convenient MIT services to allow our customers to purchase our products at home.
- We will adapt international practices and launch the efficient and simple "Self Claim Settlement for Mutual Responsibility" claim settlement initiative.
- Leveraging the advantage of our extensive channels, we will offer remote account opening services. With our advanced technology and talented people, professional products and services that exceed the expectation of our customers, we will provide them with an exceptional customer experience and bring simplicity to their lives.

COMMITMENT TO EMPLOYEES: CAREER DEVELOPMENT AND BETTER LIVING CONDITIONS

We believe that the expertise of our employees is the foundation of the professionalism of the Company, and is how we get the trust of the stakeholders, and also can help our employees in realizing their personal value. Therefore, we focus to cultivating a professional management team and sales team. Through building up a pleasant working environment, providing appropriate income packages, planning on career development, providing an advanced training platform, we help our employees realize their personal value and arouse their sense of responsibility for the Company and the society.

Concerns of Employees

- Whether there are opportunities for developing their professional skills and capabilities as well as scientific and professional training system available to support their personal development.
- Whether there are pleasant working environments, open communication platforms, effective pressure relieving outlets and enjoyable corporate culture.
- Whether there is space for professional career development and a reasonable and effective promotion mechanism.
- Whether the Company can provide them with appropriate income packages, which can both realise their value and safeguard better living condition working with the Company.

Our Actions and Achievements in 2011

PROFESSIONAL TRAINING SYSTEM: we adhered to the human-oriented philosophy of "turning knowledge into value". In 2011, we invested a total of RMB649 million in our training facilities, with a per-capita training expenses increased to RMB4,327, and an average of 6 hours of face-to-face lecturing for each of our office staff, and 99.4% of online training course coverage.

PING AN EAP EMPLOYEE CARING SCHEME: we carried on the Ping An EAP employee caring scheme to build a "vigorous, healthy and harmonious" working atmosphere and help our employees strengthen their self-management ability. In 2011, we launched altogether 12 issues of "Interactive Platform for Employee Development" to showcase and motivate a total of 1,750 outstanding employees. The communication platform recorded over 520,000 visits, an increase of 70,000 visits as compared with 2010.

PROMOTION OF PERFORMANCE CULTURE: through performance management and performance culture promotion, we helped our people spot and know more about their shortcomings and identify the ways to improve, with an aim to achieve constant improvement of the whole team.

APPROPRIATE INCOME PACKAGES: we adhered to a principle of "Fairness, Justice, Openness and Transparency" in reviewing our remuneration policy via a democratic procedure and had the results published. We set aside dedicated budget for salary adjustment in-line with inflation and general salary raise to relieve our people from pressure of living from rapid increase in consumer price. We encouraged capability-based reward system, with bonus distributed in accordance with performance and contribution. In 2011, we paid a total of RMB16,098 million for salaries and RMB3,877 million for the welfare to our people.

Corporate Social Responsibility

Our Plans and Targets for 2012

PROFESSIONAL SKILLS ENHANCEMENT: we will strive to develop our employees' professional skills and capabilities in accordance with the strategic goals of the Company, with an aim at developing an experienced management team and a responsible sales team, turning our people into finance talents leading in the international market.

LAUNCH OF HEALTH PROJECT: we will lead our employees to be more health conscious in three aspects including developing "a healthy body, healthy mind and healthy working and living habits" while promoting more caring about the employees in the 3rd- and 4th-tier sub-branches.

PROPER INCOME GUARANTEE: we will ensure reasonable income for our people in accordance with market economy and the Company performance.

SOUND PERFORMANCE APPRAISAL SYSTEM: base on the existing groundwork and practices on performance and talent development, we will continue to research on the methodology and devices to embed into and support the system, with an ultimate goal to form a professional and comprehensive talent cultivation system.

COMPREHENSIVE TRAINING: we will increase the quantity and types of face-to-face lectures in leadership and professional skills development.

COMMITMENT TO SOCIETY: GIVE BACK TO SOCIETY AND BUILD OUR NATION

We proactively respond to the challenges brought about by climate change to our business development, seize opportunities to develop green finance, and strive to forge ourselves as a model for a low-carbon financial company. Education has long been a corporate mission of ours. We are committed to making further investment in primary and tertiary education to help establish a professional and influential charitable brand image for ourselves.

Concerns of Society

- Whether we have incorporated environmental issues into our business and have done our part to help build a less wasteful society while reduce the emissions.
- Whether we constructed a carbon management platform and exercised carbon trace management.
- Whether a clear-cut management system is established for investment projects in the community which can help resolve carbon emission issues.

Our Actions and Achievements in 2011

GREEN FINANCIAL COMPANY: we have been building ourselves as a green company. By saving energy and reducing consumption in our self-owned properties, practicing green procurement and constructing a carbon emission testing platform, we managed to have the per-capita energy consumption reduced by 5.4% in 2011 as compared with last year. We were shaping green finance by promoting green financial products and services by adopting the low-carbon concept. Throughout the year 2011, we saved 511.70 tons of paper through application of MIT, electronic policies, e-mails and electronic bills. We participated in green charity projects in association with NGO by taking part in the "Planting a Million Trees" Campaign, in which we donated sea buckthorn saplings for planting in the arid areas in the western part of China. In 2011, the total amount of donated plants reached 500,000 and RMB2.5 million in cash. Also, we held a number of online press conferences and activities of voting for low-carbon creativeness, which attracted over 300,000 people to participate.

CHARITY EVALUATION SYSTEM ESTABLISHMENT: in 2011, we set up a charity evaluation system, which helped us to manage our investment programs in communities in a more professional manner and gave us a clearer understanding of the influence of our contribution on the beneficiaries.

CONTINUOUS PROMOTION OF CHARITY PROJECTS: in 2011, we continued to promote the "Voluntary Teaching Program" for Ping An Hope Primary Schools, "Ping An Strives for Excellence Program" and other charity programs.

Our Plans and Targets for 2012

BUILDING PROFESSIONAL CHARITY BRAND: we will continue to sponsor the "Low-carbon 100 Campaign", the "Voluntary Teaching Program" for Ping An Hope Primary Schools, "Ping An Strive for Excellence Program" and other charity programs, aiming to establish ourselves as a professional charitable brand.

IMPROVE CHARITY EVALUATION SYSTEM: we will further improve the charity program evaluation system so as to manage investment programs in communities in a more professional manner.

COMMITMENT TO BUSINESS PARTNERS: A MUTUALLY BENEFICIAL AND RECIPROCAL PARTNERSHIP

We offer our business partners with professional attitudes and assistances to increase their service quality for mutual benefits. Thus, we realize more synergy in the entire supply chain to promote social and economic development.

Concerns of Business Partners

- Whether it is a long-term and reliable cooperation.
- Whether we are ready to share risks and profits.
- Whether we can integrate resources to enhance value creation.
- Whether we are ready to grow together and create commercial and social benefits with our professional products and services.

Our Actions and Achievements in 2011

AGENTS: we have been building a team of professional agents to better serve our customers. For the last three years, we planned and developed five major training production lines/series comprising 46 courses in total, diligently helping our agents to move steadily forward along their career paths.

DESIGNATED HOSPITALS: we achieved integrated resources sharing and integrated management among various designated hospitals. Thanks to the close cooperation with the hospitals, the quality of designated hospitals for our life insurance business was further optimized in 2011. The percentage of minimal disease hospitalization for 2011 decreased by 2.1% as compared to 2010, with a drop of 1.02 days in the average hospitalization day.

SUPPLIERS: we introduced the "First Inquiry Accountability" system and the concept of "Best Customer Experience in the industry" to improve the efficiency of procurement, while including the active selection principles of environment protection in our procurement process, and motivating the suppliers to select and purchase green products.

Our Plans and Targets for 2012

AGENTS: we will promote the Ping An Individual Customer Managers' Club for continuous development of expertise for professional agents.

DESIGNATED HOSPITALS: we will establish administrative measures by level for designated hospitals to improve their management. Through cooperation with those hospitals, we will bring down such key indicators as hospitalization days, and reduce medical expenditures, aiming at achieving satisfactory economic returns and social benefits.

SUPPLIER MANAGEMENT: we shall strengthen the assessment on suppliers' environment-protection qualification and push them to use more green lighting products.

OUTLOOK FOR 2012

2012 will be full of uncertainties in view of the more complex economic conditions domestically and aboard. We will uphold our spirit of continuous learning and exploring in the aspect of corporate social responsibility, and enhance the expertise of our corporate social responsibility team with training and exchange of ideas. We will further boost the professionalism of our corporate social responsibility programs with relevant scientific assessment tools, so as to be more concentrated and focused in living up to our responsibility in society.

Following the corporate philosophy of "Expertise Creates Value", we will continue to push forward the construction of the carbon management platform, improve the management system of corporate social responsibility, rearrange core elements and indicators through the charity program assessment system, so as to forge a professional and corporate socially responsible image.

Prospects on Future Development

BUSINESS PLANS FOR 2012

Our business and operation plans remain consistent and stable as no major changes have been made to our long-term operating objectives as compared with those announced last year and at the time when our A shares were listed.

In 2011, the Company was committed to driving and implementing its business plans effectively. The three pillar businesses – insurance, banking and investment – all recorded steady and healthy growth. We steadily enhanced profitability and not only achieved but also outperformed the performance indicators of all operating plans as set out last year.

In 2012, the Company will remain determined and will continue to steadily forge ahead with the development plans formulated by the Board of Directors. We will continue to achieve growth that is value-oriented, sustainable and that outperforms the market while implementing our strategic objective of "becoming a leading integrated financial services group."

- We will strive to sustain the healthy and rapid growth of our core insurance business. Our life insurance business will continue to operate under the core strategy of "Reaching New Heights" and "Two-Tier Development". On the human resources front, we will expand and improve our established, cost-effective sales network. To further improve customer satisfaction, our property and casualty insurance business will continue to strengthen its ability to manage its sales channels, expand service coverage and enhance service standards and efficiency. Also, we will develop and continue to strengthen a sustainable platform for the corporate annuity business and will be proactive in exploring the commercial pension insurance business. In the health insurance business, we will accelerate the introduction of multiple intellectual property rights from Discovery in the area of health services and products. By adapting their professional expertise and systems in health and medical risk management, we will establish a professional operating platform and risk management platform for the health and medical insurance business.

- Our banking business will operate in strict compliance with various legal regulations and requirements of relevant regulatory authorities. Based on the fundamental principles of "fairness", "win-win", "stability" and "development", we will provide strong support for the restructuring and integration of Ping An Bank and Shenzhen Development Bank. We aim to complement each other with our respective strengths in our customers, products, channels, platforms and other aspects to achieve a win-win situation for all parties involved. We will bring about synergies in stages to deliver sustainable and favourable returns to our shareholders, and will take the banking business to a new phase of development.

- Our investment business will adhere to the principle of "risk control" and will strive towards the core goal of improving the performance of our investments. By building an investment management platform that would act as a safety net, we will continue to strengthen our capability to both invest and manage our investments. We endeavour to expand our investment channels, achieve long-term and stable investment performance and speed up our efforts to promote our third-party asset management business while building the "most respected and most trusted" investment brand.

- We will continue to develop our integrated financial platform and will invest our capital and allocate our resources in a scientific manner while increasing the contribution from cross-selling. At the same time, we are committed to facilitating the project of "building one integrated financial services back office" and continuing to heighten reforms in the front office and mid-office. In addition, we will actively explore new profit drivers by promoting our micro-consumer loan facility, new channels and other new businesses.

The Company expects to maintain a steady performance in 2012, with solid development in the insurance business. We will carry forward the steady integration of the banking businesses. This year, there will be more diversified channels contributing to the investment business. Net profit is expected to record stable growth. In light of changes in the macroeconomic environment, market competition, conditions in the investment market and other factors, we will adjust our business objectives in a dynamic and timely approach so as to further strengthen our market competitiveness.

THE DEVELOPMENT TREND OF THE MAJOR INDUSTRIES THAT WE INVOLVED IN AND MARKET COMPETITION FACED BY THE COMPANY

China's Insurance Market has Immense Growth Potential

Insurance business is currently our core business. In 2011, China's insurance business realized a total premium of RMB1,433,925 million. Of which, premium income[(1)] from life insurance was RMB869,559 million; premium from property and casualty insurance was RMB461,782 million; premium from health insurance was RMB69,172 million; premium from accident insurance was RMB33,412 million. Total assets of insurance companies were RMB6.01 trillion, an increase of 19.1% as compared with the end of 2010. The insurance industry is among the fastest growing industries in China's national economy. As China's economy keeps growing and personal wealth is expanding, such rapid growth is expected to continue in future.

Analysis of Competition

The insurance companies in China exist in various forms and ownership including state-owned and state-holding enterprise, corporate enterprise and foreign-owned enterprise. The insurance industry is entering a phase, marked by fair competition and co-development of the market.

The following table shows the ranking and market share of written premiums from life insurance companies in 2011:

Company	Written premiums[(1)] (in RMB million)	Market share (%)
China Life Insurance Company Limited	326,266	29.6
Ping An Life	180,781	16.4
New China Life Insurance Co., Ltd.	96,773	8.8
China Pacific Life Insurance Co., Ltd.	95,710	8.7
PICC Life Insurance Company Limited	83,957	7.6
Taikang Life Insurance Co., Ltd.	82,586	7.5
Others	237,899	21.4
Total	1,103,972	100.0

Source: CIRC website

The following table shows the ranking and market share of property and casualty insurance companies in 2011:

Company	Premium (in RMB million)	Market share (%)
PICC Property & Casualty Company Limited	173,372	36.3
Ping An Property & Casualty	83,333	17.4
China Pacific Property Insurance Co., Ltd.	61,591	12.9
Others	159,610	33.4
Total	477,906	100.0

Source: CIRC website

In 2011, in terms of premiums, the Company was the second largest life insurance company and the second largest property and casualty insurance company in China.

Note: (1) Written premiums mean all premiums received from the policies underwritten by insurance companies, while premium income refers to premiums calculated according to the "Circular on the Printing and Issuing of the Regulations regarding the Accounting Treatment of Insurance Contracts" (Cai Kuai [2009] No.15), which is after the significant insurance risk testing and unbundling of hybrid contracts. The figures are both abstracted from the website of the CIRC.

Prospects on Future Development

OPPORTUNITIES FOR AND CHALLENGES IN FUTURE DEVELOPMENT

In 2011, China's economy faced severe challenges both at home and abroad. However, under the leadership of the CPC Central Committee and the State Council, China's national economy maintained steady and rapid growth. Adjustments were made to the economic growth model, which laid a solid foundation for sustainable economic growth in the future and marked a strong start for the "Twelve Five-Year" Plan. Looking into 2012, the global economy will remain sluggish amid the lingering impact from the European debt crisis, which poses difficulties and obstacles to the recovery of the global economy. Nevertheless, on a macroeconomic level, China has a solid foundation on which it will maintain steady and healthy development. No changes have been made in the fundamentals which support the sustained economic growth and long-term trends. There is still much room for the development of the financial and insurance industries. All of the factors listed above bring valuable opportunities for us to achieve our strategic goals.

At the same time, we also face challenges in our future development. In the long-term, China's large financial institutions have accelerated their efforts to achieve integrated financial shareholdings. In this regard, Ping An has yet to catch up in terms of the number of customers and the development of its distribution network. Meanwhile, as integrated financial operations emerge to serve growing expanding businesses and become more complex in structure, there will be increased requirement for better management standards. It will take time for the power of integrated financial synergies to show effects. In the short term, while striving to maintain steady and rapid economic growth, China also faces various challenges such as the adjustment of its economic structure and managing expectations concerning inflation. Generating accurate forecasting on stock market volatility has become increasingly difficult owing to uncertainties in macroeconomic policy and a more complicated market environment. All of above factors together with the rising costs due to inflation will exert pressure on and pose challenges to the operating results of the Company in 2012.

Facing a situation in which opportunities coexist with challenges, the Company will stay responsive and proactive. Leveraging an integrated financial structure and platform, a sound management team, a back office centralization project that is making constant progress, fast-growing cross-selling activities, a desire to strive for innovation, success and excellence formed over the past twenty years, we believe that we could meet the challenges while seizing opportunities, enabling us to take our strategic development goals to the next stage.

Changes in the Share Capital and Shareholders' Profile

INFORMATION DISCLOSED UNDER A SHARES REGULATORY REQUIREMENTS

Changes in Share Capital

Statement of changes in share capital

	January 1, 2011		Changes During the Reporting Period (+,-)					December 31, 2011	
Unit: share	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Transfer from reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Selling-restricted shares	-	-	-	-	-	-	-	-	-
II. Selling-unrestricted shares									
1. RMB ordinary shares	4,786,409,636	62.62	-	-	-	-	-	4,786,409,636	60.46
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	2,857,732,456	37.38	+272,000,000	-	-	-	+272,000,000	3,129,732,456	39.54
4. Others	-	-	-	-	-	-	-	-	-
Total	7,644,142,092	100.00	+272,000,000	-	-	-	+272,000,000	7,916,142,092	100.00
III. Total number of shares	7,644,142,092	100.00	+272,000,000	-	-	-	+272,000,000	7,916,142,092	100.00

Share issuance and listing of shares of the Company

Issue of securities in the last three years

Types	Issue date	Issue price (in HKD)	Number of shares issued	Listing date	Number of shares permitted to be listed	Date of termination of dealings
H shares	May 6, 2010	–	299,088,758	May 7, 2010	299,088,758	–
H shares	June 17, 2011	71.50	272,000,000	June 17, 2011	272,000,000	–

The Company entered into a share purchase agreement with NEWBRIDGE, former largest shareholder of SDB, pursuant to which the Company would be transferred with all the shares in SDB held by NEWBRIDGE, i.e. 520,414,439 shares, and NEWBRIDGE required the Company to issue 299,088,758 new H shares pursuant to the agreement as consideration. As approved by CSRC in the Written Reply to Approve the Increase in the Issuance of Overseas Listed Foreign Shares by Ping An Insurance (Group) Company of China, Ltd. (Zheng Jian Xu Ke [2010] No. 542), the Company's non-public directed issuance of additional H shares to NEWBRIDGE was completed on May 6, 2010.

As approved by the CSRC in the Written Reply to Approve the Issuance of Overseas Listed Foreign Shares by Ping An Insurance (Group) Company of China, Ltd. (Zheng Jian Xu Ke [2011] No. 939), the Company's non-public directed issuance of additional 272,000,000 H shares to JINJUN LIMITED was completed on June 17, 2011. After the non-public directed issuance of H shares, the total share capital of the Company increased from 7,644,142,092 shares (ordinary shares) to 7,916,142,092 shares (ordinary shares), of which, there were 4,786,409,636 domestic shares (A shares), accounting for 60.46% of the total share capital; and there were 3,129,732,456 overseas listed foreign shares (H shares), accounting for 39.54% of the total share capital.

Total number of shares and changes in shareholding structure of the Company

During the reporting period, the total number of shares of the Company changed to 7,916,142,092 ordinary shares after the non-public directed issuance of 272,000,000 H shares to JINJUN LIMITED. Among which, 4,786,409,636 shares were domestic shares (A shares), representing 60.46% of the total share capital and 3,129,732,456 shares were overseas listed foreign shares (H shares), representing 39.54% of the total share capital.

Existing staff shares

At the end of the reporting period, the Company had no staff shares.

Changes in the Share Capital and Shareholders' Profile

Shareholders' Information

Number of shareholders and their shareholdings

	As at the end of 2011	As at the end of month prior to publication of the annual report
Total number of shareholders	321,275 shareholders (of which there were 315,606 domestic shareholders)	299,477 shareholders (of which there were 293,836 domestic shareholders)

Shareholdings of top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held (share)	Change during the reporting period	Number of selling-restricted shares held	Number of pledged or frozen shares
HSBC Insurance Holdings Limited	Overseas legal person	7.82	618,886,334	-	-	-
The Hongkong and Shanghai Banking Corporation Limited	Overseas legal person	7.76	613,929,279	-	-	-
Shenzhen Investment Holdings Co., Ltd.	State	6.08	481,359,551	-	-	-
Yuan Trust Investment Co., Ltd.	Domestic non-state-owned legal person	4.80	380,000,000	-	-	-
Linzhi New Horse Investment Development Co., Ltd.	Domestic non-state-owned legal person	4.03	319,094,187	-5,088,283	-	-
Linzhi Jingao Industrial Development Co., Ltd.	Domestic non-state-owned legal person	3.46	273,701,889	-4,334,714	-	-
Shum Yip Group Limited	State-owned legal person	2.27	179,675,070	-	-	-
Shenzhen Wuxin Yufu Industrial Co., Ltd.	Domestic non-state-owned legal person	2.26	178,802,104	-	-	-
Gongbujiangda Jiangnan Industrial Development Co., Ltd.	Domestic non-state-owned legal person	1.76	139,112,886	-	-	33,000,000 pledged shares
Account No.2 of National Council for Social Security Fund transferred from state-owned shares in listed companies	State	1.40	111,007,892	-	-	-

Shareholdings of top ten holders of selling unrestricted shares

Name of shareholder	Number of selling unrestricted shares held	Type of shares
HSBC Insurance Holdings Limited	618,886,334	H shares
The Hongkong and Shanghai Banking Corporation Limited	613,929,279	H shares
Shenzhen Investment Holdings Co., Ltd.	481,359,551	A shares
Yuan Trust Investment Co., Ltd.	380,000,000	A shares
Linzhi New Horse Investment Development Co., Ltd.	319,094,187	A shares
Linzhi Jingao Industrial Development Co., Ltd.	273,701,889	A shares
Shum Yip Group Limited	179,675,070	A shares
Shenzhen Wuxin Yufu Industrial Co., Ltd.	178,802,104	A shares
Gongbujiangda Jiangnan Industrial Development Co., Ltd.	139,112,886	A shares
Account No.2 of National Council for Social Security Fund transferred from state-owned shares in listed companies	111,007,892	A shares

Explanation of the connected relationship or acting in concert relationship of the above shareholders:

HSBC Insurance and HSBC are wholly-owned subsidiaries of HSBC Holdings plc.

Linzhi New Horse Investment Development Co., Ltd., Linzhi Jingao Industrial Development Co., Ltd. and Gongbujiangda Jiangnan Industrial Development Co., Ltd. (previously Shenzhen Jiangnan Industrial Development Co., Ltd) are connected as a result of the duplication in actual contributor.

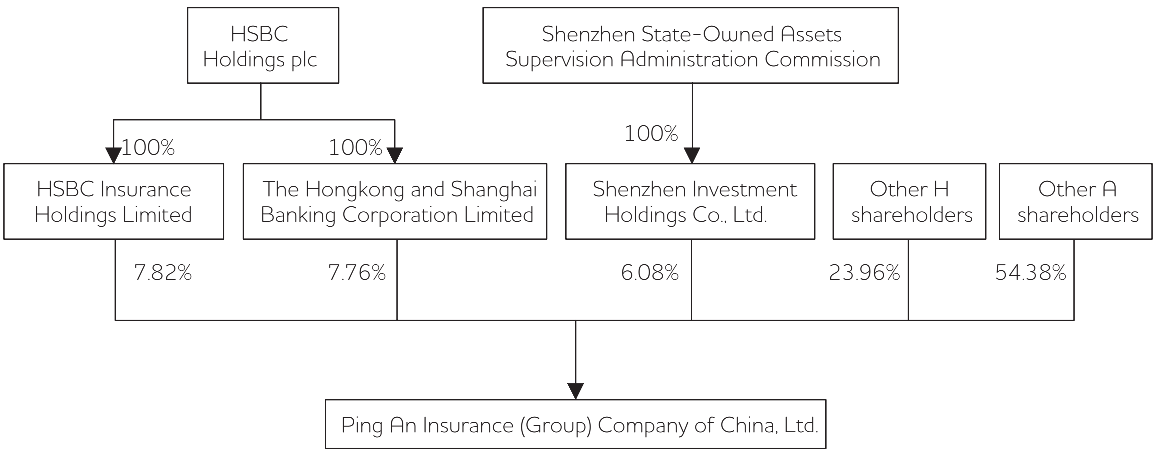
Save as the above, the Company is not aware of any connected relationship among the abovementioned shareholders.

Particulars of controlling shareholder and de facto controller

The shareholding structure of the Company is relatively scattered. There is no controlling shareholder, nor de facto controller.

The largest and second largest shareholders of the Company are two wholly-owned subsidiaries of HSBC Holdings plc – HSBC Insurance and HSBC. As at December 31, 2011, the total number of H shares of the Company held by these two companies amounted to 1,232,815,613 shares, accounting for approximately 15.57% of the total existing share capital of the Company of 7,916 million shares.

The following chart shows the relationship between the Company and the ultimate controller of shareholders holding more than 5% of equity interest of the Company:



Changes in the Share Capital and Shareholders' Profile

Information on shareholders holding more than 5% of equity interest of the Company

The shareholding structure of the Company is relatively scattered. There is no controlling shareholder, nor de facto controller. Shareholders holding more than 5% of shares of the Company are:

(1) The largest and second largest shareholders of the Company are two wholly-owned subsidiaries of HSBC Holdings plc (A public listed company) – HSBC Insurance and HSBC. The total number of H shares of the Company held by these two companies amounted to 1,232,815,613 shares, accounting for approximately 15.57% of the total existing share capital of the Company.

HSBC Insurance was established on June 17, 1969 with a paid-up capital of £14,687,400. Its registered address is 8 Canada Square, London, E14 5HQ, United Kingdom and its principal business is financial insurance. HSBC Insurance is a wholly-owned subsidiary of HSBC Holdings Plc, which focuses on the development of global insurance business of HSBC Group.

HSBC was established on August 14, 1866 (Registration date in Hong Kong). The registered capital of its ordinary shares and preference shares are HK$50 billion and US$13.4450 billion, respectively. The paid-up capital of its ordinary shares and preference shares are HK$30.1903 billion and US$11.9835 billion, respectively. Its registered address is No.1 Queen's Road Central, Hong Kong and its principal business is banking and financial services. HSBC and its subsidiaries have some 1,080 branches and offices across 19 countries and territories in the Asia-Pacific Region and have some 20 branches and offices in other six countries around the world. HSBC is a founding member of HSBC Holdings plc and its flagship arm in the Asia-Pacific Region. It is also the largest local registered bank and one of the three note-issuing banks in Hong Kong.

HSBC Holdings plc was established on January 1, 1959 with a paid-up capital of US$8,934,042,823. Its registered address is 8 Canada Square, London, E14 5HQ, United Kingdom and its principal business is financial services. HSBC Holdings plc is one of the largest banking and financial services organizations in the world, with global network spanning across 87 countries and territories and some 8,000 offices covering Europe, Hong Kong, other Asia-Pacific Region, Middle East, North America and Latin America. It provides comprehensive financial services to approximately 100 million customers through four customer groups and global business, namely Retail Banking and Wealth Management (previously named Personal Financial Service); Commercial Banking; Global Banking and Capital Markets; and Global Private Banking.

(2) Shenzhen Investment Holdings Co., Ltd. holds 481,359,551 A shares of the Company, representing 6.08% of the existing total share capital of the Company. The controlling shareholder of Shenzhen Investment Holdings Co., Ltd. is Shenzhen State-Owned Assets Supervision and Administration Commission.

Shenzhen Investment Holdings Co., Ltd. is a wholly state-owned company with limited liability incorporated on October 13, 2004. Its registered address is 18/F, Touzi Plaza, Shennanlu Futian District, Shenzhen. It has a registered capital of RMB5.6 billion and a paid-up capital of RMB5.6 billion. Its legal representative is Fan Mingchun. Its scope of business includes: invest in, operate and manage state owned shares of wholly-owned subsidiaries, controlled entities and other companies through restructuring and integration, capital operation and asset disposal; engage in property development within the scope of legally obtained land use rights; conduct policy-oriented and strategic investment according to the requirements of State-owned Assets Supervision and Administration Commission; provide guarantee to state-owned enterprises at municipal level; and other businesses commissioned by State-owned Assets Supervision and Administration Commission of Shenzhen Municipal Government.

INFORMATION DISCLOSED UNDER H SHARES REGULATORY REQUIREMENTS

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

As far as is known to any Director or Supervisor of the Company, as at December 31, 2011, the following persons (other than the Directors or Supervisors of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Interests and short positions of substantial shareholders who are entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Company

Name of substantial shareholder	H/A Shares	Capacity	Notes	No. of H/A Shares	Nature of interest	Percentage of total number of H/A Shares in issue (%)	Percentage of total shares in issue (%)
HSBC Holdings plc	H	Interest of controlled corporations	1,2,3	1,233,926,425	Long Position	39.43	15.59

Interests and short positions of other substantial shareholders

Name of substantial shareholder	H/A Shares	Capacity	Notes	No. of H/A Shares	Nature of interest	Percentage of total number of H/A Shares in issue (%)	Percentage of total shares in issue (%)
HSBC Insurance Holdings Limited	H	Beneficial owner	1	618,886,334	Long Position	19.77	7.82
The Hongkong and Shanghai Banking Corporation Limited	H	Beneficial owner	3	613,929,279	Long Position	19.62	7.76
JPMorgan Chase & Co.	H	Beneficial owner		21,624,623	Long Position	0.69	0.27
		Investment manager		139,951,054	Long Position	4.47	1.77
		Custodian		87,597,345	Long Position	2.80	1.11
		Total:	4	249,173,022		7.96	3.15
		Beneficial owner	4	7,638,937	Short Position	0.24	0.10
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		481,359,551	Long Position	10.06	6.08
Linzhi Jingao Industrial Development Co., Ltd.	A	Beneficial owner	5	273,701,889	Long Position	5.72	3.46
Ping An Securities Company, Ltd. Labor Union	A	Interest of controlled corporations	5	273,701,889	Long Position	5.72	3.46
China Ping An Trust Co., Ltd. Labor Union	A	Interest of controlled corporations	5	273,701,889	Long Position	5.72	3.46
Linzhi New Horse Investment Development Co., Ltd.	A	Beneficial owner	6	319,094,187	Long Position	6.67	4.03
Ping An Insurance (Group) Company of China, Ltd. Labor Union	A	Interest of controlled corporations	6	319,094,187	Long Position	6.67	4.03
Yuan Trust Investment Company Ltd.	A	Beneficial owner		380,000,000	Long Position	7.94	4.80

Changes in the Share Capital and Shareholders' Profile

Notes:

(1) HSBC Insurance Holdings Limited was a wholly-owned subsidiary of HSBC Holdings plc and its interests in 618,886,334 H shares of the Company was deemed to be the interest of HSBC Holdings plc.

(2) Apart from (1) above, HSBC Holdings plc by virtue of its control over (i) The Hongkong and Shanghai Banking Corporation Limited; and (ii) Hang Seng Bank Trustee International Limited, which respectively held a direct interest in 613,929,279 H shares and 1,110,812 H shares in the Company, were also deemed to be interested in an aggregate of 615,040,091 H shares of the Company.

(3) The Hongkong and Shanghai Banking Corporation Limited was wholly owned by HSBC Asia Holdings BV, a wholly-owned subsidiary of HSBC Asia Holdings (UK) Limited, which in turn was a wholly-owned subsidiary of HSBC Holdings BV. HSBC Finance (Netherlands), a wholly-owned subsidiary of HSBC Holdings plc, owned 100% interest in HSBC Holdings BV.

The Hongkong and Shanghai Banking Corporation Limited directly held 613,929,279 H shares of the Company and indirectly held 1,110,812 H shares of the Company through Hang Seng Bank Trustee International Limited. Hang Seng Bank Trustee International Limited was a wholly-owned subsidiary of Hang Seng Bank Limited, of which 62.14% equity was held by Hongkong and Shanghai Banking Corporation Limited.

(4) JPMorgan Chase & Co. held interest in a total of 249,173,022 H shares (Long position) and 7,638,937 H shares (Short position) in the Company by virtue of its control over the following corporations:

(i) JPMorgan Chase Bank, N.A, which was a wholly-owned subsidiary of JPMorgan Chase & Co., held 98,238,345 H shares (Long position) in the Company.

(ii) J.P. Morgan Whitefriars Inc. held 10,884,451 H shares (Long position) and 1,410,718 H shares (Short position) in the Company. J.P. Morgan Whitefriars Inc. was a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly-owned by Bank One International Holdings Corporation, being a corporation wholly owned by J.P. Morgan International Inc. and J.P. Morgan International Inc. was wholly owned by JPMorgan Chase Bank, N.A. which was in turn wholly owned by JPMorgan Chase & Co..

(iii) J.P. Morgan Securities Ltd. held 10,740,172 H shares (Long position) and 5,882,928 H shares (Short position) in the Company. J.P. Morgan Securities Ltd. was a 98.95% owned subsidiary of J.P. Morgan Chase International Holdings Limited which was in turn a wholly-owned subsidiary of J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited was a wholly-owned subsidiary of J.P. Morgan Capital Holdings Limited which in turn was wholly owned by J.P. Morgan International Finance Limited as mentioned in (ii) above.

(iv) J.P. Morgan Investment Management Inc. held 20,616,554 H shares (Long position) in the Company and was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc. which was in turn wholly owned by JPMorgan Chase & Co..

(v) JF Asset Management Limited held 48,025,500 H shares (Long position) in the Company. JF Asset Management Limited was wholly owned by JPMorgan Asset Management (Asia) Inc. which was in turn wholly owned by JPMorgan Asset Management Holdings Inc. as referred to in (iv) above.

(vi) JPMorgan Asset Management (UK) Limited held 43,510,000 H shares (Long position) in the Company. JPMorgan Asset Management (UK) Limited was wholly owned by JPMorgan Asset Management Holdings (UK) Limited. JPMorgan Asset Management Holdings (UK) Limited was wholly owned by JPMorgan Asset Management International Limited which was in turn wholly owned by JPMorgan Asset Management Holdings Inc. referred to in (iv) above.

(vii) JPMorgan Asset Management (Taiwan) Limited held 3,334,500 H shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. referred to in (v) above.

(viii) JPMorgan Asset Management (Singapore) Limited held 8,765,500 H shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. as referred to in (v) above.

(ix) JF International Management Inc. held 720,000 H shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. as referred to in (v) above.

(x) China International Fund Management Co Ltd held 4,089,500 H shares (Long position) in the Company and was owned as to 49% by JPMorgan Asset Management (UK) Limited as referred to in (vi) above.

(xi) J.P. Morgan Whitefriars (UK) held 345,291 H shares (Short position) in the Company. J.P. Morgan Whitefriars (UK) was a 99.99% owned subsidiary of J.P. Morgan Whitefriars Inc. as referred to in (ii) above.

(xii) JPMorgan Funds (Asia) Limited held 248,500 H shares (Long position) in the Company. JPMorgan Funds (Asia) Limited was a 99.99% owned subsidiary of JPMorgan Asset Management (Asia) Inc. as referred to in (v) above.

The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 87,597,345 H shares (Long position). Besides, 953,582 H shares (Long position) and 4,250,158 H shares (Short position) were held through derivatives as follows:

350,000 H shares (Long position) and 620,000 H shares (Short position)	–	through physically settled listed securities
552,050 H shares (Short position)	–	through cash settled listed securities
125,000 H shares (Long position) and 677,959 H shares (Short position)	–	through physically settled unlisted securities
478,582 H shares (Long position) and 2,400,149 H shares (Short position)	–	through cash settled unlisted securities

(5) Linzhi Jingao Industrial Development Co., Ltd. was owned as to 80% and 20% by Ping An Securities Company, Ltd. Labor Union and China Ping An Trust Co., Ltd. Labor Union respectively. The interest in 286,651,827 A shares relates to the same block of shares in the Company. The shareholding of 286,651,827 A shares held by Linzhi Jingao Industrial Development Co., Ltd. was recorded in the interests disclosure form completed by the relevant substantial shareholder before December 31, 2011. The aforesaid shareholding has decreased to 273,701,889 A shares before December 31, 2011 but such change did not result in a disclosure obligation in accordance with SFO.

(6) Linzhi New Horse Investment Development Co., Ltd. was owned as to 95% by Ping An Insurance (Group) Company of China, Ltd. Labor Union. The interest in 334,598,577 A shares relates to the same block of shares in the Company. The shareholding of 334,598,577 A shares held by Linzhi New Horse Investment Development Co., Ltd. was recorded in the interests disclosure form completed by the relevant substantial shareholder before December 31, 2011. The aforesaid shareholding has decreased to 319,094,187 A shares before December 31, 2011 but such change did not result in a disclosure obligation in accordance with SFO.

Save as disclosed above, the Company is not aware of any other person (other than the Directors and Supervisors of the Company) having any interest or short position in the shares and underlying shares of the Company as at December 31, 2011 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Directors, Supervisors, Senior Management and Employees

BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Positions	Sex	Age	Appointment date
MA Mingzhe	Chairman and Chief Executive Officer	Male	56	2009.06-2012 election
SUN Jianyi	Vice Chairman and Executive Vice President	Male	59	2009.06-2012 election
WANG Liping	Executive Director and Senior Vice President	Female	55	2009.06-2012 election
YAO Jason Bo	Executive Director, Senior Vice President and Chief Financial Officer	Male	41	2009.06-2012 election
LIN Lijun	Non-executive Director	Female	49	2009.07-2012 election
FAN Mingchun	Non-executive Director	Male	49	2012.03-2012 election
WONG Tung Shun Peter	Non-executive Director	Male	60	2009.06-2012 election
NG Sing Yip	Non-executive Director	Male	61	2009.06-2012 election
LI Zhe	Non-executive Director	Female	42	2009.06-2012 election
GUO Limin	Non-executive Director	Male	49	2010.02-2012 election
CHEUNG Chi Yan Louis	Non-executive Director	Male	48	2009.06-2012 election

From left to right
Mr. LEE Yuansiong
Mr. REN Huichuan
Mr. YAO Jason Bo
Ms. WANG Liping
Mr. MA Mingzhe
Mr. KU Man
Mr. SUN Jianyi

Name	Positions	Sex	Age	Appointment date
ZHANG Hongyi	Independent Non-executive Director	Male	66	2009.06-2012 election
CHEN Su	Independent Non-executive Director	Male	54	2009.06-2012 election
XIA Liping	Independent Non-executive Director	Male	74	2009.06-2012 election
TANG Yunwei	Independent Non-executive Director	Male	68	2009.06-2012 election
LEE Carmelo Ka Sze	Independent Non-executive Director	Male	51	2009.06-2012 election
CHUNG Yu-wo Danny	Independent Non-executive Director	Male	60	2009.06-2012 election
WOO Ka Biu Jackson	Independent Non-executive Director	Male	49	2011.07-2012 election
GU Liji	Chairman of Supervisory Committee (Independent Supervisor)	Male	64	2009.06-2012 election
SUN Fuxin	Independent Supervisor	Male	73	2009.06-2012 election
PENG Zhijian	Independent Supervisor	Male	63	2009.06-2012 election
DING Xinmin	Supervisor representing the employees	Male	49	2009.06-2012 election
SUN Jianping	Supervisor representing the employees	Male	51	2010.03-2012 election
XIAO Jiyan	Supervisor representing the employees	Male	58	2011.05-2012 election

Directors, Supervisors, Senior Management and Employees

Name	Positions	Sex	Age	Appointment date
REN Huichuan	President	Male	42	2011.03
KU Man	Senior Vice President	Male	38	2009.10
LEE Yuansiong	Senior Vice President	Male	46	2011.01
CAO Shifan	Senior Vice President	Male	56	2007.04
LO Sai Lai	Senior Vice President	Male	49	2007.01
CHEN Kexiang	Senior Vice President	Male	54	2007.01
IP So Lan	Senior Vice President	Female	55	2011.01
Gregory D. Gibb	Senior Vice President	Male	45	2011.12
JIN Shaoliang	Secretary of the Board	Male	52	2012.02
CHEUNG Chun Tong	Chief Actuary	Male	50	2010.06

MAJOR WORKING EXPERIENCES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND DETAILS OF THEIR PART-TIME JOBS

Directors

Executive Directors

MA Mingzhe, has been the Chief Executive Officer of the Company and Chairman of the Board of Directors (the "Board") since April 2001 and April 1994, respectively. Mr. Ma is a member of the 11th National Committee of the Chinese People's Political Consultative Conference. Since the establishment of Ping An Insurance Company in March 1988, he has held various positions, including President, Director and Chairman of the Board, and has throughout been fully involved in the operation and management of the Company. Prior to that, Mr. Ma was the Deputy Manager of China Merchants Shekou Industrial Zone Social Insurance Company. Mr. Ma has a Doctorate degree in Money and Banking from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

SUN Jianyi, has been the Vice Chief Executive Officer and Executive Vice President of our Company since February 2003 and October 1994, respectively. Mr. Sun has been serving as an Executive Director since March 1995 and serving as Vice Chairman of the Board since October 2008. Mr. Sun is also a Non-executive Director of Shenzhen Vanke Co., Ltd. and China Insurance Security Fund Co., LTD.. Since joining the Company in July 1990, he has been the General Manager of the Management Department, Senior Vice President and Executive Vice President. Prior to joining the Company, Mr. Sun was the Head of the Wuhan Branch of the People's Bank of China and the Deputy General Manager of the Wuhan Branch Office of the People's Insurance Company of China and the General Manager of Wuhan Securities Company. Mr. Sun has a Diploma in Finance from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

WANG Liping, has been an Executive Director since June 2009. Ms. Wang has been Senior Vice President of the Company since January 2004, and has also served as a Non-executive Director of Shenzhen Development Bank since June 2010. Ms. Wang joined the Company in June 1989 and served as Vice Chief Insurance Business Officer from July 2006 to January 2007. From August 2005 to July 2006, Ms. Wang was the Chairman and President of Ping An Annuity. From 2002 to 2004, she served as the Chairman and Chief Executive Officer of Ping An Life. From 1998 to 2002, she served as Vice President and Senior Vice President of the Company successively. From 1995 to 1997, she served as the General Manager of the Management Department and Vice President of the Life Insurance business of the Company. From 1994 to 1995, she served as the President of the Securities Department of the Company. Ms. Wang has a Master's degree in Monetary & Banking from Nankai University.

YAO Jason Bo, has been an Executive Director since June 2009. Mr. Yao has been the Chief Financial Officer and Senior Vice President of the Company since April 2010 and June 2009, respectively, served as the General Manager of the Corporate Planning Department of the Company from February 2004 to February 2012, and has also been a Non-executive Director of Shenzhen Development Bank since June 2010. Mr. Yao joined the Company in May 2001, and served as the Financial Principal of the Company from March 2008 to April 2010, Vice Chief Financial Officer from February 2004 to January 2007, Chief Actuarial Officer from January 2007 to June 2010, Vice Chief Actuarial Officer from December 2002 to January 2007 and Vice General Manager of the Product Centre of Ping An Insurance Company of China, Ltd. from 2001 to 2002. Prior to that, Mr. Yao served in Deloitte Touche Tohmatsu as a Senior Manager of actuarial consultancy. Mr. Yao is a Fellow of the Society of Actuaries (FSA) and a Member of American Academy of Actuary (MAAA), and holds an MBA degree from New York University.

Non-executive Directors

LIN Lijun, has been a Non-executive Director of the Company since May 2003 and is currently the Vice Chairman of the Company Union. Ms. Lin has served as the Chairman of the Board of Directors of Linzhi New Horse Investment Development Co., Ltd. since 2000. Ms. Lin previously served as the Deputy General Manager of the Human Resources Department at Ping An Property & Casualty, which is a subsidiary of the Company, from 1997 to 2000. Ms. Lin has a Bachelor's degree in Chinese Language and Literature from South China Normal University.

FAN Mingchun, has been a Non-executive Director of the Company since March 2012, he is the Chairman of the board of Directors and Secretary of Party Committee of Shenzhen Investment Holdings Co., Ltd.. Mr. Fan has been working and serving as the deputy and the member of Part Group of Shenzhen Administration for Industry and Commerce (Shenzhen Pricing Administration) from June 1993 to August 2009. From August 2009 to January 2011, Mr. Fan was the Deputy Secretary of Party Committee of Futian District, Shenzhen. Mr. Fan graduated from the Department of Social Sciences of Wuhan Institute of Water Transportation Engineering and obtained a Master's Degree in Political Economics, he also obtained an MBA from Peking University.

WONG Tung Shun Peter, has been a Non-executive Director of the Company since May 2006. Mr. Wong has been the Chief Executive of The Hongkong and Shanghai Banking Corporation Limited, a Group Managing Director and member of the Group Management Board of HSBC Holdings plc since February 2010. Mr. Wong joined HSBC in 2005. From April 2005 to January 2010, he was Group General Manager and Executive Director of The Hongkong and Shanghai Banking Corporation Limited, responsible for the business of Hong Kong and Mainland China. Mr. Wong has been served as the Chairman and Non-executive Director of HSBC Bank (China) Company Limited since June 2011. He is Chairman and Non-executive Director of HSBC Bank Malaysia Berhad and Non-executive Director of HSBC Bank (Vietnam) Ltd. He is also a Non-executive Director of Hang Seng Bank Limited and Bank of Communications Co. Ltd., and an Independent Non-executive Director of Cathay Pacific Airways Limited. Mr. Wong was also Chairman of the Hong Kong Association of Banks in 2001, 2004, 2006 and 2009. He is currently a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a member of the Greater Pearl River Delta Business Council. Mr. Wong is also President of the Hong Kong Institute of Bankers, and a member of the General Committee for the Hong Kong General Chamber of Commerce and member of the Board of Counsellors of the China-United States Exchange Foundation Ltd. In mainland China, Mr. Wong is a member of the 10th Hubei provincial committee of the Chinese People's Political Consultative Conference, an International Advisor to the Mayor of Tianjin, an International Economic Advisor of the Mayor of Chongqing, Vice President of China Banking Association ("CBA") Standing Council and a Director of CBA Board and Standing Committee Member of Red Cross Society of China. Mr. Wong is also the Guest Professor of Central University Finance and Economics since June 2011. Mr. Wong worked for Citibank, N.A. and Standard Chartered Bank (Hong Kong) Limited prior to joining HSBC. Mr. Wong was educated at Indiana University in the USA and holds a Bachelor's degree and an MSc in Computer Science, an MBA in Marketing and Finance.

Directors, Supervisors, Senior Management and Employees

NG Sing Yip, has been a Non-executive Director of the Company since May 2006. Mr. Ng has been the Head of Legal and Compliance of HSBC since January 1998. Mr. Ng is admitted as a solicitor to the Supreme Courts of England, Hong Kong and Victoria, Australia. He previously worked as a Crown Counsel in the Attorney General's Chambers before going into private practice. Mr. Ng joined HSBC in June 1987 as Assistant Group Legal Consultant, and was later appointed Deputy Head of the Legal and Compliance Department in February 1993. Mr. Ng has a Bachelor's degree and Master's degree in Laws (L.L.B. and L.L.M.) from the University of London, and also has a Bachelor's degree in Laws (L.L.B.) from Beijing University.

LI Zhe, has been a Non-executive Director of the Company since June 2009. Ms. Li has served as a lawyer at Guangdong Gain Law Firm since January 2007. Ms. Li served in Guangdong Sheng He Sheng Law Firm as a lawyer from May 2003 to December 2006, and headed the Legal Department in New World Infrastructure Limited from August 1998 to April 2003. She was an Advisor on PRC Laws for Victor Chu & Co., Callanty. T. HO & CO. and Anthony Chiang & Partners from August 1993 to July 1998. Ms. Li was a lawyer at Guangzhou Second International Economic Law Firm from July 1991 to July 1993. Ms. Li holds a Bachelor degree in Law received from Sun Yat-sen University, a Bachelor degree in Law from Manchester Metropolitan University and an MBA from Murdoch University.

GUO Limin, has been a Non-executive Director of the Company since February 2010. Mr. Guo has served as Chairman of the Board of Directors of Shum Yip and Shum Yip Holdings Company Limited since September 2009, he also served as the Chairman of the Board of Directors of Shenzhen Investment Limited and a Non-executive Director of each of Road King Infrastructure Limited and Coastal Greenland Limited. In February 2012, Mr. Guo was appointed as the Chief of Economics and Information Committee by Shenzhen Municipal Government. Prior to joining Shum Yip in August 2009, he was the Chief of State-owned Assets Supervision and Administration Commission of Shenzhen Municipality, Chairman of Shenzhen Airport Group Co., Ltd., Deputy Director of Development Planning Commission of Shenzhen Municipality, Secretary of Administration Office of Shenzhen Municipal People's Government and Secretary of Administration Office of Ministry of Chemical Industry of PRC. Mr. Guo holds a Master's degree in International Business of Hunan University and a Bachelor's degree in Chemical Engineering of Beijing Institute of Chemical Industry.

CHEUNG Chi Yan Louis, had been an Executive Director of the Company since May 2006, then has re-designated as a Non-executive Director since June 2011. Mr. Cheung is now the Chief Executive Officer of Boyu Capital Limited and has been serving as an Independent Non-executive Director of Fubon Financial Holding Co., Ltd. since June 2011. When Mr. Cheung worked for the Company from February 2000 to March 2011, he served as the President, the Executive Director, Chief Financial officer, Senior Vice President, Chief Information Officer and Senior Advisor to the Chairman of the Company. Before that Mr. Cheung was a Management Consultant and later became a global partner of McKinsey & Company, advising mainly financial services clients throughout Asia from 1993 to 2000. Mr. Cheung has a Ph.D. degree in Business Information Systems from the University of Cambridge.

Independent Non-executive Directors

ZHANG Hongyi, has been an Independent Non-executive Director of the Company since March 2007. Mr. Zhang has been a Council Member of China Development Institute (Shenzhen, PRC) since March 2008. In addition, Mr. Zhang is a Non-executive Director of the Bank of East Asia (China) Ltd. and Inter-Citic Minerals Inc. Mr. Zhang previously served as the President of Shenzhen branch of Bank of China, Vice Mayor of Shenzhen Municipal Government, Deputy C.E.O. of Hong Kong & Macau Management Office of Bank of China, Chairman of Nanyang Commercial Bank Ltd., Chairman of Hua Chiao Commercial Bank Ltd., Vice Chairman of Bank of China Credit Card (International) Co. Ltd., General Manager of Macau branch of Bank of China, Managing Director of BANCO TAI FUNG, Chairman of Nam Tung Trust & Investment Co. Ltd., Chairman of Nantong Bank Ltd. (Zhuhai), Executive Vice President of China Development Institute (Shenzhen, PRC), Independent Non-executive Director of Shenzhen Rural Commercial Bank Ltd. and OCT Holdings Co. and a Director of Henderson (China) Investment Co., Ltd. etc. Mr. Zhang is a Senior Economist, a fellow of the Hong Kong Institute of Bankers and a guest professor at the Graduate School of the People's Bank of China.

CHEN Su, has been an Independent Non-executive Director of the Company since March 2007. Mr. Chen is currently the Joint Secretary to the Committee of the Communist Party of China at the Institute of Law at the Chinese Academy of Social Science and the Institute of International Law, the Deputy Director of the Research Department of the Institute of Law and the Deputy Director of the Research Department of the Institute of International Law and the Deputy Chairman of the Business Law Research Department of the Chinese Law Association. Mr. Chen has also served as an Independent Non-executive Director in Offshore Oil Engineering Co., Ltd since May 2009. Mr. Chen was also a member of the Special Committee for Company Law Amendments of the Legality Office of the State Council and a member of the Special Committee for Securities Law Amendments of the Financial and Economics Affairs Committee of the National People's Congress.

XIA Liping, has been an Independent Non-executive Director of the Company since June 2007. Mr. Xia has served in various positions since 1963, including the Administrator of the Credit Administration Department and the Deputy Director of the General Administration Department of the People's Bank of China, the Director of the State Economy Commission's Finance and Treasury Department and the Deputy Director-General of the Financial Management Department, the Deputy Director-General of the Internal Auditing Department and the Director-General of the Currency, Gold and Silver Bureau of the People's Bank of China. Mr. Xia retired in 1999 and was appointed as the Secretary-General of the China Banking Association from May 2000 to December 2005.

TANG Yunwei, has been an Independent Non-executive Director of the Company since June 2009. Mr. Tang had served in Ernst & Young Da Hua as a Senior Consultant from December 2006 to December 2008, and served as a Chief Accountant in Shanghai Dahua and Ernst & Young Da Hua, respectively from January 2000 to December 2006. He was a Senior Researcher in the International Accounting Standards Committee from March 1999 to January 2000. Prior to that, Mr. Tang had been a Lecturer, Vice Professor, Assistant President, Professor, Vice President and President of Shanghai University of Finance and Economics. Mr. Tang is currently an honorary member of the Association of Chartered Certified Accountants in the United Kingdom, a Distinguished International Visiting Professor of American Accounting Association and an Honorary Professor of The University of Hong Kong and City University of Hong Kong. Mr. Tang is a member of China Accounting Standards Committee and Audit Standards Committee of Ministry of Finance, Chairman of Shanghai Accounting Association. Mr. Tang holds a Doctorate degree in Accountancy received from Shanghai University of Finance and Economics. Mr. Tang is the founder of the Professors' Association of Accounting in PRC.

LEE Carmelo Ka Sze, has been an Independent Non-executive Director of the Company since June 2009. Mr. Lee joined Woo, Kwan, Lee & Lo in 1983, obtained qualifications to practise as a solicitor in Hong Kong in 1985 and became a partner of Woo, Kwan, Lee & Lo in 1989. Mr. Lee is currently also a Non-executive Director of each of Hopewell Holdings Limited, China Pharmaceutical Group Limited, The Cross-Harbour (Holdings) Limited, Yugang International Limited, Y.T. Realty Group Limited, Safety Godown Company, Limited and Termbray Industries International (Holdings) Limited and an Independent Non-Executive Director of KWG Property Holding Limited, all of the above are companies listed on the Hong Kong Stock Exchange. Mr. Lee is a Deputy Chairman of the Listing Committee of the Hong Kong Stock Exchange. Mr. Lee also serves as Chairman of the Transport Tribunal of the Hong Kong SAR Government, a member of SFC Dual Filing Advisory Group of Securities and Futures Commission, a member of the Disciplinary Group of The Hong Kong Institute of Certified Public Accountants, a campaign committee member of The Community Chest of Hong Kong and a Co-chairman of Corporate Challenge Half Marathon of Community Chest. Mr. Lee was a member of the Main Board Listing Committee of The Stock Exchange of Hong Kong Limited from 2000 to 2003. Mr. Lee received a Bachelor's degree in Laws from The University of Hong Kong. He is qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory.

Directors, Supervisors, Senior Management and Employees

CHUNG Yu-wo Danny, has been an Independent Non-executive Director of the Company since June 2009. Mr. Chung started his career in the life insurance industry right after graduating from university in 1976. Mr. Chung served as a Vice-president of North America Life Insurance Company from 1986, in charge of product management, market development and operation. Before his retirement in 2005, Mr. Chung served as the General Manager, Great China Region (including China Mainland, Hong Kong, Macau, Taiwan and Mongolia) of Swiss Reinsurance Company in charge of life and health insurance business. Mr. Chung was a council member of Actuarial Society of Hong Kong and Chairman of its Chinese Advisory Board. He was appointed in 1999 by the CIRC as an advisor for setting up the China Actuarial Association. In 2008, Mr. Chung was awarded an Honorary Certificate by CIRC in recognition of his contribution to the actuarial profession in China. He was also a member of the Advisory Committee of Bachelors of Business Administration (BBA) Program, Faculty of Business Administration of The Chinese University of Hong Kong, an advisor to the Actuarial Committee of the Shanghai Insurance Society and Tsinghua University School of Continuing Education. Mr. Chung holds a degree in Master of Science (M.Sc), and is an actuary. He is a Fellow of the Society of Actuaries (FSA) and a Fellow of Canadian Institute of Actuaries (FCIA). He was also the founding President of The Pacific Rim Actuarial Club of Toronto.

WOO Ka Biu Jackson, has been an Independent Non-executive Director of the Company since July 2011, and is currently a partner of Jackson Woo & Associates in association with Ashurst Hong Kong, also a Director of Kailey and Fong Fun Group of Companies, an Independent Non-executive Director of Henderson Land Development Company Limited and an Alternate Director to Sir Po Shing Woo as Non-executive Director of Sun Hun Kai Properties Limited. Mr. Woo was a Director and co-Head of Investment Banking (Greater China) of N M Rothschild & Sons (Hong Kong) Limited, and also was an Alternate Director to Sir Po Shing Woo, a former Non-executive Director of Henderson Investment Limited and Henderson Land Development Company Limited. Prior to that, Mr. Woo was a partner in the corporate finance department of Woo, Kwan, Lee & Lo. In January 2008, Mr. Woo was awarded 2008 World Outstanding Chinese Award by the United World Chinese Association and Honorary Doctor Degree from the University of West Alabama. Mr. Woo holds a Master degree in Jurisprudence from Oxford University and is qualified as a solicitor in Hong Kong, England and Wales and Australian Capital Territory.

Supervisors

GU Liji, has been an Independent Supervisor and the Chairman of Supervisory Committee of the Company since June 2009. Since retirement, Mr. Gu has been an Outside Director of Xiang Tan Electric Manufacturing Group Co., Ltd (XEMC) since March 2011 and was an Executive Director of China Merchants Technology Holdings Co., Ltd. and China Merchants Technology Investment Co., Ltd. (Shenzhen) from November 2008 to October 2010. Before retirement in October 2008, Mr. Gu had served as the Managing Director of China International Marine Containers Co., Ltd., the Chairman and President of China Merchants Shekou Port Services Co., Ltd., the Vice Chairman of China Ping An Insurance Company, a Director of China Merchants Bank and China Merchants Group Ltd., the Managing Director of China Merchants Shekou Industrial Zone Co., Ltd., Hoi Tung Marine Machinery Suppliers Limited (Hong Kong) and China Merchants Technology Group, and the Chairman of China Merchants Technology Holdings Co., Ltd. Mr. Gu is also an expert on Applicable Electronics of Shenzhen Expert Association and the Vice-chairman of Scientific Association of Shenzhen Nanshan District. Mr. Gu has obtained the Advanced Management Program AMP (151) certificate from the Harvard Business School of the United States. Mr. Gu also holds a Master of Engineering degree in Management Science from University of Science and Technology of China and a Bachelor's degree in Engineering from Tsinghua University.

SUN Fuxin, has been an Independent Supervisor of the Company since May 2003. Mr. Sun is currently the Chairman of the Board of Directors of Tian Yi Investment Guarantee Company and the Deputy Director of Dalian Credit Ranking Commission. Prior to his retirement in April 2003, Mr. Sun served as the Deputy Governor of the Dalian Branch of Industrial and Commercial Bank of China Limited, the Deputy Secretariat of the People's Government of Dalian in charge of budget, finance, real estate and tax, the Director of the Management Committee of Bank of Communication's Dalian Branch, the Securities Regulatory Office of Dalian, the General Office of Financial Management of Dalian, Head of Dalian Real Estate Development Administration Office and the Resource Allocation of Underdeveloped Areas of Dalian and the Chairman of the Board of Directors of Dalian Commercial Bank.

PENG Zhijian, has been an Independent Supervisor of the Company since June 2009. Mr. Peng currently serves as an Executive Director of the Seventh Congress of the Chinese Monetary Society and the Sixth General Assembly of the Institute of Chinese Money. Mr. Peng is also an Independent Supervisor of China Merchants Bank Co., Ltd. and an Independent Non-executive Director of Dong Guan Trust Co., Ltd.. Mr. Peng started his working career in 1969, and consecutively served as the Party Committee Secretary and Governor of People's Bank of China ("PBC") Wuzhou Branch, the Deputy Governor, Governor and Party Committee Secretary of PBC Guangxi Branch, the Deputy Party Committee Secretary and Deputy Governor of PBC Guangzhou Regional Branch. He also served as the Governor of PBC Shenzhen Central Branch, the Party Secretary and Governor of PBC Wuhan Regional Branch and the Head of the State Administration of Foreign Exchange Hubei Bureau, the Party Committee Secretary and Governor of Guangdong Regulatory Bureau of China Banking Regulatory Commission. Mr. Peng was a visiting professor of Guangxi University and a part-time professor of the Financial Engineering Research Center of South China University of Technology and the School of Economics and Management of Jinan University. Mr. Peng graduated from a full-time course on finance from the Zhengzhou University and holds a postgraduate degree in Financial Investment from Guangxi Normal University.

DING Xinmin, has been a Supervisor representing the employees of the Company since June 2009. Mr. Ding currently serves as the Chairman of Ping An Life. Mr. Ding joined the Group in 1993, and consecutively served as the President and North Region President of Ping An Life, Vice President of Ping An Life Beijing Branch and Shenzhen Branch, the Vice President and Assistant to General Manager of Ping An Life. Mr. Ding holds a Master's degree in economics from Hunan Financial and Economic Institute.

SUN Jianping, has been a Supervisor representing the employees of the Company since March 2010. Mr. Sun currently serves as Chairman and CEO of Ping An Property & Casualty. Mr. Sun joined the Company in 1988 and held various positions such as Assistant to General Manager and Vice General Manager of Ping An Property & Casualty. Mr. Sun has a Bachelor's degree in Engineering from Huazhong College of Engineering (currently Huazhong University of Science and Technology) and a Master's degree in Economics from Zhongnan University of Economics and Law.

XIAO Jiyan, has been a Supervisor representing the employees of the Company since May 2011. Mr. Xiao currently serves as General Manager of the Human Resource Administration Department of Ping An Securities Company, Ltd., Board Secretary of Shenzhen Ping An Financial Technology Consulting Co., Ltd. (formerly Shenzhen Ping An Marketing Services Co., Ltd.) and Organizing Secretary of CPC committee of Ping An Group, Ltd. Mr. Xiao joined Ping An Group in 1993 and subsequently served as Assistant to General Manager, Deputy General Manager and General Manager of Ping An Property & Casualty Insurance Company of China Ltd. Guangdong Branch, General Manager of Performance Management Division of Ping An Group and General Manager of Shenzhen Ping An Financial Technology Consulting Co., Ltd. etc. He was also a special member to the 10th Guangdong Committee of the Chinese People's Political Consultative Conference. Mr. Xiao holds a postgraduate degree in Economic Management from Guangdong Provincial Party School.

Senior Management

See "Executive Directors" for working experiences, positions and part-time jobs of Mr. Ma Mingzhe, Mr. Sun Jianyi, Ms. Wang Liping and Mr. Yao Jason Bo.

REN Huichuan, has been the President of the Company since March 2011. Mr. Ren joined the Company in 1992. He was the Senior Vice President of the Company between June 2010 and March 2011, Chief Insurance Business Officer between June 2010 and December 2010, the Chairman and CEO of Ping An Property & Casualty between April 2007 and May 2011, and was appointed as a Supervisor representing the employees of the Company from March 2009 to March 2010. Before that, Mr. Ren had been Senior Vice President, the assistant to the President and Financial Director of the Company, the Assistant Director of the Development and Reform Center, Senior Vice President of Ping An Property & Casualty and the Vice President of the Property & Casualty Insurance business of the Company. Mr. Ren holds an MBA degree from Peking University.

Directors, Supervisors, Senior Management and Employees

KU Man, has been serving as the Senior Vice President of the Company since October 2009, and Chairman and Chief Executive Officer of Ping An Channel Development, Chairman of Ping An Processing & Technology since November 2008 and January 2010. Mr. Ku joined our Company in 2000, and has served as the Senior Vice President of Ping An E-commerce, the General Manager of Customer Resource Center, the General Manager of E Service Marketing Center, the General Manager of Life Insurance Operation Center, and the Deputy Director of the Development and Reform Center of the Group. From February 2004 to March 2008, Mr. Ku served as General Manager, Deputy Chief Service & Operation Officer of the National Integrated Operating Center and the Operational Management Center of the Group respectively. From March 2008 to October 2009, Mr. Ku served as the Vice President of our Company. Mr. Ku has been the Non-executive Director of Shenzhen Development Bank since June 2010. Prior to this, Mr. Ku worked in Mckinsey & Company as a consultant. Mr. Ku has obtained his Bachelor degree of Science in Business Administration from the Chinese University of Hong Kong.

LEE Yuansiong has been the Senior Vice President and Chief Insurance Business Officer of the Company since January 2011 and Chairman of Ping An Life from January 2007 to February 2012. Mr. Li joined the Company in 2004. He was the Special Assistant to the Chairman of Ping An Life from February 2004 to March 2005 and General Manager of Ping An Life from March 2005 to January 2010. Prior to that, Mr. Li was a Senior Vice President of Prudential Taiwan Branch and the General Manager of Citi-Prudential etc. Mr. Li holds a Master's Degree in Finance from The University of Cambridge.

CAO Shifan has been the Senior Vice President of the Company since April 2007. Mr. Cao joined our Company in November 1991. From March 2004 to April 2007, he was the Chairman of Ping An Property & Casualty. From December 2002 to April 2007, he served as the Chief Executive Officer of Ping An Property & Casualty. From December 2002 to June 2005, he was President of Ping An Property & Casualty. From April to December 2002, he was Senior Vice President of Ping An Insurance Company of China. Ltd. Mr. Cao has a Master's degree in Economics from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

LO Sai Lai has been the Senior Vice President and Chief Information Officer of the Company since January 2007 and February 2006, and Chairman and Chief Executive Officer of Ping An Technology since August 2008. Mr. Lo joined our Company in June 2002. From February 2006 to January 2007, he served as the Vice President of the Company. From October 2003 to February 2006, he served as Head of Information Technology. From 2002 to 2008, he served as General Manager of the Data Center and General Manager of the Information Management Center of our Company. From 2001 to 2002, Mr. Lo worked as Senior Consultant of our Systems Development Center. From 1993 to 2001, Mr. Lo worked as a researcher at the University of Cambridge, a research engineer at the Olivetti Research Laboratory, a senior researcher at the Olivetti and Oracle Research Laboratories and a senior researcher at AT&T Laboratories – Cambridge. Mr. Lo has a Ph.D. in Computer Science from the University of Cambridge.

CHEN Kexiang has been the Senior Vice President of the Company since January 2007. Mr. Chen joined our Company in December 1992. From February 2003 to January 2007, Mr. Chen served as Vice President of the Company. From June 2002 to May 2006, he served as General Secretary of the Board of the Company, and General Manager of the General Office from June 2002 to April 2007. From 1999 to 2002, Mr. Chen served as Senior Vice President and then President of Ping An Trust. From 1996 to 1999, Mr. Chen served as the Deputy Director and Director of the General Office of our Company. From 1995 to 1996, Mr. Chen served as the President of Ping An Building Management Company. From 1993 to 1995, he served as the Assistant Director and Deputy Director of the General office of the Parent Company. Mr. Chen has a Master's degree in Finance from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

IP So Lan has been the Senior Vice President of the Company since January 2011, and the Chief Internal Auditor, Person-in-charge of Auditing and Compliance Officer since March 2006, March 2008 and July 2010, respectively. Ms. Ip joined the Company in 2004 and was the Vice President of Ping An Life from February 2004 to March 2006, the Vice President of the Company from March 2006 to January 2011. Ms. Ip has been the Non-executive Director of Shenzhen Development Bank since June 2010. Ms. Ip had previously worked with AIA and Prudential Hong Kong etc. She holds a Bachelor's Degree in Computing from the Polytechnic of Central London.

Gregory D. Gibb has been the Senior Vice President of the Company since December 2011 and Chief Innovation Officer of the Group and Chairman and CEO of Ping An Financial Technology since May 2011. He joined Ping An in 2011. Before joining the Company, he had subsequently served as the senior director of McKinsey & Company and the operating director of Taiwan Taishin Financial Holding Co., Ltd. He obtained a Bachelor's degree in East Asian Studies from Middlebury University.

JIN Shaoliang has been the Secretary of the Board of the Company since February 2012. Mr. Jin has been Director of the Board Office and Investor Relations Officer of the Company respectively since March 2007 and June 2004, and has also been appointed as non-executive director of Ageas Insurance International N.V. from April 2009. Mr. Jin has successively held different positions of the Company since he joined Ping An in September 1992, including General Manager of Re-insurance Department, Director of the General Actuary Office and Assistant General Manager of Strategy Development Office. Mr. Jin has Master's degrees in Management of Commercial Enterprises and Marine Engineering respectively from Norwegian Institute of Technology.

Chief Actuarial Officer

CHEUNG Chun Tong has been the Chief Actuarial Officer of the Company since June 2010 and Senior Vice President of Ping An Life since April 2003. Mr. Cheung joined the Company in 2002 and subsequently served as the Vice Chief Actuarial Officer and General Manager of the Actuarial Product Center of Ping An Life. From March 2006 to March 2007, Mr. Cheung was the Chairman of Ping An Health. He then became the Vice Chief Actuarial Officer of the Company from March 2007 and June 2010. Mr. Cheung is a member of the America Academy of Actuaries, The Society of Actuaries and The Canadian Institute of Actuaries. He holds a Degree in Actuarial Studies, Business and Computing from The University of Toronto.

Directors, Supervisors, Senior Management and Employees

POSITIONS HELD IN SHAREHOLDERS' COMPANIES BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Name of shareholder' s company	Position	Period of engagement	Whether compensated by the shareholders' company
LIN Lijun	Linzhi New Horse Investment Development Co. Ltd.	Chairman	January 2000-	No
FAN Mingchun	Shenzhen Investment Holdings Co., Ltd.	Chairman	January 2011-	Yes
WONG Tung Shun Peter	The Hongkong and Shanghai Banking Corporation Limited	Chief Executive	February 2010-	Yes
NG Sing Yip	The Hongkong and Shanghai Banking Corporation Limited	the Head of Legal and Compliance	January 1998-	Yes
GUO Limin	Shum Yip Group Limited	Chairman	September 2009-	Yes

Note: Directors and Supervisors engaged in shareholder's companies do not receive compensation from the Company but from the respective shareholder's company they worked with. Whereas Lin Lijun, the Non-executive Director, does not receive compensation from the shareholder's company but is compensated by the Company according to her specific administrative role.

For details of the other engagements information of Mr. Sun Jianyi and Mr. Jin Shaoliang please refer to "Major working experiences of Directors, Supervisors and Senior Management and details of their part-time jobs". Other Senior Management staff and the Chief Actuarial Officer do not hold any positions in any shareholders' companies or other non shareholders' companies outside the Group.

APPOINTMENT OR REMOVAL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

1. Ms. Wang Wenjun resigned as a Supervisor representing the employees of the Company in March 2011 due to her work arrangement. In the employee representatives meeting held by the Company on March 7, 2011, Mr. Xiao Jiyan was elected to replace Ms. Wang Wenjun as a Supervisor representing the employees of the Sixth Session of the Supervisory Committee. The qualification of Mr. Xiao Jiyan as Supervisor was approved by CIRC on May 5, 2011, on which day Mr. Xiao Jiyan replaced Ms. Wang Wenjun as a Supervisor representing the employees of the Company.

2. Mr. Cheung Chi Yan Louis resigned as the President of the Company in March 2011. The Resolution on Re-designation of Mr. Cheung Chi Yan Louis as Non-executive Director of the Company was considered and approved at the 2010 annual general meeting held by the Company on June 16, 2011, since then, Mr. Cheung Chi Yan Louis has been re-designated as a Non-executive Director of the Company.

3. Mr. Chow Wing Kin Anthony tendered his resignation as an Independent Non-executive Director of the Company in March 2011 as the term of Independent Non-executive Director has been expired. The resolution regarding the appointment of Mr. Woo Ka Biu Jackson as an Independent Non-executive Director of the Company to fill in for Mr. Chow Wing Kin Anthony was passed at the 2010 Annual General Meeting held by the Company on June 16, 2011. The qualification of Mr. Woo Ka Biu Jackson as Director was approved by CIRC on July 22, 2011, on which day Mr. Woo Ka Biu Jackson replaced Mr. Chow Wing Kin Anthony as an Independent Non-executive Director of the Company.

4. Mr. Song Zhijiang resigned as a Supervisor of the Company from July 27, 2011 due to his work arrangement.

5. Mr. David FRIED resigned as a Non-executive Director of the Company from October 8, 2011 due to his work arrangement.

6. Mr. Chen Hongbo retired from Shenzhen Investment Holdings Co., Ltd. and tendered his resignation as a Non-executive Director of the Company in January 2012. The resolution regarding the appointment of Mr. Fan Mingchun as a Non-executive Director of the Company to fill in for Mr. Chen Hongbo was passed at the First Extraordinary General Meeting of 2012 held by the Company on February 8, 2012. The qualification of Mr. Fan Mingchun as Director was approved by CIRC on March 8, 2012, on which day Mr. Fan replaced Mr. Chen Hongbo as a Non-executive Director of the Company.

7. Mr. Ren Huichuan was the Senior Vice President of the Company between June 2010 and March 2011, and has been the President of the Company since March 2011 (Mr. Cheung Chi Yan Louis ceased to be the President of the Company from March 2011). The appointment qualification of Mr. Ren as the President has been approved by the CIRC on January 28, 2011,

8. Mr. Lee Yuansiong and Ms. Ip So Lan have been the Senior Vice President of the Company since January 2011. The appointment qualification of Mr. Lee and Ms. Ip as the Senior Vice Presidents has been approved by the CIRC on December 30, 2010.

9. Mr. Goh Yethun ceased to be a Senior Vice President of the Company from May 27, 2011.

10. Mr. Gregory D. Gibb has been the Senior Vice President of the Company since December 2011. The appointment qualification of Mr. Gregory D. Gibb as the Senior Vice President has been approved by the CIRC on December 10, 2011.

11. Mr. Jin Shaoliang has been the Secretary of the Board of the Company since February 2012. Mr. Yao Jun ceased to be the Secretary of the Board of the Company since February 2012. The appointment qualification of Mr. Jin Shaoliang as the Secretary of the Board of the Company has been approved by the CIRC on February 16, 2012.

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

1. Mr. Cheung Chi Yan Louis resigned as the President of the Company in March 2011, and was re-designated from an Executive Director to a Non-executive Director of the Company in June 2011. Mr. Cheung has been appointed as the chief executive officer of Boyu Capital Limited since March 2011, and has been appointed as the Independent Director of Fubon Financial Holdings Co., Ltd. since June 2011.

2. Mr. Yao Jason Bo, the Executive Director of the Company, resigned as the General Manager of the Corporate Planning Department in February 2012.

3. Mr. Wong Tung Shun Peter, the Non-executive Director of the Company, resigned as the Non-executive Director of HSBC Bank (Australia) Ltd. in February 2011; became the director of The Shek O Development Company, Ltd. in March 2011; and resigned as the Director of Hong Kong Institute for Monetary Research in July 2011. In June 2011, Mr. Wong was re-designated from deputy chairman to chairman of HSBC Bank (China) Company Limited and served as the Vice President of China Banking Association ("CBA") Standing Council and a Director of CBA Board in the same month, Mr. Wong resigned as the Vice Chairman of HSBC Bank (Vietnam) in January 2012.

4. Mr. Lee Carmelo Ka Sze, the Independent Non-executive Director of the Company, has no longer served as an Adjudicator of the Registration of Persons Tribunal of the Hong Kong Special Administrative Region since February 2011.

5. Mr. Zhang Hongyi, the Independent Non-executive Director of the Company, resigned as the Non-executive Director of Henderson (China) Investment Co., Ltd. in April 2011.

6. Mr. Woo Ka Biu Jackson, the Independent Non-executive Director of the Company, was appointed as an Independent Non-executive Director of Henderson Land Development Company Limited in March 2012, and ceased to be an Alternate Director to Sir Po Shing Woo as Non-executive Director of Henderson Land Development Company Limited in February 2012.

7. Mr. Guo Limin, the Non-executive Director of the Company, was appointed as the Chief of Shenzhen Economics and Information Committee in February 2012.

8. Mr. Gu Liji, the Chairman of Supervisory Committee of the Company, was appointed as the Outside Director of Xiang Tan Electric Manufacturing Group Co., Ltd (XEMC). in March 2011.

9. Mr. Xiao Jiyan, the Supervisor representing the employees of the Company, resigned as the General Manager of Human Resources & Performance Management of the Company in July 2011 and served as the General Manager of Personnel Administration Department of Ping An Securities in the same month. He also served as the Secretary of the Board of Ping An Financial Technology in June 2011. Mr. Xiao served as the General Manager of Ping An Financial Technology from June 2011 to September 2011.

10. Mr. Ding Xinmin, the Supervisor representing the employees of the Company, resigned as the President and North Region President of Ping An Life in February 2012, and was appointed as the Chairman of Ping An Life in the same month.

11. Mr. Peng Zhijian, the Supervisor of the Company, was appointed as the Independent Supervisor of China Merchants Bank Co., Ltd. in October 2011, and resigned as the Executive Commissioner of People's Political Consultative Conference Standing Committee of Guangdong Province and the Deputy Director of the Economic Committee for People's Political Consultative Conference of Guangdong Province in January 2012.

CHANGES IN THE NUMBER OF SHARES, SHARE OPTIONS AND RESTRICTED SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE COMPANY OR ASSOCIATED CORPORATIONS OF THE COMPANY DURING THE REPORTING PERIOD

Direct Shareholding

As at December 31, 2011, the interests of the Directors, Supervisors and Senior Management (including chief executive) of the Company in the shares which shall be disclosed pursuant to the "Standards Concerning the Contents and Formats of Information Disclosure by Listed Companies No. 2 – The Contents and Formats of Annual Report (Revised in 2007)" issued by CSRC, and the interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) shall have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors or Supervisors of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified by the Directors, Supervisors and Senior Management (including chief executive) to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules, were as follows:

Change in the number of shares, share options and restricted shares held in the Company

Name	Position	Capacity	H/A Shares	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Change	Reason for the change	Nature of interest	Percentage of total issued H/A shares (%)	Percentage of total issued shares (%)
Yao Jason Bo	Executive Director, Senior Vice President and Chief Financial Officer	Beneficial owner	H	12,000	12,000	-	-	Long position	0.00038	0.00015
Cheung Chi Yan Louis	Non-executive Director	Beneficial owner	H	248,000	248,000	-	-	Long position	0.00792	0.00313
Peng Zhijian	Supervisor	Beneficial owner	A	4,300	6,600	+2,300	Acquisition	Long position	0.00014	0.00008
Xiao Jiyan(1)	Supervisor	Beneficial owner	H	-	16,000	-	-	Long position	0.00051	0.00020

(1) Mr. Xiao Jiyan was appointed as a Supervisor representing the employees of the Company from May 5, 2011 and before his appointment, he had already held such H shares which had not been changed since his appointment.

Change in the number of shares, share options and restricted shares held in associated corporations of the Company

Name	Position	Associated Corporation	Capacity	Shares	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Change	Reason for the change	Nature of interest	Percentage of total issued shares (%)
Sun Jianping	Supervisor	SDB	Beneficial owner	A	27,214	27,214	-	-	Long position	0.00053

Indirect Shareholding

Some of the Directors, Supervisors and Senior Management, the Chief Actuarial Officer of the Company indirectly held shares of the Company through Employee Investment Pool and Gongbujiangda Jiangnan Industrial Development Co., Ltd.

The group of participants of the Employee Investment Pool beneficially owns approximately 7.488% of the total existing share capital of the Company; whereas Gongbujiangda Jiangnan Industrial Development Co., Ltd. holds 139,112,886 shares in the Company. The indirect shareholdings of the Directors, Supervisors and Senior Management, the Chief Actuarial Officer of the Company are as follows:

Share of interests in employee investment pool

Name	Position	Share of interests in employee investment pool at the beginning of the period	Share of interests in employee investment pool at the end of the period	Change in the share of interests in employee investment pool	Reason for the change
Ma Mingzhe	Chairman and Chief Executive Officer	4,743,600	3,901,689	-841,911	Profit Distribution
Sun Jianyi	Vice Chairman and Executive Vice President	4,168,300	3,428,495	-739,805	Profit Distribution
Wang Liping	Executive Director and Senior Vice President	1,721,520	1,415,978	-305,542	Profit Distribution
Yao Jason Bo	Executive Director, Senior Vice President and Chief Financial Officer	100,000	82,251	-17,749	Profit Distribution
Cheung Chi Yan Louis	Non-executive Director	500,000	411,258	-88,742	Profit Distribution
Lin Lijun	Non-executive Director	992,800	816,594	176,206	Profit Distribution
Xiao Jiyan	Supervisor	700,000	575,761	-124,239	Profit Distribution
Ding Xinmin	Supervisor	602,400	495,484	-106,916	Profit Distribution
Sun Jianping	Supervisor	1,118,600	920,067	-198,533	Profit Distribution
Ren Huichuan	President	735,040	604,582	-130,458	Profit Distribution
LEE Yuansiong	Senior Vice President	100,000	82,251	-17,749	Profit Distribution
Ku Man	Senior Vice President	200,000	164,503	-35,497	Profit Distribution
Cao Shifan	Senior Vice President	1,307,680	1,075,588	-232,092	Profit Distribution
Lo Sai Lai	Senior Vice President	300,000	246,754	-53,246	Profit Distribution
Chen Kexiang	Senior Vice President	1,373,040	1,129,348	-243,692	Profit Distribution
Jin Shaoliang	Secretary of the Board	188,041	185,099	-2,942	Profit Distribution
Cheung Chun Tong	Chief Acturial Officer	300,000	246,754	-53,246	Profit Distribution
Total		19,151,021	15,782,456	-3,368,565	–

Percentage of shares beneficially held in Gongbujiangda Jiangnan Industrial Development Co., Ltd.

Name	Position	Shareholding percentage at the beginning of the period (%)	Shareholding percentage at the end of the period (%)	Change in the number of shares	Reason for the change
Ma Mingzhe	Chairman and Chief Executive Officer	5.86	5.86	–	–
Sun Jianyi	Vice Chairman and Executive Vice President	3.83	3.83	–	–
Wang Liping	Executive Director and Senior Vice President	1.17	1.17	–	–
Yao Jason Bo	Executive Director, Senior Vice President and Chief Financial Officer	0.18	0.18	–	–
Lin Lijun	Non-executive Director	0.12	0.12	–	–
Cheung Chi Yan Louis	Non-executive Director	2.93	2.93	–	–
Xiao Jiyan	Supervisor	0.59	0.59	–	–
Ding Xinmin	Supervisor	0.65	0.65	–	–
Sun Jianping	Supervisor	0.59	0.59	–	–
Ren Huichuan	President	1.41	1.41	–	–
LEE Yuansiong	Senior Vice President	0.59	0.59	–	–
Ku Man	Senior Vice President	0.59	0.59	–	–
Cao Shifan	Senior Vice President	0.59	0.59	–	–
Lo Sai Lai	Senior Vice President	0.70	0.70	–	–
Chen Kexiang	Senior Vice President	3.81	3.81	–	–
Jin Shaoliang	Secretary of the Board	0.12	0.12	–	–
Total		23.73	23.73	–	–

Directors, Supervisors, Senior Management and Employees

Changes in the Number of Share Options and Restricted Shares Granted

During the reporting period, there were no share options held by the Directors, Supervisors, Senior Management and the Chief Actuarial Officer of the Company, nor were there restricted shares granted.

Save as disclosed above, as at December 31, 2011, none of the Directors, Supervisors and Senior Management (including chief executive) held or was deemed to hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which are required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors, Supervisors and Senior Management (including chief executive) to the Company and the Stock Exchange pursuant to the Model Code nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

NUMBER OF STAFF, PROFESSIONAL QUALIFICATION AND EDUCATION BACKGROUND

As at December 31, 2011, the Company had a total of 175,136 active staff, of which 56,167 were management and administration personnel, representing 32.07%; 91,115 were sales personnel, representing 52.02%; 12,096 were technician personnel, representing 6.91% and other personnel 15,758, representing 9.00%. Among all the staff, 7,211 hold doctorate or master's degree, representing 4.12%; 81,554 hold bachelor's degree, representing 46.57%; 58,628 attained college education, representing 33.47% and 27,743 with other qualification, representing 15.84%.

Corporate Governance Report

The Board of Directors is pleased to report to the shareholders on the corporate governance of the Company for the year ended December 31, 2011.

CORPORATE GOVERNANCE

During the Reporting Period, the Company has been engaged in ongoing efforts to improve its corporate governance structure in strict accordance with the PRC Company Law ("Company Law") and the PRC Insurance Law as well as the relevant laws and regulations promulgated by the regulatory authorities and principles set out in Code on Corporate Governance Practices of the Hong Kong Stock Exchange, with de facto conditions of the Company taken into account. The General Meeting, the Board of Directors, the Supervisory Committee and senior management have been functioning independently in compliance with PRC laws and performing their duties and responsibilities conferred by the Articles of Association of Ping An Insurance (Group) Company of China, Ltd., without any report of breach of laws and regulations. Corporate governance of the Company is described as follows:

Shareholders and the General Meeting

During the Reporting Period, the Company convened the 2010 Annual General Meeting. The notice, convocation and procedures for convening and voting at the shareholders' general meeting comply with the requirements of the Company Law and the Articles of Association. The General Meeting established and expanded effective channels for communication with the shareholders, listening to their opinions and advices so as to ensure their rights to comprehend, participate in and vote upon the significant events of the Company.

The Annual General Meeting

The Company held its 2010 Annual General Meeting by way of physical meeting on June 16, 2011 in Shenzhen, at which the following reports and resolutions were considered and passed: the 2010 Report of the Board of Directors, the 2010 Report of the Supervisory Committee, the 2010 Annual Report and its Summary, the 2010 Report of Final Accounts of the Company, the 2010 Profit Appropriation Proposal, the Resolution on Re-appointment of Ernst & Young Hua Ming and Ernst & Young as the Company's Auditors for 2011, the Resolution on Re-designation of Mr. Cheung Chi Yan Louis as Non-executive Director of the Company, the Resolution on Election of Mr. Woo Ka Biu Jackson as Independent Non-executive Director of the Company, the Resolution on Revision of Articles of Association. The shareholders also received and reviewed the 2010 Working Report of the Directors and the 2010 Report on Connected Transactions and Execution of Rules of Managing Connected Transactions of the Company.

Directors, Board of Directors and Specialized Committees under the Board

Directors

As at December 31, 2011, the Board of Directors of the Company consists of 18 members, among whom there were 4 Executive Directors, 7 Non-executive Directors and 7 Independent Non-executive Directors, and the profile of each Director has been included in the section headed "Directors, Supervisors, Senior Management and Employees" of this Annual Report. The number of Directors and composition of the Board are in compliance with the regulatory requirements and provisions of the Articles of Association, except there is one vacancy for Director due to the resignation of one Non-executive Director appointed by shareholder unit. As provided in the Articles of Association, Directors should be elected at the general meeting with a term of 3 years, and are eligible for re-election upon expiry of the term, however, the Independent Non-executive Directors should not hold office for more than 6 consecutive years.

Corporate Governance Report

The Board of Directors

The Board of Directors is responsible for the management of the Company and accountable to the shareholders for their entrusted assets and resources. They represent and owe a duty to act in the interests of the shareholders as a whole. The principal responsibilities of the Board of Directors and the types of decisions to be taken by the Board of Directors include, among others:

- formulating the Group's overall direction, objectives and strategies, business plans and investment proposals as well as monitoring and supervising the management's performance;
- formulating the Company's annual budgets, financial statements and monitoring the Company's performance;
- formulating the Company's profit distribution and loss recovery proposals;
- formulating plans for mergers or disposals and deciding on major investments, pledging of assets and other forms of security (in accordance with shareholders' approval);
- formulating proposals for the increase or decrease in our registered capital and the issuance of corporate bonds or other securities, and listing plans;
- engaging or dismissing the senior management staff of the Company, and determining their remuneration and award and reprimand matters; and
- monitoring, evaluating and ensuring the effectiveness of the Company's internal control systems and compliance with relevant laws and regulations.

On the other hand, responsibilities and functions and types of decisions delegated to the management include, among others:

- implementation of the Company's overall direction, objectives and strategies, business plans and investment proposals as determined by the Board of Directors from time to time; and
- the day-to-day management of the Company's business.

Attendance of Directors at the board meeting

During the reporting period, the Board of Directors held 6 Board meetings. All such meetings were convened in accordance with the Articles of Association, and were attended in person or by proxy by all Directors entitled to be present, at which the Directors actively participated either in person or through electronic means of communication. All the Directors have been doing their best to make right decisions on the basis of good knowledge of circumstances, and are committed to protecting the interests of the Company and its shareholders as a whole. The attendance records of each Director at the Board meeting are as follows:

Members	Date of appointment	Board Meetings attended in person/ Meetings required to attend	% of attendance in person	Meetings attended by proxy/ Meetings required to attend	% of attendance by proxy
Executive Directors					
MA Mingzhe (Chairman)	March 21, 1988	6/6	100%	0/6	0%
SUN Jianyi	March 29, 1995	6/6	100%	0/6	0%
WANG Liping	June 9, 2009	6/6	100%	0/6	0%
YAO Jason Bo	June 9, 2009	6/6	100%	0/6	0%
Non-executive Directors					
LIN Lijun	May 16, 2003	6/6	100%	0/6	0%
CHEN Hongbo (retired on March 8, 2012)(1)	June 23, 2005	6/6	100%	0/6	0%
WONG Tung Shun Peter	May 25, 2006	1/6	16.7%	5/6	83.3%
NG Sing Yip	May 25, 2006	6/6	100%	0/6	0%
CHEUNG Chi Yan Louis(2)	May 25,2006	6/6	100%	0/6	0%
LI Zhe	June 9, 2009	5/6	83.3%	1/6	16.7%
GUO Limin	February 11, 2010	3/6	50%	3/6	50%
David FRIED (resigned on October 8, 2011)(3)	August 10, 2010	1/4	25%	3/4	75%
FAN Mingchun (appointed on March 8, 2012)(1)	March 8, 2012	–	–	–	–
Independent Non-executive Directors					
ZHANG Hongyi	March 19, 2007	6/6	100%	0/6	0%
CHEN Su	March 19, 2007	4/6	66.7%	2/6	33.3%
XIA Liping	June 7, 2007	4/6	66.7%	2/6	33.3%
TANG Yunwei	June 9, 2009	6/6	100%	0/6	0%
LEE Carmelo Ka Sze	June 9, 2009	6/6	100%	0/6	0%
CHUNG Yu-wo Danny	June 9, 2009	5/6	83.3%	1/6	16.7%
WOO Ka Biu Jackson (appointed on July 22, 2011)(4)	July 22,2011	3/3	100%	0/3	0%
CHOW Wing Kin Anthony (retired on July 22, 2011)(4)	June 23, 2005	3/3	100%	0/3	0%

(1) As considered and passed at the First Extraordinary General Meeting of 2012 held on February 8, 2012, Mr. Fan Mingchun was appointed as a Non-executive Director in place of Mr. Chen Hongbo, Mr. Fan Mingchun's qualification as Director was approved by CIRC on March 8, 2012, and he replaced Mr. Chen Hongbo as a Non-executive Director of the Company on the same date.
(2) As considered and passed at the 2010 Annual General Meeting held on June 16, 2011, Mr. Cheung Chi Yan Louis was re-designated as a Non-executive Director of the Company from Executive Director, with effect from June 16, 2011.
(3) Mr. David Fried resigned as Non-executive Director of the Company on October 8, 2011 due to work arrangement.
(4) As considered and passed at the 2010 Annual General Meeting held on June 16, 2011, Mr. Woo Ka Biu Jackson was appointed as an Independent Non-executive Director in place of Mr. Chow Wing Kin Anthony, Mr. Woo Ka Biu Jackson's qualification as a Director was approved by CIRC on July 22, 2011, and he replaced Mr. Chow Wing King Anthony as an Independent Non-executive Director of the Company on the same date.

Corporate Governance Report

Meetings of the Board and contents of resolutions

The 13th Meeting of the 8th Session of the Board of the Company was held in Shenzhen on March 14, 2011, at which each of the items under the Resolutions on Direct Issuance of H Shares was considered and approved.

The 14th Meeting of the 8th Session of the Board of the Company was held in Shenzhen on March 29, 2011, at which the following reports and resolutions were considered and passed: the Resolution on Consideration of the 2010 Operating Report, the 2010 Report of Final Accounts of the Company, the 2010 Profit Appropriation Proposal, the Resolution on Re-appointment of Ernst & Young Hua Ming and Ernst & Young as the Company's Auditors for 2011, the 2010 Annual Report of the Company, the 2010 Corporate Governance Report, the 2010 Report of the Board of Directors, the Results Announcement of the Company as at December 31, 2010 and the Summary of the 2010 Annual Report, the Resolution on Re-designation of Mr. Cheung Chi Yan Louis as Non-executive Director of the Company, the Resolution on Recommendation of Mr. Woo Ka Biu Jackson as Independent Non-executive Director of the Company, the Resolution on Consideration of the 2010 Working Report of the Directors, the Resolution on Revision of Articles of Association, the Circular of the General Meeting, the Resolution on Convening the 2010 Annual General Meeting, the Resolution on Consideration of the 2010 Corporate Governance Report of the Company, the Resolution on Consideration of the 2010 Corporate Social Responsibility Report, the Resolution on Consideration of the 2010 Solvency Ratio Report, the Resolution on Consideration of the 2010 Risk Assessment Report, the Resolution on Consideration of the 2010 Report of Planning and Allocation of Financial Resources of the Company, the Resolution on Changes in Accounting Estimates of the Company, the Resolution on Consideration of the 2010 Internal Control Assessment Report, the Resolution on Consideration of 2010 Compliance Report of the Company, the Resolution on Consideration of the 2010 Report on Connected Transactions and Execution of Rules of Managing Connected Transactions of the Company, the Resolution on Consideration of the Proposal on Implementation of Internal Control of the Company. The Board of Directors is of the opinion that the internal control system is complete and effective after considering and passing the 2010 Risk Assessment Report, the 2010 Internal Control Assessment Report and the 2010 Compliance Report of the Company, and reviewing the Auditor's Report on the 2010 Financial Statements of the Company provided by Ernst & Young.

The 15th Meeting of the 8th Session of the Board of the Company was held in Shenzhen on April 27, 2011, at which 2011 First Quarterly Operating Report and 2011 Working Plan, the First Quarterly Report of the Company for 2011 and the Unaudited Results Announcement for the Three Months ended March 31, 2011 and the Resolution on Formation of the Working Rules for the Secretary to the Board of the Company were considered and passed.

The 16th Meeting of the 8th Session of the Board of the Company was held in Shanghai on August 17, 2011, at which the following reports and resolutions were considered and passed: the Resolution on Consideration of the 2011 Interim Operating Report, the Resolution on Consideration of the 2011 Interim Report (Draft), the 2011 Interim Report Summary and the Results Announcement of the Company for the Six Months ended June 30, 2011 (Draft), the Proposal on Distribution of the 2011 Interim Dividend, the Solvency Report of the Company in the First Half of 2011, the Resolution on Election of Specialized Committee Member, the Resolution on Engagement of Ernst & Young to Perform Agreed-Upon Procedures on Resignation of Mr. Cheung Chi Yan Louis, the Resolution on Consideration of the Term-of-office Audit Report of Senior Vice President Mr. Ku Man, the Resolution on Approval of the Entering of Unified Deposit Agreement with Shenzhen Development Bank and Ping An Bank by the Company, the Resolution on Approval of Launch of RMB Bond Business with Subsidiaries by the Company and the Resolution on Subscription of Private Issuing Shares of SDB.

The 17th Meeting of the 8th Session of the Board of the Company was held in Chengdu on October 26, 2011, at which the following reports and resolutions were considered and passed: the Resolution on Consideration of 2011 Third Quarterly Operating Report of the Company, the Third Quarterly Report of the Company for 2011 (Draft), the Resolution on Appointment of Mr. Gregory D. Gibb as Senior Vice President of the Company, the Resolution on Consideration of Term-of-office Audit Report of Certain Senior Management of the Company and the Resolution on Consideration of Participation in Capital Increase of Ping An Life.

The 18th Meeting of the 8th Session of the Board of the Company was held in Shenzhen-based venue via video on December 20, 2011, at which the following resolutions were considered and passed: the Resolution on the Grant of a General Mandate on Issuance of New Shares to the Board of Directors, the Resolution on Public Issuance of A Share Convertible Corporate Bonds, the Resolution on Consideration of the Feasibility Analysis Report on Use of Proceeds from the Public Issuance of A Share Convertible Corporate Bonds, the Resolution on Utilization Report on the Use of Proceeds from Previous Issuance and Management System for the Reserve and Use of Raised Funds of the Company and the Resolution on Convening the First Extraordinary General Meeting of the Company for 2012.

The Board's implementation of the resolutions approved in the shareholders' general meetings

During the reporting period, the Board of Directors of Ping An Insurance (Group) Company of China, Ltd. has duly carried out its duties in a stringent manner in accordance with the relevant laws and regulations and its Articles of Association and conscientiously implemented the resolutions approved in the shareholders' general meetings.

According to the 2010 Profit Appropriation Proposal of the Company considered and passed at the 2010 Annual General Meeting of the Company held on June 16, 2011, the Company will pay in cash the 2010 final dividend of RMB0.40 (tax inclusive) per share, in a total amount of RMB3,057,656,836.80, based on its total share capital of 7,644,142,092 shares.

In accordance with the Article 217 of the Articles of Association, the shareholders' meeting authorized the Board of Directors to distribute the interim dividend. In accordance with the authorization of the shareholders' meeting, the interim profit appropriation for 2011 was approved at 16th Meeting of the 8th Session of the Board of the Company held on August 17, 2011, i.e. the Company distributed the interim dividend for 2011 on the basis of 7,916,142,092 shares of the total share capital of the Company, cash dividend was RMB0.15 (tax inclusive) per share, and the total amount was RMB1,187,421,313.80, such appropriation was implemented during the reporting period.

The specialized committees under the Board

The Company has established four specialized committees, i.e. a Strategy and Investment Committee, an Audit and Risk Management Committee, a Remuneration Committee and a Nomination Committee. The details of the roles and functions and the composition of each of these committees are set out below.

Strategy and Investment Committee

The primary duties of the Strategy and Investment Committee are to conduct research and make recommendations to the Board of Directors for their consideration in relation to major investments, property transactions, financing, major capital operations, asset management projects, production and operation projects, etc. and also to promptly monitor and follow the tracks of the implementation of investment projects approved by the General Meeting or the Board of Directors, promptly notify all directors of its significant process or changes in process.

The Strategy and Investment Committee comprises 5 Directors of the Company, which includes three Independent Non-executive Directors, the ratio of Independent Non-executive Director to director is 60%. The committee has one chairman, which was served by the Chairman of the Board of Directors of the Company, and the chairman presides over the committee.

In 2011, the Strategy and Investment Committee held three meetings, the attendance of which met the requirements of the Articles of Association and Rules of the Strategy and Investment Committee. The Resolution on 2011 First Quarterly Operating Report and 2011 Working Plan, the Resolution on Subscription of Private Issuing of Shares of SDB, the Resolution on the Grant of a General Mandate on Issuance of New Shares to the Board of Directors, the Resolution on Public Issuance of A Share Convertible Corporate Bonds, the Resolution on the Feasibility Analysis Report on Use of Proceeds from the Public Issuance of A Share Convertible Corporate Bonds, the Resolution on Utilization Report on the Use of Proceeds from

Previous Issuance and Management System for the Reserve and Use of Raised Funds of the Company. The attendance records of each member of the Strategy and Investment Committee are as follows:

Members	Meetings attended in person/Meetings required to attend	% of Attendance in person	Meetings attended by proxy/Meetings required to attend	% of Attendance by proxy
Executive Director				
MA Mingzhe (Chairman)	3/3	100%	0/3	0%
Independant Non-executive Directors				
ZHANG Hongyi	3/3	100%	0/3	0%
TANG Yunwei	3/3	100%	0/3	0%
LEE Carmelo Ka Sze	2/3	67%	1/3	33%
Non-executive Director				
WONG Tung Shun Peter	0/3	0%	3/3	100%

Audit and Risk Management Committee

The primary duties of the Audit and Risk Management Committee are to review and supervise the Company's financial reporting process and conduct risk management. The Audit and Risk Management Committee is also responsible for reviewing the external auditor appointment, the external auditor remuneration and any matters relating to the termination of the appointment or resignation of the external auditors. In addition, the Audit and Risk Management Committee also examines the effectiveness of the Company's internal controls, which involves regular reviews of the internal controls of various corporate structures and business processes, and takes into account their respective potential risk and urgency, to ensure the effectiveness of the Company's business operations and the realization of its corporate objectives and strategies. The scope of such examinations and reviews includes finance, operations, regulatory compliance and risk management. The Audit and Risk Management Committee also reviews the Company's internal audit plan, and submits relevant reports and recommendations to the Board of Directors on a regular basis.

In 2011, the composition of the Audit and Risk Management Committee changed. Mr. Chow Wing Kin Anthony ceased to be the member of the Audit and Risk Management Committee of the Company on July 22, 2011. As considered and approved by the 16th Meeting of the 8th Session of the Board of Directors of the Company held on August 17, 2011, Mr. Woo Ka Biu Jackson was appointed as the member of the Audit and Risk Management Committee of the 8th Session of the Board of Directors of the Company. The Audit and Risk Management Committee comprises 5 Independent Non-executive Directors and 1 Non-executive Director, the ratio of Independent Non-executive Director to director is 80%. They are Mr. Tang Yunwei, Mr. Zhang Hongyi, Mr. Chen Su, Mr. Chung Yu-wo Danny, Mr. Woo Ka Biu Jackson as Independent Non-executive Directors and Mr. Ng Sing Yip as Non-executive Director, all of whom are not involved in the day-to-day management of the Company. The Audit and Risk Management Committee is chaired by an Independent Non-executive Director who also possesses the appropriate professional qualifications or accounting or related financial management expertise.

In 2011, the Audit and Risk Management Committee held 5 meetings. All these meetings were convened in accordance with the Articles of Association. In particular, the Audit and Risk Management Committee reviewed the Company's annual financial statements for the year ended December 31, 2010 and the interim financial results for the six months ended June 30, 2011. Furthermore, the Audit and Risk Management Committee convened the meeting, reviewed the unaudited financial report for the year 2011 and agreed to deliver it to the auditor for auditing, the Audit and Risk Management Committee also convened the first meeting in 2012 and reviewed the audited financial report for the year ended December 31, 2011 at the meeting and was satisfied with their basis of preparation, including the appropriateness of assumptions and accounting policies and standards adopted, and made recommendations to the Board of Directors for their consideration. The attendance of the Audit and Risk Management Committee is as follows:

Members	Meetings attended in person/Meetings required to attend	% of Attendance in person	Meetings attended by proxy/Meetings required to attend	% of Attendance by proxy
Independant Non-executive Directors				
TANG Yunwei (Chairman)	5/5	100%	0/5	0%
CHOW Wing Kin Anthony (retired on July 22, 2011)	2/2	100%	0/2	0%
ZHANG Hongyi	5/5	100%	0/5	0%
CHEN Su	2/5	40%	3/5	60%
CHUNG Yu-wo Danny	4/5	80%	1/5	20%
WOO Ka Biu Jackson (appointed on August 17, 2011)	2/2	100%	0/2	0%
Non-executive Director				
NG Sing Yip	5/5	100%	0/5	0%

Further, in order to enable the members of the committee to better evaluate the financial reporting systems and internal control procedures of the Company, they also met with the Company's external auditors during the year.

The Audit and Risk Management Committee also considered and was satisfied with the performance, independence and objectivity of the Company's auditors and recommended their reappointment at the Company's 2011 Annual General Meeting.

During the reporting period, the remuneration paid to the Company's auditors Ernst & Young is set out as follows:

Services rendered (in RMB million)	Fees paid/payable
Audit services – audits, reviews and agreed upon procedures	54
Other assurance services	2
Non-assurance services	7
Total	63

Remuneration Committee

The primary duty of the Remuneration Committee is to determine the specific remuneration packages of the Company's Directors and senior management, including benefits in kind, pension rights and compensation payments and advise the Board of Directors in relation to establishing a formal and transparent procedure for developing remuneration policy in respect of these individuals, Considering and approving remunerations based on performance and market conditions, with reference to the corporate goals and objectives set forth by the Board of Directors. In particular, the Remuneration Committee is delegated with the specific task of ensuring that no Director or any of his associates is involved in deciding his own remuneration. Where the remuneration of a member of the Remuneration Committee is to be considered, that member's remuneration should be determined by the other members of the committee. Meetings of the Remuneration Committee are to be held at least twice a year.

In 2011, the composition of the Remuneration Committee changed. Mr. Chow Wing Kin Anthony ceased to be the member and Chairman of the Remuneration Committee of the Company on July 22, 2011. Mr. David FRIED ceased to be the member of the Remuneration Committee of the Company due to his work arrangement on October 8, 2011. As considered and approved by the 16th Meeting of the 8th Session of the

Board of Directors of the Company held on August 17, 2011, Mr. Lee Carmelo Ka Sze was appointed as the Chairman of the Remuneration Committee of the Company, and Mr. Woo Ka Biu Jackson was appointed as the member of the Remuneration Committee of the 8th Session of the Board of Directors of the Company. Now, all the four members of the Remuneration Committee are Independent Non-executive Directors, all of whom are not involved in the day-to-day management of the Company. The Remuneration Committee is chaired by an Independent Non-executive Director.

During 2011, the Remuneration Committee held 2 meetings, the attendance of which met the requirements of the Articles of Association and Rules of the Remuneration Committee. The Resolution on the Director Fee of Mr. Cheung Chi Yan Louis, the Resolution on Reviewing of Remuneration of the Senior Management of the Company, the Resolution on Confirmation of Remuneration of Mr. Ren Huichuan (Senior President of the Company) and Mr. Lee Yuansiong/Ms. Ip So Lan (both as Senior Vice President of the Company), the Resolution on Management and Implementation Rules of Incentive Scheme for Senior Management of the Company and the Resolution on Review of Chairman's Remuneration were considered. In addition, the Settlement Reports of Executive Directors of the Company On 2010 Bonuses, the Report of Retained Bonuses established by Mr. Ma Mingzhe and the Report on Settlement of New Long-term Incentive for Executive Directors for 2010 were reviewed. Attendance of meetings by the members of the Remuneration Committee is set out below:

Members	Meetings attended in person/Meetings required to attend	% of Attendance in person	Meetings attended by proxy/Meetings required to attend	% of Attendance by proxy
Independent Non-executive Directors				
LEE Carmelo Ka Sze (Chairman)	2/2	100%	0/2	0%
XIA Liping	1/2	50%	1/2	50%
TANG Yunwei	2/2	100%	0/2	0%
WOO Ka Biu Jackson (appointed on August 17, 2011)	–	–	–	–
CHOW Wing Kin Anthony (retired on July 22, 2011)	1/1	100%	0/1	0%
Non-executive Director				
David FRIED (resigned on October 8, 2011)	1/2	50%	1/2	50%

Nomination Committee

The primary duty of the Nomination Committee is to review, advise and make recommendations to the full Board of Directors regarding candidates to fill vacancies on our Board and to senior executives. Meetings of the Nomination Committee are held when necessary but at least once a year.

Nominations of Directors are considered with reference to an individual's business acumen and undertakings, academic and professional achievements and qualifications, experience, independence, having regard to the Company's activities, assets and management portfolio. The Nomination Committee is delegated with the task of actively considering the needs of the Company at the Directors' level and senior executives' level, studying the criteria and procedure for selecting directors and senior executives, first considering and identifying appropriate candidates, then making recommendations to the full Board and implementing any decisions and recommendations of the Board in the execution of appointments. The aim and principal objective of the Nomination Committee is to ensure that there be maintained a dedicated, professional and accountable Board of Directors to serve the Company and its shareholders.

In 2011, the Nomination Committee comprises 3 Independent Non-executive Directors and 2 Executive Directors, the ratio of Independent Non-executive Director to director is 60% and it is chaired by an Independent Non-executive Director.

In 2011, the Nomination Committee held 2 meetings. The meeting considered and recommended candidates for the directors and senior management to the Board of Directors. Among which, change of member of the Board of Directors included the appointment of Mr. Woo Ka Biu Jackson as an Independent Non-executive Director of the 8th Session of the Board of the Company to fill in for Mr. Chow Wing Kin Anthony and re-designation of Mr. Cheung Chi Yan Louis as Non-executive Director. In addition to nominating candidates for the directors, the Nomination Committee will also review the structure, size and composition of the Board of Directors in accordance with the business activities, assets & management mix of the Company. The attendance records of each member of the Nomination Committee are as follows:

Members	Meetings attended in person/Meetings required to attend	% of Attendance in person	Meetings attended by proxy/Meetings required to attend	% of Attendance by proxy
Independent Non-executive Directors				
ZHANG Hongyi (Chairman)	2/2	100%	0/2	0%
XIA Liping	1/2	50%	1/2	50%
LEE Carmelo Ka Sze	2/2	100%	0/2	0%
Executive Directors				
MA Mingzhe	2/2	100%	0/2	0%
SUN Jianyi	2/2	100%	0/2	0%

CORPORATE GOVERNANCE

Supervisors and the Supervisory Committee

The Supervisory Committee now consists of 6 members, among which there are 3 external supervisors and 3 employee representative supervisors, and the profile of each supervisor has been included in the section headed "Directors, Supervisors, Senior Management and Employees" of this Annual Report. The number of Supervisors and composition of the Committee are in compliance with the regulatory requirements and provisions of the Articles of Association, except there is one vacancy for supervisor due to the resignation of one supervisor appointed by shareholder unit.

The primary functions and powers of the Supervisory Committee include, among others,

- verifying financial reports and other financial information which have been prepared by the Board of Directors and which are proposed to be presented at the shareholders' meetings;
- examining the Company's financial affairs; and
- monitoring compliance of Directors, Chief Executive Officer and other members of senior management of the Company with applicable laws, administrative regulations and the Articles of Association.

During the Reporting Period, the Supervisory Committee held 4 meetings, whereby the supervisors inspected and supervised the operating results and financial activities of the Company through reviewing the documents provided to them, such as the periodic reports and dedicated reports. Adhering to the principle of fairness and honesty, the Supervisory Committee has duly carried out its supervisory duties in a stringent manner to effectively protect the rights and interests of the shareholders, the Company and the employees. In addition, the supervisors also attended the General Meeting and Board meetings held during the Reporting Period, whereby they inspected and supervised the performance of the Directors and the senior management, which guaranteed the constant, stable and healthy growth of the Company. The details of the supervisors' duty performance are set out in the Report of the Supervisory Committee.

Management Committees

The Executive Committee

The Company has also established an Executive Committee, which is the highest execution authority under the Board of Directors. The primary duty of the Executive Committee is to review the Company's internal business reports, the Company's policies in relation to investment and profit distribution and the Company's management policies, development plans and resources allocation plans. The Executive Committee is also responsible for making management decisions in relation to matters such as the material development strategies, business plans, financial systems and major promotions. In addition, the Executive Committee is also responsible for reviewing the business plans of the subsidiaries of the Company and to evaluate the financial performance of the subsidiaries. The Company has also established four special management committees under the Executive Committee, namely, an Investment Management Committee, a Budget Committee, an Investor Relations Management Committee and a Group Risk Control Committee.

The Investment Management Committee

The Investment Management Committee oversees the investment-related operations of the Group, makes decisions on important investments relating to the day to day management of the Group, and generally approves, manages and reviews the Group's investment and related activities, as well as its risk control. The Investment Management Committee is also responsible for improving the Group's Investment Management Monitoring System. The Investment Management Committee is currently composed of 10 members, which is chaired by the deputy director of the Executive Committee of the Company.

The Budget Committee

The Budget Committee leads and provides guidance on our strategic planning and conducts the overall budget management. The Budget Committee is responsible for determining our strategic planning, formulating the guidelines on strategic planning and approving the operating budgets prepared by each of our business units. In addition, the Budget Committee also monitors the implementation of our development strategy, annual budget and business plan. The Budget Committee is currently composed of 8 members, and is chaired by the CFO of the Company.

The Investor Relations Management Committee

The Investor Relations Management Committee is responsible for formulating and amending guidelines for the Company's investor relations management, coordinating, providing guidance to and inspecting the operations of the investor relations department; supervising the collating and organizing of material information in relation to investor relations, and scrutinizing material information that is to be disclosed to the public; scrutinizing the external publication of news, and providing guidance as to responding to any adverse publicity by the media in relation to the Company's operations and activities; providing guidance on communications with shareholders; supervising and organizing road shows and meetings with investors and financial analysts; providing guidance on communicating with the stock exchanges where the company is listed, organizing regular meetings for the investor relations management committee; calling extraordinary meetings to deal with contingency matters; providing guidance on tracking unusual fluctuations in share price; and providing guidance on responding to assessments of the Company given by any assessment authority. The Investor Relations Management Committee is currently composed of 12 members, which is chaired by the President of the Company.

Group Risk Control Committee

The Group Risk Control Committee is responsible for developing the overall objectives, basic policies and work systems of risk management according to the company's development strategy, guiding the establishment of subsidiaries' risk management structure and oversee the performance of their duties; monitoring group's risk exposure and available financial resources, timely send early warning and make recommendations to response; supervising the operation of risk management system in various subsidiaries or business lines, following up the implementation of major recommendations of risk management from audit. The Group Risk Control Committee is currently composed of 9 members, which is chaired by the Chief Internal Auditor of the Company.

Information Disclosure and Investor Relations

The Company endeavoured to establish high-standard corporate governance and believed that a sound corporate governance structure can further enhance the efficiency and reliability of corporate management, and is crucial to maximize the value for our shareholders.

Information disclosure

During the Reporting Period, the Company paid serious attention to and actively carried out self-inspection of corporate governance. Through continuously inspecting every part of our corporate governance, we made sure that the regularity and fairness of corporate governance, the timeliness and transparency of information disclosure, shareholders' value enhancement and recognition, compliance with the financial and accounting standards and requirements of the regulatory authorities, completeness of risk management system and internal control system were all up to the regulatory requirements and there are no corporate governance issues that need to be straightened up.

During the Reporting Period, the Company disclosed the relevant information in a truthful, accurate, complete, timely and effective manner in accordance with the Laws and regulations and the Articles of Association, making sure every shareholder had equal chance to obtain the information, and there was no breach of information disclosure regulations.

During the Reporting Period, there was no such case which the Company has released information illegally to the public or insider trading shares of the Company illegally. During the Reporting Period, there were no such cases as material accounting mistakes, make-up of missing information and revision of profitability forecast.

Investor relations

The Company adopted principles of compliance, objectiveness, consistency, timeliness, interactivity and fairness in providing services actively, passionately and efficiently to the institutional and individual investors home and abroad, aiming at improving acquaintance between the Company and its investors, enhancing corporate governance and realizing the corporate value of fairness of the Company.

During the Reporting Period, the Company paid special attention to communication with the capital market in respect of its integrated financial strategy, cross-selling, acquisition of controlling interests of SDB, direct issuance of H Shares, A Shares convertible bonds and rapid growth in all its business segments. The Company provided illustration of its annual, interim and quarterly results by means of public presentation, video and telephone conferences, roadshows and online roadshows, etc. As for special projects or activities, the Company resorted to telephone conferences, reverse roadshows, gathering of stock market critics, Open Day and so on, to actively promote them in the market, so as to improve the knowledge of capital market about the Company and communication with it. While maintaining good communication with the institutional investors, the Company also established sufficient channels for communication with medium and small investors, including but not limited to online roadshows, corporate website, e-mail and telephone calls, so as to provide better services to them.

During 2011, the Company organized two results releases, two global tele-conference, one Open Day and two gathering of stock market critics, 7 roadshows and 2 online roadshows, received over 200 visits of investors/analysts home and abroad, attended around 50 conferences of investment banks and securities brokers, processed around 150 valid mails from individual investors and over 2000 inquiry phone calls of investors. Moreover, the Company was committed to collecting capital market analysis reports and shareholders' information, and paid special attention to the investors' concerns and advices, aiming at further enhancing the management and operation of the Company as well as its corporate governance. The Company also took great efforts in improving its internal workflow and policy formulation so as to provide the investors with better service in a more efficient way.

During the Reporting Period, Ping An was granted the "2011 Board of Directors Award" by Shanghai Stock Exchange; the "Directors of the Year Awards (Hong Kong Stock Exchange – Hang Seng Index Constituents (Board of Directors Category))" from The Hong Kong Institute of Directors; the "Award for Corporate Governance Excellence of 2011 Hong Kong Corporate Governance Excellence Awards (Main Board – Hang Seng Index Constituents)" co-organised by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance & Financial Policy of Hong Kong Baptist University; "Platinum Award for All-Round Excellence" by The Asset Magazine, "Asian Excellence Recognition Awards 2011" and "Asian Corporate Governance Excellence Awards 2011" by Corporate Governance Asia and various awards to the Board of Directors of the Company by Weekly Financial Management, a renowned financial management magazine in the PRC.

PERFORMANCE OF DUTIES BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The 8th session of the Board of Directors of the Company consists of 7 Independent Non-executive Directors, which is in compliance with the requirements of China Securities Regulatory Commission and China Insurance Regulatory Commission that the number of Independent Non-executive Directors should be one third or more of the total number of directors. The Independent Non-executive Directors all meet the specific independence guidelines as set out in Rule 3.13 of the Listing Rules of The Stock Exchange of Hong Kong Limited, and have presented their annual confirmation on independence to the Company. None of the Independent Non-executive Directors of the Company has any interests in the business or finance of the Company or its subsidiaries, and as a result, the Company continued to believe they are independent. In addition, Independent Non-executive Directors are not allowed to take any administrative positions in the Company. The Independent Non-executive Directors should be reliable to the Company and its shareholders, and are especially responsible for protecting the minority interests. They are playing a significant role in the decision-making of the Board of Directors and are a key link of our corporate governance. What's more, their valuable business and financial experience are crucial to the healthy growth of the Company. During 2011, the Independent Non-executive Directors sounded off their opinions and comments on a number of issues in relation to the Company and its shareholders as a whole.

The Establishment and Perfection of the Work System, Key Contents on Independent Directors and Performance of Duties by Independent Directors

The Company has established and considered and passed the Annual Report Work System of the Independent Non-Executive Directors on 19th March 2008, there are specific regulations on reviewing of connected transactions and responsibilities and obligations in preparing annual reports and disclosure. The Company has established Guidelines on Independent Directors in August 2007 and has also revised Guidelines on Independent Directors in accordance with the Rules Governing the Listing of Securities on Shanghai Stock Exchange (Revised 2008) in April 2009, which have detailed requirements such as the qualifications, nomination, election, change of independent directors, responsibilities and obligations of the Independent Directors and safeguards of performance of duties by independent directors.

The Independent Directors of the Company conscientiously perform their duties and responsibilities conferred by the Articles of Association of the Company, they promptly know the important information of operation of the Company, pay attention to the development of the Company and actively attend the meetings of the Board of Directors during the Reporting Period. The Independent Non-executive Directors have conscientiously considered and made independent advice severally to agree with the following resolutions that were considered by the 8th Session of the Board of the Company in 2011: the Resolution on Re-designation of Mr. Cheung Chi Yan Louis as Non-executive Director of the Company, the Resolution on Recommendation of Mr. Woo Ka Biu Jackson as Independent Non-executive Director of the Company, and the Resolution on Appointment of Mr. Gregory D. Gibb as Senior Vice President of the Company.

The Attendance of the Meetings of the Board of Directors by Independent Non-Executive Directors

During the Reporting Period, the Independent Non-executive Directors conscientiously performed their duties and responsibilities in accordance with the relevant laws and regulations and the Articles of Association of the Company, and they fulfilled their credibility and due diligence obligations as well; they actively attended the meetings of the Board of Directors and the Specialized Committees under the Board, and they made some constructive advice and suggestions towards corporate governance, reform and development and operations; particularly, attention was paid to the legitimate interests of public shareholders and minority shareholders in decision-making process. The details of the attendance of the meetings of the Board of Directors by Independent Non-executive Directors are as follows:

the Names of Independent Non-Executive Directors	Meetings required to attend this year	Meetings attended in person (times)	Meetings attended by proxy (times)	Absence (times)	Remark
ZHANG Hongyi	6	6	–	–	–
CHEN Su	6	4	2	–	Failed to attend in person the 17th and 18th Meetings of the 8th Session of the Board of Directors due to business reasons and authorized Independent Non-executive Directors Mr. Tang Yunwei and Mr. Xia Liping, respectively to attend the meetings and vote on behalf of him respectively.
XIA Liping	6	4	2	–	Failed to attend in person the 14th and 15th Meetings of the 8th Session of the Board of Directors due to sickness and authorized Independent Non-executive Director Mr. Chen Su to attend the meetings and vote on behalf of him.
TANG Yunwei	6	6	–	–	–
LEE Carmelo Ka Sze	6	6	–	–	–
CHUNG Yu-wo Danny	6	5	1	–	Failed to attend in person the 18th Meeting of the 8th Session of the Board of Directors due to business reasons and authorized Independent Non-executive Directors Mr. Tang Yunwei to attend the meetings and vote on behalf of him.
WOO Ka Biu Jackson(1)	3	3	–	–	–
CHOW Wing Kin Anthony(1)	3	3	–	–	–

(1) As considered and passed at the 2010 Annual General Meeting held on June 16, 2011, Mr. Woo Ka Biu Jackson was appointed as an Independent Non-executive Director in place of Mr. Chow Wing Kin Anthony, Mr. Woo Ka Biu Jackson's qualification as a Director was approved by CIRC on July 22, 2011, and he replaced Mr. Chow Wing King Anthony as an Independent Non-executive Director of the Company on the same date.

Objections of Independent Non-executive Directors on Relevant Matters of the Company

During the Reporting period, the Independent Non-executive Directors of the Company did not have any objection on the resolutions at the meetings of the Board of Directors of the Company this year and other resolutions that were not at the meetings of the Board of Directors.

INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDERS ON BUSINESS, STAFF, ASSETS, ORGANIZATION AND FINANCE

The ownership structure of the Company is diversified and there are no controlling shareholders or de facto controllers. As an integrated financial services group, the Company maintains full independence in terms of assets, staff, finance, organization and business under the regulation of China Insurance Regulatory Commission. The Company is an independent legal person responsible for its own profits and losses, running independent complete business and is capable of independent business operation. During the Reporting Period, none of the controlling shareholders or other related parties had occupied the Company's capital. Ernst & Young Hua Ming hereby made the special-purpose explanation for it; the Company has not given any undisclosed information to the controlling shareholder and de facto controller.

Corporate Governance Report

ESTABLISHMENT AND PERFECTION OF THE INTERNAL CONTROL POLICY

The Company stands firm in its commitment to establishing an internal control mechanism which meets all relevant international standards and regulatory requirements. Working in accordance with the National Laws and Regulations of the PRC and the requirements set forth by various regulatory bodies, benchmarking modern management practices of world-class financial institutions, coupled with our integrated financial development strategy and management needs, we have put the "Laws + 1" system into practice. This allows for more effective internal control of our "full coverage, operational-focused, results-oriented, effectively executed and supervision-focused" culture as we aim to enhance our protection against risks and to ensure that the Group and its subsidiaries operate in strict compliance with the relevant Laws and Regulations and regulatory requirements. It also ensures that single/accumulated risks do not exceed the Company's risk thresholds, which effectively expands our three pillar businesses, namely Insurance, Banking and Investment, and which also ensures the cost-effective, sustainable and healthy development of the Group as a whole. In 2011, the Company focused on further promoting the "Ping An Reliable Project" in which we have integrated and enhanced our internal control mechanism and followed the core principle of "effective consolidation", while adhering to the idea of "Regulation as foundation, Risk based approach, Process as connector, Internal control as tool". We have strived to rely upon our systems, procedures and platforms. The Group's risk control methodology, management system and mechanism have been highly praised and recognised by regulatory authorities, our peers in the industry and the media. The influence of Ping An's internal controls has been upheld so that the Group can continue to consolidate its leading position in the industry.

With regard to the structure and platform of our internal controls, we have continued to engage in the optimization of our internal control and risk management system, governance structure and establishment of platform so as to ensure the continued support for the Group's integrated financial strategy. Through the establishment of the Audit and Risk Management Committee and Risk Control Committee, Ping An has formulated a comprehensive risk governance structure. The risk governance structure is designed to enable us to cover the risk management systems of all subsidiaries and business units and to ensure that the Board of Directors has overall responsibility for risk management while the Management provides leadership on daily risk management; it is supported by various committees and related departments and functions. The Board of the Company ("Board") has overall responsibility for the establishment and effective implementation of internal controls for the entire organization. The Audit and Risk Management Committee under the Board is responsible for supervising and reviewing the implementation and assessment of the internal control system as well as coordinating audit functions for internal controls and other relevant control matters. In 2011, the Company has further strengthened the internal cooperation, relevant information sharing and the linkages of the three key functions, namely "Compliance Management, Risk Management and Auditing & Supervision", taking into account each and every stage of risk management.

In terms of internal control mechanisms and measures, the Company has maintained sound corporate governance, a firewall and effective management of related parties' transactions, and also implemented internal control, institutional risk rating and management assessment programs which leverage our strong execution-focused culture. In addition, the Company has established a solid foundation for the effective implementation of internal control activities while preventing systemic risks and risk dissemination. The Company has already established an operating mechanism for the assessment of internal controls which is theory-based and requires all related business divisions to conduct self-assessments on internal controls. In this process, the Risk Management department works on internal control assessments and the Auditing and Supervision department focuses on appraisal while External Auditors provide a mechanism with which to evaluate the status of the Company's internal controls.

Pursuant to the "The Internal Control Guidelines for Enterprises", together with all other related supporting guidelines, the Company has pledged to fulfil all regulatory requirements by certifying its internal control performances in the 2011 Programmes, which were designed for assessing internal control. The "Dragon vs. Tiger" campaign and various other promotional activities with the theme of the "Year of Internal Control and Compliance" were successfully organized and carried out. Promotional activities include introductions through a series of morning meetings, the collection of apothegm and articles on internal controls, and special themed events on the Year of Internal Control and Compliance, which have created an environment that sets an example for compliance. Meanwhile, the Company has further improved its internal control assessment mechanism, having integrated and upgraded its internal control system, strengthened the standardization of the internal control platform and stressed the importance of risk control under the mantra of "Everybody is involved in Internal Control, Everybody is responsible for Compliance, integrating Internal Control with business and process." In addition, we have updated and released the "Internal Control Self-Assessment Manual", which further optimized our internal control mechanism as a whole. Risk status is provided in order to facilitate Management's decision making with an upgraded internal control platform, while daily reviews of the internal control assessment mechanism have also been optimized.

The Company has been pushing forward the formation of the Enterprise Risk Management (ERM) framework, and with steadfast adherence to the prudent philosophy and principle of risk management, continuously improving and refining its risk governance structures. With the most up-to-date techniques in conducting quantitative risk assessment, the Company has managed to integrate these techniques into its daily business operations. In 2011, the Company implemented quantitative assessment of major risk factors through scenario analyses and stress tests so as to ensure that any risk undertaken by the Company is in proportion with returns. The risk reporting framework at the group level which we have put into place encompasses overall risk review and assessment as well as the quantitative management of the risk reporting system. This acts to further improve our risk management mechanism on a consolidated basis to manage counterparty credit risk to various financial institutions with the aim of further preventing and controlling systemic risks incurred by such risk exposure. The group-level supervision of country-specific risk data was set up in order to enhance the Group and its subsidiaries' capabilities in dealing with country-specific risk. The Company also advanced the process of the integration of Shenzhen Development Bank and Ping An Bank following their consolidation. Support has been given to bank branches in implementing the New Basel Capital Accord as required by regulators, and which is aimed at building a solid foundation for overall risk management system; and adopting advanced international concepts in the coming years.

In 2011, the Company has further optimised the auditing and supervision system and the operating mechanism, which fully complies with international standards and regulatory requirements and stands at the forefront of the industry. The Company has persisted in carrying out and promoting independent and vertical centralized auditing and supervision management. The automation level of our platform has been further improved through our continued efforts in exploring and promoting innovative auditing and supervision measures, and we have also realized a transition from periodic supervision to daily supervision. We have also further advanced our risk-oriented auditing and supervision system, in which we have effectively integrated our resources. Through innovative measures, we have shifted the focus of our auditing and supervision activities to the effectiveness of risk control and the assessment of risk management performance with an emphasis on remote auditing and supervision. Each measure is well-coordinated, providing reasonable opinions on assessments of the effectiveness of risk control and the performance of risk management, as well as on early warning, investigation and processing of high-level risks. Our standards and capabilities in IT risk management and internal information control have been significantly improved with the support of IT auditing. Powered by a firewall set up for information on the investment business, specific mechanisms were built for the purpose of cross-wall information sharing and monitoring conflicts of interest, thereby improving the internal management system identifying and eliminating the risk of system failure, as well as the prevention risks from spreading.

The Company has accelerated the process of building a violation prevention and control system which covers the insurance, banking and investment businesses, among others. With regard to insurance, by correlating the work of supervision and remote auditing in an effective manner, the Company has accomplished the discovery and handling of cases upfront so as to prevent further losses and negative impacts through data analysis and risk indicators, resulting in improvements in fraud prevention. In banking, with a focus on the targets of case prevention, a violation prevention and control system that applies to all banks has been built, enabling us to define the structure of case prevention management and to determine the responsibilities of the head office and the branches. In addition, a working system and related support systems for prevention have also been established. By carrying out programmes involving case prevention, such as the "Year of Internal Control and Case Prevention Implementation" and other special activities, our abilities in case prevention has been enhanced. Furthermore, our case prevention management structure has been refined and a case prevention system was established. As a result, the bank has become stronger and better positioned to prevent and control violations and to exercise anti-embezzlement measures, achieving a "zero case" record throughout the year. With regard to investment, leveraging the special firewall project, the Company has launched a mechanism to monitor misconduct in an attempt to control and eliminate high-level risks and embezzlement from the root. We have devoted continuous efforts to strengthen the early warning system. While committed to adopting both prevention and penalty measures, more emphasis has been placed on prevention. Based on strict investigations into any breaches of law or discipline, risk is controlled at its source, leading to the in-depth development of fraud prevention, which safeguards the solid and stable development of the Company.

During the year, the Company maintained, in all material respects, effective internal control over financial reporting in accordance with "The Internal Control Guidelines for Enterprises" and other relevant requirements. The internal control assessment report for the year was considered and approved by the Board of the Company. The Company also engaged Ernst & Young Hua Ming to conduct audit on efficiency of internal control in relation to financial reporting of the Company as well as efficiency of internal control over non-financial reporting and to produce a report on internal control auditing.

THE ASSESSMENT & EVALUATION AND REMUNERATION SYSTEMS OF THE COMPANY

The purpose of the Company's remuneration policy is to attract, retain and motivate talented people so as to help achieve the operational objectives of the Company. The principle of the remuneration policy characterizes a clear orientation, reflecting differences, motivating performances, responding to the market and cost optimization. The remuneration package for the Company's employees is based on the following aspects: the salary shall be determined according to its post value; the remuneration shall be in line with the market conditions; the bonus shall be determined in light of performance and contributions shall be given priority. In addition to remuneration and bonuses, employees also enjoy certain welfare treatment. Meanwhile, the structure of remuneration packages of each subsidiary or business unit may not be the same since they vary in its operating features, the development stage and remuneration level in the market.

As approved at the first extraordinary general meeting of the Company in 2004, the Company has established a long-term award scheme system in the form of virtual option, which is to mobilize and reward the outstanding senior management and certain key employees. In 2011, there was no newly granted long-term award scheme in the form of virtual options, and none of the expired long-term award scheme in the form of virtual options was exercised.

The purpose and principle of the Company's remuneration policy is relatively long-term and stable while the specific strategies and structure of remuneration are to be adjusted and optimized according to the changes in the market and the development stage of the Group's business, etc. so as to help achieve the operational objectives of the Company.

With regard to the remuneration of directors, that of the executive directors is to be determined in accordance with their posts in the Company; independent non-executive directors came from domestic and overseas, while the fees are to be paid in accordance with the different market rates in the mainland and Hong Kong; non-executive directors nominated by shareholders will not receive remuneration. Remuneration of all the directors shall be considered and proposed by the Remuneration Committee under the Board of Directors, and shall also be considered and approved at the shareholders' meeting.

The Company sets forth a clear three-year rotation plan and annual accountability objectives for the senior management in accordance with the business plan, conducting severe accountability appraisals twice a year in light of the objectives achieved and evaluate the senior management on the basis of comprehensive feedback. Accountability results are closely linked to the long-term and short-term award and appointment and removal of cadres. The comprehensive evaluation results serve as an important reference in the promotion of cadres.

OUR COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS OF THE COMPANY (AS SET OUT IN APPENDICES 14 AND 10 TO THE HONG KONG LISTING RULES)

Throughout the period under review and save that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and the Chief Executive Officer of the Company, none of the Directors is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices. Further details of Mr. Ma's roles and reasons for non-separation of the roles are set out further below.

Chairman of the Board of Directors and the Chief Executive Officer of the Company

Code Provision A.2.1 of the Code on Corporate Governance Practices provides that the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. However, after considering the relevant principle of Code Provision A.2.1 of the Code on Corporate Governance Practices and examining the management structure of the Company, the Board is of the view that:

1. Since the Company introduced international strategic investors (The Goldman Sachs Group, Inc and Morgan Stanley) in 1994, the Company has built up a board structure of international standard. In terms of the composition of the Board, we have reached an international, diversified and professional level, and we have established a very structured and strict operation system and a set of meeting procedural rules. The Chairman, as a convener and chair person of the Board meeting, does not have any special power different from that of other directors on the decision making process.

2. In the day-to-day operation of the Company, the Company has in place an established management system and structure, and have appointed various roles and committees such as the President, Executive Committee and other professional committees. Decisions on all material matters will be subject to complete and stringent deliberation and decision making procedures in order to ensure that the Chief Executive Officer can perform his duties diligently and effectively.

3. Since the establishment of the Company, our business and operating results have maintained a continuous, steady and fast growth, and our management model has been widely recognized in the industry. All along, our Chairman of the Board of Directors has assumed the role of Chief Executive Officer of the Company and this model has proven to be reliable, efficient and successful, therefore the continuous adoption of this model will be beneficial to the future development of the Company.

4. There is clear delineation in the responsibilities of the Board and the management set out in the Articles of Association of the Company.

In light of the above, the Board of Directors and management structure have proved to be able to provide the Company with efficient management and, at the same time maximize protection of shareholders' rights. Accordingly the Company does not intend to separate the roles of the Chairman and the Chief Executive Officer at the moment.

Code of Conduct for Securities Transactions by Directors and Supervisors of the Company

On May 28, 2004, the Company adopted the Code of Conduct, which was amended on August 17, 2011, regarding securities transactions by Directors and Supervisors of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all Directors and Supervisors of the Company that they complied with the required standard set out in the Model Code and the Code of Conduct during the period from January 1, 2011 to December 31, 2011, save and except that Mr. Peng Zhijian, a Supervisor of the Company purchased 6,600 A shares of the Company and completed the reporting on July 22, 2011.

By order of the Board of Directors

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
March 15, 2012

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended December 31, 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the provision of a wide range of financial products and services with a focus on the three core businesses namely, insurance, banking and investment. There were no significant changes in the nature of the Group's principal activities during the year.

MAJOR CUSTOMERS

In the year under review, operating income from the Group's five largest customers accounted for less than 1% of the total operating income for the year.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out in "Five-Year Summary".

RESULTS AND APPROPRIATIONS

The Group's results in 2011 are set out in the section titled "FINANCIAL STATEMENTS".

As stated in the 2011 audited financial statements of the Group prepared under CAS, net profit attributable to shareholders of the parent company was RMB19,475 million and net profit of the Company was RMB22,831 million. Pursuant to the Articles of Association and other relevant requirements, the Company shall make appropriation to the statutory surplus reserve fund based on 10% of the net profit of the Company as shown in the financial statements under CAS before determining the profit available for distribution to shareholders in the year 2011. Appropriation to the statutory surplus reserve fund may cease to apply if the balance of the statutory surplus reserve fund reached an amount equal to 50% of the registered capital of the Company. After making the above profit distribution and taken into account the retained profit carried forward from last year, according to the Articles of Association and other relevant requirements, the profit available for distribution to shareholders was RMB22,630 million.

The Company had distributed an interim dividend of RMB0.15 (including tax) per share for 2011, which amounted to a total of RMB1,187,421,313.80. The Company proposes to distribute a final dividend of RMB0.25 (tax inclusive) per share in cash for 2011, which will amount to RMB1,979,035,523.00 based on a total share capital of 7,916,142,092 shares, with the remaining retained profit being carried forward to 2012.

The above proposal will be implemented upon approval at 2011 Annual General Meeting.

The Company has no plan to capitalize from capital reserve and surplus reserve.

Particulars on dividend payouts of the Company over the past three years are set out as follows:

(in RMB million)	Cash dividend amount (including tax)[1]	Net profit attributable to shareholders of the parent company	Ratio (%)
2010	4,204	17,311	24.3
2009	3,395	13,883	24.5
2008	1,469	1,418	103.6

(1) Cash dividends include interim dividend and final dividend of the year.

DISTRIBUTABLE RESERVES
As at December 31, 2011, the Company's reserves available for distribution totalled RMB22,630 million, of which RMB1,979 million has been proposed as a final dividend for the year. The retained profits were carried forward to 2012. In addition, the Company's capital reserve and surplus reserve fund, in the amount of RMB90,488 million, may be distributed by a future capitalization issue.

MANAGEMENT DISCUSSION AND ANALYSIS
For management discussion and analysis, please refer to the section headed "Management Discussion and Analysis".

PARTICULARS ON INVESTMENT DURING THE REPORTING PERIOD
On June 17, 2011, the Company completed the direct issuance of 272 million H Shares to JINJUN LIMITED at a price of HK$71.50 per share, with net proceeds totalling RMB16,134 million. As at the end of the reporting period, all the proceeds raised from this issuance were completely used to replenish the capital of the Company. The non-raised fund of the Company mainly comes from its core insurance business. The Company has been strictly following the relevant requirements of CIRC on the application of insurance fund. All investment in relation to insurance fund was conducted in the normal course of operation.

SHARE CAPITAL
The change in the share capital of the Company in 2011 and the share capital structure of the Company as at December 31, 2011 are set out in "Changes in the Share Capital and Shareholders' Profile".

RESERVES
Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the "Consolidated Statement of Changes in Equity", respectively.

CHARITABLE DONATIONS
Charitable donations made by the Company during 2011 totalled RMB24 million.

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES
Details of movements in investment properties and property and equipment of the Group during the year are set out in notes 28 and 29 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS
There are no provisions regarding pre-emptive rights under the PRC Company Law or the Articles of Association, which would oblige the Company to issue new shares to its existing shareholders in proportion to their existing shareholdings.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY
Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed shares during the year.

DIRECTORS AND SUPERVISORS
The information about Directors and Supervisors of the Company during 2011 and as at the date of this annual report are set out in "Corporate Governance Report" and "Report of the Supervisory Committee".

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT
Biographical details of Directors, Supervisors and members of the senior management are set out in "Directors, Supervisors, Senior Management and Employees".

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION
On April 8, 2009, as considered and approved by the 25th Meeting of the 7th Session of the Board of Directors and the 12th Meeting of the 5th Session of the Supervisory Committee of the Company, the Company entered into service contracts with all Directors of the 8th Session of the Board of Directors and

all Supervisors of the 6th Session of the Supervisory Committee, respectively on July 1, 2009, and entered into service contracts with the newly appointed Director, Mr. Guo Limin, and the Supervisor representing the employees, Mr. Sun Jianping, on March 3, 2010 and March 31, 2010, respectively. The Company also entered into service contracts with newly appointed Supervisor representing the employees, Mr. Xiao Jiyan, and Director, Mr. Woo Ka Biu on May 23, 2011 and August 17, 2011, respectively. Terms, duties, remuneration expenses and confidentiality duties of Directors and Supervisors, and commencement and termination of contracts were specified in the service contracts. As of December 31, 2011, no Directors or Supervisors had a service contract with the Company which was not terminable by the Company within one year without payment of compensation other than statutory compensation.

Details of remuneration of the Directors and Supervisors for the year ended December 31, 2011 are set out in note 48 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

No Directors or Supervisors had a material interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during 2011.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES

Details of Directors' and Supervisors' interests and short positions in shares are set out in the section titled "Directors, Supervisors, Senior Management and Employees".

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, Supervisors or their respective spouse or minor children, nor were any such rights exercised by them, or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

During 2011 and up to the date of this annual report, the following Director is considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group, as defined in the Listing Rules, as set out below:

Mr. Wong Tung Shun Peter, a Non-executive Director of the Company, is currently the Chief Executive of HSBC, a Group Managing Director and a member of the Group Management Board of HSBC, and a Chairman of HSBC Bank (China) Company Limited which is the largest among foreign banks in mainland China and offers a wide range of banking and financial services by an ever-expanding network. As SDB and Ping An Bank, subsidiaries of the Company, are primarily engaged in commercial banking business in the PRC as approved by the CBRC, the authorized banking business of HSBC has, to a certain extent, overlapped and thus may compete with that of SDB and Ping An Bank.

Save as disclosed, as far as the Directors are aware, none of the Directors and Supervisors had any competing interest in a business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

BOARD COMMITTEES

The Company has established a Strategy and Investment Committee, an Audit and Risk Management Committee, a Remuneration Committee and a Nomination Committee. For details regarding these Board committees, please see the relevant sections in the "Corporate Governance Report".

THE WORK OF THE BOARD OF DIRECTORS

The work of the Board of Directors is set out under "Corporate Governance Report".

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

For details regarding substantial shareholders' and other persons' interests and short positions in shares and underlying shares, please refer to section entitled "Changes in the Share Capital and Shareholders' Profile".

CONTINUING CONNECTED TRANSACTIONS

For details regarding continuing connected transactions, please refer to section entitled "Significant Events".

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 54 to the financial statements.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES CONTAINED IN APPENDIX 14 TO THE LISTING RULES

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices for any part of the period from January 1, 2011 to December 31, 2011 except that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and Chief Executive Officer of the Company. Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out under the section headed "Corporate Governance Report".

ESTABLISHMENT AND IMPLEMENTATION OF THE ADMINISTRATION SYSTEM FOR INSIDER INFORMATION AND REGISTRATION

The Company set up the Insider Information Registration System at the 4th Meeting of the 8th Session of the Board held in October 2009 and performed tracking and management on insider trading of shares of the Company in accordance with the relevant requirements of the regulatory authorities such as CSRC and those prescribed under relevant systems. The Company and relevant personnel were not subject to supervisory measures or administrative penalties due to implementation of the Insider Information Registration and Management System or suspect of conducting insider trading.

AUDITORS

According to the resolutions of the 2010 shareholders' meeting of the Company, the Company re-appointed Ernst & Young Hua Ming as the PRC auditors of the Company for financial statements prepared in accordance with PRC Accounting Standards and Ernst & Young as the international auditors of the Company for financial statements prepared in accordance with International Financial Reporting Standards (hereinafter refer to "Ernst & Young") in 2011. As of the end of the reporting period, Ernst & Young has been providing audit services to the Company for ten consecutive years. The resolution on the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the annual general meeting to be held on Wednesday, June 27, 2012 for approval.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, being March 15, 2012, at all times during the year ended December 31, 2011, not less than 20% of the issued share capital of the Company (being the minimum public float applicable to the shares of the Company) was held in public hands.

By order of the Board of Directors

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
March 15, 2012

Report of the Supervisory Committee

To all Shareholders,

During the reporting period, the Supervisory Committee has duly carried out its supervisory duties in a stringent manner and adhered to the principles of fairness and honesty to effectively protect the interests of the shareholders, the Company and its employees in accordance with the relevant provisions of the Company Law of the PRC (the "Company Law") and the Company's Articles of Association.

THE WORK OF THE SUPERVISORY COMMITTEE

On March 29, 2011, the Eighth Meeting of the Sixth session of the Supervisory Committee was held at 4th Floor, Galaxy Development Center, Fuhua No. 3 Road, Shenzhen. During the meeting, the Supervisory Committee considered and approved unanimously the Report of the Supervisory Committee of the Company for 2010, the Resolution Relating to Considering the Annual Report and its Summary of the Company for the Year 2010, the Resolution Relating to Reviewing Corporate Social Responsibility Statement of the Company for 2010, the Resolution Relating to Reviewing Duty Performance Report of Directors of the Company for 2010, and the Resolution on the Consideration of Report on Connected Transactions and Implementation of Management System of Connected Transactions for 2010. The Brief Report on the Compliance of the Company with the Corporate Governance Standards for Listed Companies promulgated by the CSRC and the Code on Corporate Governance Practices promulgated by the Hong Kong Stock Exchange, the 2010 Report on the Anti-Corruption Campaign and the 2010 Assessment Report on Internal Control were also heard and reviewed.

From April 21 to April 27, 2011, the Ninth Meeting of the Sixth session of the Supervisory Committee was held through written communication and voting. During the meeting, the Resolution Relating to Considering the First Quarterly Report (Draft) of the Company for 2011 was considered and approved unanimously.

On August 17, 2011, the Tenth Meeting of the Sixth session of the Supervisory Committee was held at 7th Floor, No.2 Building of Shanghai Ping An's Integrated Operating Centre, No.1288 Shangfeng Road, Pudong New District, Shanghai. During the meeting, the Resolution Relating to Considering the Interim Report (Draft) of the Company for 2011, the Resolution on Engagement of Ernst & Young to Perform Agreed-Upon Procedures on Resignation of Mr. Cheung Chi Yan Louis and the Resolution on Consideration of the Term-of-office Audit Report of Senior Vice President Mr. Ku Man were considered and approved unanimously. The Working Report on the Internal Control of the Company for the First Half of 2011, the Brief Report on the Compliance of the Company with the Corporate Governance Standards for Listed Companies promulgated by the CSRC and the Code on Corporate Governance Practices promulgated by the Hong Kong Stock Exchange, the Report on Investment Trading of Senior Management of the Company on Shanghai Lujiazui International Financial Asset Exchange Co., Ltd. and Xishuangbanna Financial Asset and Mercantile Exchange Co., Ltd. as well as the Report on Staff Investment in Ping An Trust Products were also heard and reviewed.

From October 21 to October 26, 2011, the Eleventh Meeting of the Sixth session of the Supervisory Committee was held through written communication and voting. During the meeting, the Third Quarterly Report (Draft) of the Company for 2011 and the Resolution on Consideration of the Term-of-office Audit Report of Certain Senior Management of the Company were considered and approved unanimously.

Details of members' attendance at meetings of the Supervisory Committee are set out as follows:

Class of Supervisors	Name	Date of appointment	Meetings attended/ Meetings required to attend	Percentage of attendance
Independent Supervisors	GU Liji (Chairman)	June 3, 2009	4/4	100%
	SUN Fuxin	May 16, 2003	4/4	100%
	PENG Zhijian	June 3, 2009	4/4	100%
Supervisors as representatives of shareholders	SONG Zhijiang (retired)(1)	June 3, 2009	2/2	100%
Supervisors as representatives of employees	DING Xinmin	June 3, 2009	4/4	100%
	SUN Jianping	March 19, 2010	4/4	100%
	XIAO Jiyan(2)	May 5, 2011	2/2	100%
	WANG Wenjun (retired)(2)	May 25, 2006	2/2	100%

(1) Mr. Song Zhijiang resigned as a Supervisor of the Company in July 2011 due to his work arrangement.

(2) Ms. Wang Wenjun resigned as a Supervisor representing the employees of the Company in March 2011 due to her work arrangement. In the employee representatives meeting held by the Company on March 7, 2011, Mr. Xiao Jiyan was elected to replace Ms. Wang Wenjun as a Supervisor representing the employees of the Sixth Session of the Supervisory Committee. The qualification of Mr. Xiao Jiyan as Supervisor was approved by CIRC on May 5, 2011, on which day Mr. Xiao Jiyan replaced Ms. Wang Wenjun as Supervisor representing the employees of the Company.

In September 2011, certain members of the Supervisory Committee conducted inspection and review in the Company's Life, Property & Casualty and Annuity Branches in Xinjiang province as well as the Ping An Securities Sales Office at Renmin Lu, Urumqi. Opinions collected from the vast ground-level staffs were considered and constituted as the investigation report to the management of the aforesaid subsidiaries. Meanwhile, feedback report by the management for settling relevant problems was addressed to all the Directors and Supervisors. During this reporting period, certain members of the Supervisory Committee attended the following meetings as non-voting participants: the 2010 Annual General Meeting as well as 6 spot meetings of the Board.

INDEPENDENT OPINION ON THE RELEVANT ISSUES FROM THE SUPERVISORY COMMITTEE

(1)Lawful Operation

During the reporting period, the Company operated and managed its businesses in accordance with the laws and regulations. Its operational results were objective and true. There was greater development and improvement in the depth and scope of internal control management. The internal control system is complete, reasonable and effective. Its operational decision-making processes were lawful. The Directors and other senior management staff were cautious, serious and diligent in the business operations and management processes. They had never breached any laws, regulations, and the Articles of Associations of the Company or harmed the interests of the shareholders.

(2)Authenticity of the Financial Statement

Ernst & Young Hua Ming and Ernst & Young have issued the standard unqualified auditor's reports in accordance with the PRC and Hong Kong accounting principles respectively for the Company's financial statements of the year. The financial statements truly, fairly and accurately reflected the financial condition and results of operations of the Company.

(3)Use of Proceeds From the Company's Latest Public Offering

On June 17, 2011, the Company completed the issuance of 272 million H shares to JINJUN LIMITED at a price of HK$71.50 per share, totalling HK$19,448,000,000 or RMB16,168,678,240. After deduction of RMB34,315,266 issuing fees, net proceeds being raised were RMB16,134,524,083 (including the RMB161,109 after conversion of the interest accrued on the amount for the application of subscription during the freeze-up period). As at November 30, 2011, the above mentioned proceeds after netting of issuing fees were completely used to replenish the capital of the Company and all the proceeds were fully utilized.

(4)Company's Acquisition and Asset Disposal

During the reporting period, the acquisition and sale of assets by the Company are as follows:

Direct Issuance of H Shares

On March 14, 2011, as mentioned in the announcement of the Company, the 13th meeting of the 8th Session of the Board held on March 14, 2011 passed the Resolution on Direct Issuance of H Shares and agreed the entering into of the Subscription Agreement in relation to the subscription of H shares in Ping An Insurance (Group) Company of China, Ltd. with JINJUN LIMITED for the direct issuance of up to 272,000,000 overseas listed foreign shares to JINJUN LIMITED (hereinafter defined as "Direct Issuance of H Shares"). The Direct Issuance of H Shares is subject to review, approval and consent of relevant regulatory departments.

On June 14, 2011, as mentioned in the announcement of the Company, the Company obtained the letter of approval from CSRC, pursuant to which CSRC has approved the direct issuance of not more than 272,000,000 overseas listed foreign shares to JINJUN LIMITED by the Company.

On June 17, 2011, as mentioned in the announcement of the Company, the Company completed the issuance of 272,000,000 H shares to JINJUN LIMITED at the issue price of HK$71.50 per share. The Company's total issued share capital has been changed from 7,644,142,092 shares to 7,916,142,092 shares. The Company will subsequently complete the changes in industrial and commercial registration procedures in accordance with relevant requirements.

On November 29, 2011, as mentioned in the announcement of the Company, the Company completed amendments to the Articles of Association and changes of registered capital. The registered share capital of the Company was changed to RMB7,916,142,092.

Report of the Supervisory Committee

Major Asset Restructuring with Shenzhen Development Bank

On May 8, 2011, as mentioned in the announcement of the Company, the Company was informed that Shenzhen Development Bank has received the notice from CSRC. The Merger & Acquisition Committee of CSRC would soon review the Shenzhen Development Bank's major asset restructuring, which is the major asset restructuring and connected transaction of Shenzhen Development Bank by way of non-public issuance of shares to the Company by Shenzhen Development Bank as the issuer for its acquisition of assets.

On May 12, 2011, as mentioned in the announcement of the Company, the Company was informed that Shenzhen Development Bank's major asset restructuring matter of issuance of shares for acquisition of assets and connected transaction has been reviewed and approved with conditions by the 12th meeting of year 2011 of the Listed Company Merger & Acquisition Committee of CSRC on May 12, 2011.

On June 28, 2011, as mentioned in the announcement of the Company, the Company's major asset restructuring with Shenzhen Development Bank was approved by CSRC.

On June 29, 2011, as mentioned in the announcement of the Company, based on the review opinion of CSRC, amendment was made to the "Major Assets Acquisition and Connected Transaction Report (Draft) of Ping An Insurance (Group) Company of China, Ltd." which was disclosed by the Company on September 15, 2010. The revised full report was disclosed on the website of the Shanghai Stock Exchange.

On July 28, 2011, as mentioned in the announcement of the Company, the Company's major asset restructuring with Shenzhen Development Bank was completed, and the details of the major asset restructuring have been disclosed.

Information on the Share Subscription relating to the Non-Public Issuance of Shenzhen Development Bank

On August 17, 2011, as mentioned in the announcement of the Company, the Company proposed to subscribe for not less than 892,325,997 shares but not more than 1,189,767,995 shares of Shenzhen Development Bank issued through non-public issuing (hereinafter referred to as the "Share Subscription").

As at the date of the Annual Report, the Share Subscription is subject to the approval from relevant regulatory authorities.

Particulars on Issuance of A Share Convertible Corporate Bonds

On December 20, 2011, as mentioned in the announcement of the Company, the Company proposed to issue in aggregate not more than RMB26 billion A Share Convertible Corporate Bonds. Such Convertible Bonds and A Shares to be converted into upon the conversion of the Convertible Bonds will be listed on Shanghai Stock Exchange (hereinafter referred to as the "Bond Issue").

As at the date of the Annual Report, the Bond Issue is subject to the approval of the relevant regulatory authorities.

(5)Connected Transactions

The Supervisory Committee had approved the Report on Connected Transactions and Implementation of Management System of Connected Transactions for 2011 and considered the connected transactions of the Company were fair and reasonable, and did not find any harm against the interests of the shareholders and the Company.

(6)Internal Control System

The Supervisory Committee had heard and reviewed the First Half of 2011 Working Report on Internal Control and 2011 Assessment Report on Internal Control, and considered the Company has set up a more complete, reasonable and effective internal control system.

(7)Implementation of the Resolutions Approved in the Shareholders' General Meetings

The members of the Supervisory Committee attended the meetings of the Board of Directors and the shareholders' general meetings, and did not have any objection on the reports and proposals which were submitted to the shareholders' general meetings by the Board of Directors. The Supervisory Committee has monitored the implementation of the resolutions approved in the shareholders' general meetings and is of the opinion that the Board of Directors can duly implement the resolutions approved in the shareholders' general meetings.

In the coming year, the Supervisory Committee will further enhance its work principles and fully implement a scientific perspective for its development. It will continue to carry out its duties in accordance with the relevant provisions of the Company Law, the Articles of Association of the Company and the Listing Rules. It will adhere to the principles of diligence, fairness and honesty, maximize its supervisory efforts with the aim of protecting the interests of the Company and its shareholders as a whole and commit to performing supervisory duties honestly and diligently, so as to achieve the best results in all respects.

By order of the Supervisory Committee

GU Liji
Chairman of the Supervisory Committee

Shenzhen, PRC
March 15, 2012

SHARES HELD IN OTHER LISTED COMPANIES AND NON-LISTED FINANCIAL ENTERPRISES

Securities Investments Classified as Held for Trading Financial Assets

No.	Type	Stock code	Short name	Initial investment cost (RMB million)	Number of shares at the end of period (million shares/ million pieces)	Carrying amount at the end of the period (RMB million)	Percentage to total securities investments at the end of the period (%)	Profit or loss for the reporting period (RMB million)
1	Convertible bond	125709	Tangsteel CB	332	3.0	319	63.3	(5)
2	Convertible bond	113001	Bank of China CB	114	1.1	104	20.6	(10)
3	Stock	300182	Jetsen Technology Co.	25	0.7	26	5.2	2
4	Stock	000538	Yunnan Baiyao	6	0.3	14	2.9	(2)
5	Stock	002527	STEP	21	1.0	13	2.7	(12)
6	Stock	300055	WBD	27	0.6	11	2.1	(21)
7	Stock	000423	Dong-E E-jiao	3	0.2	6	1.3	(1)
8	Stock	000536	CPT TECH GROUP	7	0.3	4	0.9	(2)
9	Stock	002161	INVENGO	4	0.2	4	0.8	(3)
10	Stock	600467	HOMEY	2	0.2	2	0.3	(1)
Other securities investments held at the end of the period				–	–	–	–	–
Profit or loss upon disposal of securities investments for the reporting period				–	–	–	–	(261)
Total				541	-	503	100.0	(316)

Notes: (1) Securities investments listed in the table include stocks, warrants and convertible bonds.
(2) Other securities investments refer to securities investments other than the above top ten securities.
(3) Profit or loss for the reporting period includes dividend income and gain or loss from fair value change during the reporting period.

Top Ten Equity Investments in Other Listed Companies

No.	Stock code	Short name	Initial investment cost (RMB million)	Carrying amount at the end of the period (RMB million)	Percentage of shareholding in such companies (%)	Profit or loss for the reporting period (RMB million)	Change in shareholders' equity for the reporting period (RMB million)	Accounting item
1	601398	ICBC	10,915	10,638	0.8	302	(179)	AFS
	HK1398		833	581		20	(185)	AFS
2	601288	ABC	11,266	10,879	1.3	132	(328)	AFS
	HK1288		128	97		1	(22)	AFS
3	601939	CCB	10,453	9,743	0.9	321	(602)	AFS
	HK0939		713	532		19	(186)	AFS
4	000538	Yunnan Baiyao	1,407	3,445	9.4	7	358	AFS
5	601006	Daqin Railway Co.	1,884	1,642	1.5	79	(117)	AFS
6	601328	BANKCOMM	1,345	1,210	0.5	2	(153)	AFS
	HK3328		118	83		–	(43)	AFS
7	BE0003801181	Ageas (original name: Fortis)	23,874	1,185	4.6	84	(637)	AFS
8	HK1929	CHOW TAI FOOK	1,271	1,162	1.0	–	(109)	AFS
9	600000	SPD Bank	1,047	941	0.6	3	(142)	AFS
10	600029	China South Air	1,179	822	1.8	–	(431)	AFS
	HK1055		7	7		–	(2)	AFS

Notes: (1) Profit or loss for the reporting period refers to dividend income.
(2) Percentage of shareholding in such companies is calculated using the total shares we held.
(3) Shares were acquired from the primary and secondary markets, non-public directed issuance or bonus issue etc.

Equity Investments in Non-listed Financial Enterprises

No.	Name	Initial investment cost (RMB million)	Number of shares (million)	Percentage of shareholding in such companies (%)	Carrying amount at the end of the period (RMB million)	Profit or loss for the reporting period (RMB million)	Change in shareholders' equity for the reporting period (RMB million)	Accounting item	Source
1	Taizhou City Commercial Bank Co., Ltd.	361	186	10.33	361	–	–	AFS	Purchased
2	Central China Securities Holding Co., Ltd.	826	632	31.08	1,684	262	(3)	Investment in associates	Purchased

Particulars on Trading of Other Listed Companies' Shares

	Number of shares purchased/disposed during the reporting period (million shares)	Amount used (in RMB million)	Investment income (in RMB million)
Purchase	19,593	138,444	–
Disposal	11,911	–	506

Being a large integrated financial group, the Company covers all financial sectors including insurance, banking, securities, trust and asset management. Therefore, capital market investment is our key business of operating activities. The Company conducted its investment stringently in compliance with relevant regulatory requirements while actively seizing any market opportunities and made timely adjustment to its investment strategies so as to bring long term and stable return for its shareholders. The above data summarizes the equity investment of the Company and its subsidiaries.

ASSET TRANSACTION

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Significant Events

Major Asset Restructuring with Shenzhen Development Bank

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As at the date of the Annual Report, the Share Subscription is subject to the approval from relevant regulatory authorities.

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As at the date of the Annual Report, the Bond Issue is subject to the approval of the relevant regulatory authorities.

For further details, please refer to the related announcements published in Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily, and on the website of the Shanghai Stock Exchange (www.sse.com.cn) on March 15, 2011, May 9, 2011, May 13, 2011, June 15, 2011, June 18, 2011, June 29, 2011, June 30, 2011, July 29, 2011, August 18, 2011, November 30, 2011 and December 21, 2011.

IMPLEMENTATION OF SHARE INCENTIVE SCHEME OF THE COMPANY AND ITS EFFECTS

During the reporting period, the Company has not implemented any share incentive scheme.

MATERIAL CONNECTED TRANSACTIONS

Continuing Connected Transactions

On December 18, 2009, resolutions were passed at the second extraordinary general meeting of the Company in 2009 to approve that the maximum deposit balance of the Group and its subsidiaries at HSBC on any given day during the period from 2010 to 2012 shall not exceed US$1,500 million and that the maximum deposit balance at the Bank of Communications Co., Ltd. ("Bank of Communications") on any given day during the period from 2011 to 2012 shall not exceed RMB39 billion.

Continuing connected transactions of deposit nature with HSBC

Since HSBC holds more than 5% of the shares in the Company, HSBC is a connected person of the Company pursuant to Rule 10.1.3 of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange ("SSE Listing Rules"). Further, HSBC Holdings plc is a substantial shareholder of the Company, HSBC, being an indirect subsidiary of HSBC Holdings plc is therefore also a connected person of the Company under Rule 14A.11(4) of the Listing Rules. Therefore, the ordinary transactions of deposit nature between the Group and HSBC constitute both connected transactions in the ordinary and usual course of business as defined under the SSE Listing Rules and continuing connected transactions as defined under the Listing Rules.

The Group maintains bank balances with HSBC on normal commercial terms in the ordinary course of business. The relevant banking documents executed by the Group with HSBC do not provide for the bank accounts with HSBC to be maintained for any fixed period of time. Interests are accrued on such bank balances at prevailing market rates.

As at December 31, 2011, the aggregate bank balances maintained by the Group with HSBC was approximately US$58 million.

In the opinion of the Independent Non-executive Directors, after having reviewed the above continuing connected transactions, such transactions were entered into by the Group:

(1) in the ordinary and usual course of its business;

(2) on normal commercial terms or on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the terms of agreements governing them on terms that are fair and reasonable so far as the shareholders of the Company are concerned and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

Connected transactions of deposit nature with Bank of Communications

Since Mr. Wong Tung Shun Peter, being a Non-executive Director of the Company, is also a Non-executive Director of Bank of Communications, Bank of Communications is a connected person of the Company pursuant to Rule 10.1.3 of the SSE Listing Rules. Therefore, the ordinary transactions of deposit nature between the Group and Bank of Communications constitute connected transactions in the ordinary and usual course of business as defined under the SSE Listing Rules.

The maximum deposit balance of the Group at Bank of Communications on any given day during 2011 have not exceeded the annual cap of RMB39 billion.

Other Connected Transactions

The Company's major asset restructuring with SDB has constituted a connected transaction for the Company under the SSE Listing Rules. Please refer to the "Asset Transaction" for details. During the reporting period, the Company had no other major connected transactions.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

Guarantee

(in RMB million)	External guarantee of the Company (excluding the guarantee in favor of its subsidiaries)
Total guarantee incurred during the reporting period	–
Total guarantee balance as at the end of the reporting period	–

	Guarantee of the Company in favor of its subsidiaries
Total guarantee in favor of its subsidiaries incurred during the reporting period	1,594
Total guarantee balance in favor of its subsidiaries as at the end of the reporting period	6,098

	Total guarantee of the Company (including the guarantee in favor of its subsidiaries)
Total guarantee	6,098
Total guarantee as a percentage of the Company's net assets (%)	4.7

Note: The guarantee business is one of the ordinary banking businesses of Shenzhen Development Bank, a non wholly owned subsidiary of the Company, and has been approved by the PBOC and the CBRC. SDB has conducted financial guarantee business in strict compliance with the scope approved by relevant regulatory, otherwise there is no any other major guarantee business need to be disclosed by the Group.

Entrustment, Underwriting, Lease, Asset under Management, Entrusted Loan and Other Material Contracts

No matters relating to entrustment, underwriting, lease, asset under management, entrusted loan or other material contracts of the Company were required to be disclosed during the reporting period.

MATERIAL LITIGATIONS OR ARBITRATIONS

During the reporting period, the Company had no material litigation or arbitrations.

UNDERTAKINGS

Shareholders' Undertakings

The Company received written notices from Linzhi New Horse Investment Development Co., Ltd., Linzhi Jingao Industrial Development Co., Ltd. and Gongbujiangda Jiangnan Industrial Development Co., Ltd. (previously Shenzhen Jiangnan Industrial Development Co., Ltd.) on February 22, 2010. According to such written notices, Linzhi New Horse Investment Development Co., Ltd. and Linzhi Jingao Industrial Development Co., Ltd. will reduce their shareholdings in the Company by not more than 30% of the 389,592,366 A shares and the 331,117,788 A shares respectively per annum through the offer for sale in the secondary market as well as the block trading platform in the next five years. Out of the A shares held by Gongbujiangda Jiangnan Industrial Development Co., Ltd., the holding of 88,112,886 A shares will also be reduced in the next five years through the offer for sale in the secondary market as well as the block trading platform, by not more than 30% of the 88,112,886 A shares per annum. As at December 31, 2011, all of the above three shareholders had fulfilled their respective undertakings given in the written notices.

Undertakings in Respect of Investment in SDB

(1) Ping An Life undertakes, in respect of subscription for the 379,580,000 new shares of SDB issued through non-public issuing, that it shall not transfer the subscribed shares within 36 months from the date of listing of the above subscribed shares, being September 17, 2010, except for the transfer between Ping An Life and its connected parties (including its controlling shareholders, de facto controllers and the other entities under the control of its de facto controllers) to the extent permitted by the laws and approved by the relevant regulatory authorities. Should Ping An Life enter into any transaction in violation of the above undertakings, the China Securities Depository and Clearing Corporation Limited, Shenzhen branch ("Depository and Clearing Corporation") shall be authorized to transfer the proceeds from the sales of the subscription shares into the account of SDB owned by its shareholders as a whole.

(2) The Company undertakes that it shall, in strict compliance with the relevant laws and regulations as well as the requirements of the regulatory authorities, take legal and practicable measures to integrate SDB and Ping An Bank within three years from the date of completion of the transaction, by means of, but not limited to, consolidation, so as to avoid competition between the Group members in the same industry.

As of December 31, 2011, the above undertakings were still being performed.

Undertakings in Respect of the Major Asset Restructuring of SDB

(1) The Company undertakes that it will, in strict compliance with the relevant laws and regulations as well as the requirements of the regulatory authorities, start integration of Ping An Bank and SDB as soon as possible while going through the necessary internal decision-making process and reporting to the relevant regulatory authorities for approval, aiming at completing the integration within one year. As there is uncertainty in obtaining approval from the regulatory authorities, the exact time of completing the integration will depend on the progress of consideration and granting approval by the regulatory authorities. The Company will conduct frequent communications with the authorities, aiming to obtain the approval and complete the integration as soon as possible.

(2) The Company undertakes that it shall not, within 36 months since the date of completion of the non-public issuing of shares by SDB, transfer all of the subscribed shares issued through non-public issuing, except for the transfer between the Company and its connected parties i.e. any parties directly or indirectly controlling the Company or under the direct or indirect control of the Company or under the control of the same controller as that of the Company, to the extent permitted by the applicable laws. Upon expiry of the above mentioned term, the Company will be free to dispose of the newly-issued shares pursuant to the requirements of the CSRC and the Shenzhen Stock Exchange.

(3) According to the Profit Forecast Compensation Agreement entered into between the Company and SDB on September 14, 2010, the Company shall prepare the pro forma net profit amount of Ping An Bank (the "Realized Profits") in accordance with the PRC Accounting Standards for Business Enterprises within four months after the end of each year within three years upon the completion of the issuing shares for purchase of assets (the "Compensation Period") and procure its appointed accounting firm to issue a special audit opinion (the "Special Audit Opinion") in respect of such Realized Profits and the difference between such Realized Profits and the Forecasted Profits as soon as possible. If, based on the Special Audit Opinion, the Actual Profits of Ping An Bank in any year during the Compensation Period is lower than the corresponding Forecasted Profits, the Company shall pay 90.75% of the shortfall between the Actual Profits and the Forecasted Profits to SDB in cash ("Compensation Amount"). The Company shall, within the 20 business days after the issue of the Special Audit Opinion for the year, transfer the amount in full into the bank account designated by the SDB.

(4) In respect of the two properties of Ping An Bank, for which the ownership certificates had not been obtained, the Company has issued "The Letter of Undertaking from Ping An Insurance (Group) Company of China, Ltd. in relation to the Compensation for the Losses Arising from the Potential Title Disputes of Ping An Bank Company Limited". According to the Letter of Undertaking, the Company undertakes that if title disputes occurred in respect of the above properties of Ping An Bank in the future, the Company will make efforts to coordinate the parties for proper settlement of the disputes, so as to avoid any adverse effect on the normal operation. If the above branches incur additional costs or their revenue decreases due to the title disputes, the Company promises that it will compensate SDB in cash for the loss arising from the handling of the title disputes by Ping An Bank.

Besides, in respect of the two properties the ownership certificates of which have not been obtained, the Company has issued "The Letter of Undertaking from Ping An Insurance (Group) Company of China, Ltd. in relation to settlement of properties with title defects of Ping An Bank Company Limited". According to the Letter of Undertaking, the Company undertakes that, within three years following completion of the transaction, if SDB fails to obtain the ownership certificates for the two properties and fails to dispose of the same properly, the Company shall, within three months upon expiry of the three-year period, purchase or designate any third party to purchase those properties at a fair and reasonable price.

(5) The Company has issued a letter of undertaking in respect of the gains or losses derived from the acquisition of consideration assets during the transitional period that, from the date following the basis of valuation to the date of the completion of transfer of shares to SDB, all gains as derived from the acquisition of consideration assets are vested to SDB while relevant losses are borne by the Company.

(6) The Company undertakes that, after the completion of the major assets reorganization and during the period when the Company remains as the controlling shareholder of SDB, and in respect of the businesses of the Company and the enterprises under its control intend to carry out or they obtaining the business or commercial opportunities similar to those of SDB whereby the assets and businesses arising from such business or commercial opportunities may possibly form potential competition with those of SDB, the Company and the enterprises under its control shall not be engaged in the businesses identical or similar to those carried out by SDB, so as to avoid direct or indirect competition with the operations of SDB.

(7) The Company undertakes that, after the completion of the major assets reorganization and in respect of the transactions between the Company and the enterprises under its control and SDB which constitute the connected transactions of SDB, the Company and the enterprises under its control shall enter into transaction with SDB following the principle of "fairness, justness and openness" at fair and reasonable prices, and shall go through the decision-making process according to the requirements of the relevant laws and regulations and regulatory documents and perform their obligations of information disclosure as required by law. The Company undertakes that the Company and the enterprises under its control shall not procure any illegal interests or let SDB undertake any illicit obligations through the transactions with SDB.

(8) The Company undertakes that, after the completion of the major asset restructuring and during the period when the Company remains as the controlling shareholder of Shenzhen Development Bank, the Company shall maintain the independence of Shenzhen Development Bank and ensure that Shenzhen Development Bank is independent from the Company and the enterprises under its control in respect of personnel, assets, finance, organization and business.

As of December 31, 2011, except the undertaking as referred in item (5) above was performed at July 20, 2011, all the remaining were still being performed.

Other Undertakings

On September 16, 2011, the Company issued to Shenzhen Development Bank "The Letter of Undertaking for the Enhanced Management of Unpublished Information". The Company undertook in the letter that it will: establish and enhance the internal control system for the management of unpublished information of listed companies; procure our staff who have access to unpublished information of Shenzhen Development Bank not to deal in the securities of Shenzhen Development Bank or propose others to deal in the securities of Shenzhen Development Bank by taking advantages of such information so accessed; not disclose any unpublished information of Shenzhen Development Bank. The Company shall provide the true, complete and accurate name list of its staff who have access to the unpublished information of Shenzhen Development Bank in a timely manner, and such name list shall be filed with the Shenzhen Securities Regulatory Bureau and the Shenzhen Stock Exchange by Shenzhen Development Bank.

As of December 31, 2011, the above undertakings were performed.

APPOINTMENT OF AUDITOR

Information of the Company's auditors and the remuneration paid to auditors are set out in the sections entitled " Report of the Directors" and "Corporate Governance Report".

PUNISHMENTS IMPOSED ON THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS AND DE FACTO CONTROLLERS AND RECTIFICATIONS

During the reporting period, the Company and its Directors, Supervisors, senior management, shareholders and de facto controllers were not subject to the inspection, administrative penalties, punishment notice by CSRC, and the public condemnation by the stock exchange.

ENTERPRISE INCOME TAX WITHHOLDING

Enterprise Income Tax Withholding of Overseas Non-Resident Enterprises

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China which came into effect on January 1, 2008 and its implementing rules, the Company shall be obligated to withhold 10% enterprise income tax when it distributes 2011 final dividend to non-resident enterprise holders of H shares, including Hong Kong Securities Clearing Company Nominees Limited, as listed on the Company's register of members of H shares on July 13, 2012 (the "Record Date"); after the legal opinion is provided by the resident enterprise shareholders within the stipulated time frame and upon the Company's confirmation of such opinion, the Company will not withhold any enterprise income tax when it distributes 2011 final dividend to resident enterprise holders of H shares listed on the Company's register of members of H shares on the Record Date.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company's register of members of H shares which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire the Company to withhold the said 10% enterprise income tax, it shall submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Tuesday, July 3, 2012 a legal opinion, issued by a PRC qualified lawyer (inscribed with the seal of the applicable law firm), that verifies its resident enterprise status.

Individual Income Tax Withholding of Overseas Individual Shareholders

The Circular on the Questions Concerning Tax on the Profits Earned by Enterprises with Foreign Investment, Foreign Enterprises and Individual Foreigners from the Transfer of Stocks (Stock Rights) and on Dividend Income (Guo Shui Fa [1993] No. 045) was repealed on January 4, 2011, and therefore individual holders of H shares who hold the Company's H shares and whose names appear on the register of members of H shares of the Company can no longer be exempted from PRC individual income tax. Upon the confirmation of the Company after having making consultation with the relevant tax authorities, and pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China and its implementation regulations, the individual resident shareholders outside the PRC shall pay individual income tax upon their receipt of distribution of dividends and bonus in respect of the shares issued by domestic non-foreign investment enterprises in Hong Kong, which shall be withheld by obligors on behalf of such individual shareholders by law. Those individual resident shareholders outside the PRC may, however, enjoy relevant preferential treatments in accordance with the provisions of applicable tax agreements signed between the countries where they belong to by virtue of residential identification and the PRC as well as the tax arrangements made between the Mainland China and Hong Kong (Macau).

Pursuant to the aforesaid tax regulations and the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Fa [2011] No. 348), the Company shall generally be obligated to withhold individual income tax at the tax rate of 10% when it distributes 2011 final dividend to individual holders of H shares appear on the Company's register of members of H shares on the Record Date. However, unless stated in the tax regulations and relevant tax agreements otherwise, the Company will withhold individual income tax based on the amount of the dividend at the relevant tax rate and in accordance with the procedures.

If individual holders appear on the Company's register of members of H shares, and who are citizens from the countries applying a tax rate of less than 10% under tax agreements, are not applicable to be withheld individual tax at the rate of 10% by the Company, the Company may handle applications on their behalf for preferential treatments as stipulated in relevant agreements pursuant to the Notice of the State Administration of Taxation on Issues about the Administrative Measures for Non-residents to Enjoy the Treatments of Tax Treaties (for Trial Implementation) (Guo Shui Fa [2009] No. 124). Qualifying shareholders are required to submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Tuesday, July 3, 2012 a written authorization and relevant evidencing documents, which shall be handed on by the Company to the applicable tax authorities for approval, and then excess portion of the tax amounts withheld can be refunded.

The Company will withhold the enterprise income tax as well as the individual income tax for shareholders as required by law on the basis of the Company's register of members of H shares on the Record Date. The Company assumes no liability and will not deal with any dispute over income tax withholding triggered by failure to submit proof materials within the stipulated time frame, and holders of H shares of the Company shall either personally or appoint a representative to attend to the procedures in accordance with the applicable tax regulations and relevant provisions of the People's Republic of China.

All investors are requested to read this report carefully. Shareholders are recommended to consult their taxation advisors regarding their holding and disposing of H shares of the Company for the PRC, Hong Kong and other tax effects involved.

OTHER SIGNIFICANT EVENTS

No further significant events of the Company were required to be disclosed during the reporting period.

Independent Auditors' Report

To the shareholders of
Ping An Insurance (Group) Company of China, Ltd.
(Registered in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Ping An Insurance (Group) Company of China, Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 136 to 253, which comprise the consolidated and company statements of financial position as at 31 December 2011 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
15 March 2012

Consolidated Income Statement

For the year ended 31 **December** 2011

(in RMB million)	Notes	2011	2010
Gross written premiums and policy fees	7	**207,802**	159,384
Less: Premiums ceded to reinsurers		**(10,970)**	(8,181)
Net written premiums and policy fees	7	**196,832**	151,203
Change in unearned premium reserves		**(10,170)**	(10,079)
Net earned premiums		**186,662**	141,124
Reinsurance commission income		**3,656**	2,616
Interest income from banking operations	8	**39,314**	9,331
Fees and commission income from non-insurance operations	9	**8,614**	5,543
Investment income	10	**29,265**	31,083
Share of profits and losses of associates and jointly controlled entities		**1,068**	1,465
Other income	11	**3,665**	4,652
Total income		**272,244**	195,814
Claims and policyholders' benefits	12	**(145,764)**	(115,077)
Commission expenses on insurance operations		**(17,767)**	(14,545)
Interest expenses on banking operations	8	**(20,432)**	(3,397)
Fees and commission expenses on non-insurance operations	9	**(1,050)**	(609)
Loan loss provisions, net of reversals	13, 23	**(1,704)**	(626)
Foreign exchange losses		**(434)**	(104)
General and administrative expenses		**(50,575)**	(34,385)
Finance costs		**(1,254)**	(913)
Other expenses		**(3,238)**	(3,811)
Total expenses		**(242,218)**	(173,467)
Profit before tax	13	**30,026**	22,347
Income tax	14	**(7,444)**	(4,409)
Profit for the year		**22,582**	17,938
Attributable to:			
– Owners of the parent		**19,475**	17,311
– Non-controlling interests		**3,107**	627
		22,582	17,938
		RMB	RMB
Earnings per share attributable to ordinary equity holders of the parent:			
– Basic	17	**2.50**	2.30
– Diluted	17	**2.50**	2.30

Details of the dividends proposed for the year are disclosed in Note 16 to the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

(in RMB million)	Note	2011	2010
Profit for the year		**22,582**	17,938
Other comprehensive income			
Available-for-sale financial assets		**(18,638)**	(6,218)
Shadow accounting adjustments		**2,153**	2,358
Exchange differences on translation of foreign operations		**78**	8
Share of other comprehensive income of associates and jointly controlled entities		**103**	(3)
Income tax relating to components of other comprehensive income		**4,040**	850
Other comprehensive income for the year, net of tax	15	**(12,264)**	(3,005)
Total comprehensive income for the year		**10,318**	14,933
Attributable to:			
– Owners of the parent		**6,976**	14,354
– Non-controlling interests		**3,342**	579
		10,318	14,933

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

As at 31 December 2011

(in RMB million)	Notes	31 December 2011	31 December 2010
Assets			
Balances with the Central Bank and statutory deposits	18	**168,366**	42,110
Cash and amounts due from banks and other financial institutions	19	**261,006**	203,315
Fixed maturity investments	20	**772,353**	553,652
Equity investments	21	**116,985**	86,369
Derivative financial assets	22	**818**	6
Loans and advances to customers	23	**611,731**	131,960
Investments in associates and jointly controlled entities	24	**11,837**	39,601
Premium receivables	25	**12,089**	6,298
Accounts receivable	26	**170,727**	116
Reinsurers' share of insurance liabilities	27	**7,892**	6,178
Policyholder account assets in respect of insurance contracts		**33,460**	40,284
Policyholder account assets in respect of investment contracts		**3,992**	3,994
Investment properties	28	**9,076**	8,866
Property and equipment	29	**16,027**	8,170
Intangible assets	30	**33,584**	9,902
Deferred tax assets	41	**13,383**	6,496
Other assets	31	**42,098**	24,310
Total assets		**2,285,424**	1,171,627
Equity and liabilities			
Equity			
Share capital	32	**7,916**	7,644
Reserves	33	**79,405**	75,777
Retained profits	33	**43,546**	28,609
Equity attributable to owners of the parent		**130,867**	112,030
Non-controlling interests		**40,475**	4,853
Total equity		**171,342**	116,883
Liabilities			
Due to banks and other financial institutions	34	**195,695**	38,822
Assets sold under agreements to repurchase	35	**99,734**	107,850
Derivative financial liabilities	22	**732**	15
Customer deposits and payables to brokerage customers	36	**836,049**	175,963
Accounts payable	37	**70,639**	280
Insurance payables		**27,974**	20,007
Insurance contract liabilities	38	**758,404**	639,947
Investment contract liabilities for policyholders	39	**32,811**	29,991
Policyholder dividend payable		**17,979**	14,182
Income tax payable		**4,370**	1,359
Bonds payable	40	**26,633**	7,540
Deferred tax liabilities	41	**4,612**	869
Other liabilities	42	**38,450**	17,919
Total liabilities		**2,114,082**	1,054,744
Total equity and liabilities		**2,285,424**	1,171,627

MA Mingzhe	**SUN Jianyi**	**YAO Jason Bo**
Director	*Director*	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	2011										
	Equity attributable to owners of the parent										
		Reserves									
(in RMB million)	Share capital	Share premium	Available-for-sale financial assets	Shadow accounting adjustments	Other capital reserves	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Retained profits	Non-controlling interests	Total equity
As at 1 January 2011	**7,644**	**67,644**	**(175)**	**1,066**	**107**	**6,689**	**395**	**51**	**28,609**	**4,853**	**116,883**
Profit for 2011	-	-	-	-	-	-	-	-	**19,475**	**3,107**	**22,582**
Other comprehensive income for 2011	-	-	**(14,237)**	**1,607**	**53**	-	-	**78**	-	**235**	**(12,264)**
Total comprehensive income for 2011	-	-	**(14,237)**	**1,607**	**53**	-	-	**78**	**19,475**	**3,342**	**10,318**
Appropriations to surplus reserve fund	-	-	-	-	-	**293**	-	-	**(293)**	-	-
Dividend declared	-	-	-	-	-	-	-	-	**(4,245)**	**(366)**	**(4,611)**
Issue of capital	**272**	**15,862**	-	-	-	-	-	-	-	-	**16,134**
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	**32,440**	**32,440**
Others	-	-	-	-	**(28)**	-	-	-	-	**206**	**178**
As at 31 December 2011	**7,916**	**83,506**	**(14,412)**	**2,673**	**132**	**6,982**	**395**	**129**	**43,546**	**40,475**	**171,342**

	2010										
	Equity attributable to owners of the parent										
		Reserves									
(in RMB million)	Share capital	Share premium	Available-for-sale financial assets	Shadow accounting adjustments	Other capital reserves	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Retained profits	Non-controlling interests	Total equity
As at 1 January 2010	7,345	51,907	4,612	(759)	-	6,208	395	43	15,219	6,773	91,743
Profit for 2010	-	-	-	-	-	-	-	-	17,311	627	17,938
Other comprehensive income for 2010	-	-	(4,787)	1,825	(3)	-	-	8	-	(48)	(3,005)
Total comprehensive income for 2010	-	-	(4,787)	1,825	(3)	-	-	8	17,311	579	14,933
Appropriations to surplus reserve fund	-	-	-	-	-	481	-	-	(481)	-	-
Dividend declared	-	-	-	-	-	-	-	-	(3,440)	(81)	(3,521)
Issue of capital	299	15,737	-	-	-	-	-	-	-	-	16,036
Disposal of subsidiaries and others	-	-	-	-	110	-	-	-	-	(2,418)	(2,308)
As at 31 December 2010	7,644	67,644	(175)	1,066	107	6,689	395	51	28,609	4,853	116,883

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

(in RMB million)	Notes	2011	2010
Net cash flows from operating activities	47	**75,348**	139,255
Cash flows from investing activities			
Purchases of investment properties, items of property and equipment, and intangible assets		**(5,393)**	(3,631)
Proceeds from disposal of investment properties, items of property and equipment, and intangible assets		**178**	206
Purchases of investments, net		**(113,853)**	(146,083)
Term deposits placed, net		**(21,819)**	(57,519)
Acquisition of subsidiaries		**81,238**	(165)
Disposal of subsidiaries		**254**	(828)
Interest received		**28,017**	18,760
Dividends received		**4,428**	2,339
Rentals received		**687**	443
Others		**(5,846)**	(2,997)
Net cash flows used in investing activities		**(32,109)**	(189,475)
Cash flows from financing activities			
Proceeds from shares issued		**16,134**	–
Capital injected into subsidiaries by non-controlling interests		**219**	297
Proceeds from bonds issued		**5,991**	3,200
Increase/(decrease) in assets sold under agreements to repurchase, net		**(28,580)**	41,767
Proceeds from borrowed funds		**3,347**	6,379
Acquisition of non-controlling interests in subsidiaries		**(47)**	(187)
Repayment of borrowed funds		**(2,789)**	(4,433)
Interest paid		**(3,368)**	(1,250)
Dividends paid		**(4,246)**	(3,520)
Net cash flows from financing activities		**(13,339)**	42,253
Net increase/(decrease) in cash and cash equivalents		**29,900**	(7,967)
Net foreign exchange differences		**(357)**	(60)
Cash and cash equivalents at beginning of the year		**80,938**	88,965
Cash and cash equivalents at end of the year	46	**110,481**	80,938

Statement of Financial Position

As at 31 December 2011

(in RMB million)	Notes	31 December 2011	31 December 2010
Assets			
Cash and amounts due from banks and other financial institutions		**13,726**	856
Fixed maturity investments		**2,622**	12,437
Equity investments		**766**	3,691
Investments in subsidiaries and associates	24	**109,619**	75,142
Property and equipment		**71**	71
Other assets		**169**	864
Total assets		**126,973**	93,061
Equity and liabilities			
Equity			
Share capital	32	**7,916**	7,644
Reserves	33	**90,667**	74,749
Retained profits	33	**22,630**	4,928
Total equity		**121,213**	87,321
Liabilities			
Due to banks and other financial institutions		**5,230**	5,230
Other liabilities		**530**	510
Total liabilities		**5,760**	5,740
Total equity and liabilities		**126,973**	93,061

Notes to Financial Statements
As at 31 December 2011

1. CORPORATE INFORMATION

Ping An Insurance (Group) Company of China, Ltd. (the "Company") was registered in Shenzhen, the People's Republic of China (the "PRC") on 21 March 1988. The business scope of the Company includes investing in financial and insurance enterprises, as well as supervising and managing various domestic and overseas businesses of subsidiaries, and investment deployment. The Company and its subsidiaries are collectively referred to as the Group. The Group mainly provides integrated financial products and services and is engaged in life insurance, property and casualty insurance, trust, securities, banking and other businesses.

The registered office address of the Company is 15/F, 16/F, 17/F and 18/F, Galaxy Development Center, Fu Hua No.3 Road, Futian District, Shenzhen, Guangdong Province, China.

2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
- Amendments to IAS 19 *Employee Benefits*[4]
- IAS 27 *Separate Financial Statements* (as revised in 2011)[4]
- IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)[4]
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[5]
- IFRS 9 *Financial Instruments: Classification and Measurement*[6]
- IFRS 10 *Consolidated Financial Statements*[4]
- IFRS 11 *Joint Arrangements*[4]
- IFRS 12 *Disclosure of Interests in Other Entities*[4]
- IFRS 13 *Fair Value Measurement*[4]

[1] Effective from annual periods beginning on or after 1 July 2011
[2] Effective from annual periods beginning on or after 1 January 2012
[3] Effective from annual periods beginning on or after 1 July 2012
[4] Effective from annual periods beginning on or after 1 January 2013
[5] Effective from annual periods beginning on or after 1 January 2014
[6] Effective from annual periods beginning on or after 1 January 2015

Further information about those changes that are relevant to the Group is as follows:

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments affect presentation only and there is no impact on the Group's financial position or performance.

The amendments to IAS 12 clarify the determination of deferred tax on investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments introduce the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the assets.

2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed as IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right of set-off", and that some gross settlement systems may be considered equivalent to net settlement.

The amendments to IFRS 7 *Financial Instruments – Disclosures – Transfer of Financial Assets* require additional disclosure about financial assets that have been transferred but not derecognized to enable the users of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosure only and have no impact on the Group's financial position or performance.

Amendments to IFRS 7 *Financial Instrument – Disclosure – Offsetting Financial Assets and Financial Liabilities* amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and recognized financial liabilities, on the entity's financial position.

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC – 12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC – 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the IASB and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. The financial statements have been prepared under the historical cost convention except for certain financial instruments, which have been measured at fair value and insurance contract liabilities, which have been measured based on actuarial methods.

To the extent that a topic is not covered explicitly by IFRSs, the IFRS framework permits reference to another comprehensive body of accounting principles, and therefore the Group has chosen to use the accounting practices currently adopted by insurance companies reporting under PRC Accounting Standards.

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Changes in accounting policies

The Group has revised certain accounting policies following the adoption of the revised IFRSs set out below which management considers the most relevant to the Group's current operations:

- IAS 24 (Revised) *Related Party Disclosures*

  The IASB issued a revised IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the revised standard introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

- Amendments to IAS 32 *Financial Instruments: Presentation*

  The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these types of instruments.

- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*

  The amendments remove an unintended consequence arising from the treatment of prepayments of future contributions when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendments permit a prepayment of future service cost by the entity to be recognized as a pension asset. As the Group is not subject to any minimum funding requirements, the adoption of the amendments has had no effect on the financial position or performance of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Changes in accounting policies (continued)

- Improvements to IFRSs

  In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

  - IFRS 3 *Business Combinations*: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

    The amendment to IFRS 3 is effective for annual periods beginning on or after 1 July 2011. The Group, however, adopted it as of 1 January 2011 and changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of IFRS 3.

  - IFRS 7 *Financial Instruments – Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

  - IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

  Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

  - IFRS 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))

  - IFRS 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)

  - IAS 27 *Consolidated and Separate Financial Statements*

  The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

  - IFRIC 13 *Customer Loyalty Programmes* (determining the fair value of award credits)

  - IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Changes in accounting estimates

Material judgement is required in determining insurance contract liabilities and in choosing discount rates/investment return, mortality, morbidity, lapse rates, policy dividend, and expenses assumptions relating to long term life insurance contracts. Such assumptions should be determined based on current information available at the end of the reporting period. The Group has changed the above assumptions based on current information available as at 31 December 2011 with the corresponding impact on insurance contract liabilities taken into the current year's income statement. As a result of such changes in assumptions, long term life insurance policyholders' reserves were reduced by RMB1,059 million as at 31 December 2011 and the profit before tax for the year 2011 was increased by RMB1,059 million.

(3) BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognized as measurement period adjustments in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash–generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends, are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

(5) SUBSIDIARIES

A subsidiary is an entity in which the Company controls, directly or indirectly, the financial and operating policies so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

(6) ASSOCIATES

The Group's investments in its associates are accounted for using the equity method. An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) ASSOCIATES (CONTINUED)

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognized in profit or loss.

(7) JOINTLY CONTROLLED ENTITIES

A jointly controlled entity is a joint venture, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group's investments in its jointly controlled entities are accounted for using the equity method. Refer to Note 3. (6) for details of the equity method.

(8) FOREIGN CURRENCY TRANSLATION

The Group's presentation currency is Renminbi ("RMB"), which is also the functional currency of the Company and its domestic subsidiaries.

Transactions in foreign currencies are initially recorded at the functional currency rates ruling at the dates of the transactions occurring. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currency of the overseas subsidiaries is the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the exchange rate ruling at the end of the reporting period and their income statements are translated at the average exchange rate for the year. The exchange differences, if material, arising on the retranslation are taken directly to a separate component of equity.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB by the average exchange rate ruling at the period of the cash flows occurring. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rate for the year.

(9) CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits, current accounts with the Central Bank and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) FINANCIAL INSTRUMENTS

The Group classifies its investments into financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired or originated. The available-for-sale and held-to-maturity categories are used when the relevant liabilities (including shareholders' funds) are relatively passively managed and/or carried at amortized cost. Financial assets are classified as at fair value through profit or loss when, for example, the Group acquires such assets to cover certain insurance and investment contract liabilities measured at fair value.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date the Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial instruments at fair value through profit or loss have two sub-categories namely financial instruments held for trading and those designated at fair value through profit or loss at inception. Financial instruments typically bought with the intention to sell in the near future are classified as held for trading. For financial instruments designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial asset contains an embedded derivative that needs to be separately recorded.

These financial instruments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Fair value adjustments and realized gains and losses are recognized in the income statement.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Financial assets at fair value through profit or loss include derivative financial instruments.

Held-to-maturity financial assets are non-derivative financial assets that comprise fixed or determinable payments and maturities of which the Group has the positive intention and ability to hold until maturity. Investments intended to be held for an undefined period are not included in this classification. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost using the effective interest method and less any provision for impairment. The amortized cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost, using the effective interest method and less any provision for impairment. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) FINANCIAL INSTRUMENTS (CONTINUED)

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the asset is derecognized, at which time, the cumulative gain or loss is recognized in investment income, or determined to be impaired, or the cumulative loss is recognized in the income statement in investment income and removed from the available-for-sale reserve.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Group is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. Reclassification to held-to-maturity is permitted only when the Group has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, the fair value carrying amount at the date of reclassification become its new amortized costs and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate ("EIR"). Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

(11) FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The Group's banking operation issues letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide specified payments to reimburse the holder for a loss it incurs when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or other obligation. The Group initially measures such contracts at fair value. This amount is recognized ratably over the period of the contract to fees and commission income. Subsequently, the liabilities are measured as the higher of the initial fair value less cumulative amortization and the fair value of the provision related to the Group's obligation under the contract.

Apart from the above financial guarantee contracts issued by the Group's banking operations which are accounted for under IAS 39, the Group has previously regarded certain contracts it issued with financial guarantee element as insurance contracts and has used the accounting method applicable to insurance contracts, and accordingly has elected to apply IFRS 4 to account for such contracts.

(12) DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments mainly include interest rate swaps, options embedded in convertible bonds purchased by the Group, equity warrants, forward currency contracts and credit related derivatives. Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Embedded derivatives are treated as separate derivatives and are recorded at fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through the income statement. Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

Derivative financial instruments held for trading are typically entered into with the intention to settle in the near future. These instruments are initially recorded at fair value. Subsequent to initial recognition, these instruments are remeasured at fair value. Fair value adjustments and realized gains and losses are recognized in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business at the end of the reporting period. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar instruments. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the end of the reporting period.

If the fair value cannot be measured reliably, financial instruments are measured at cost (being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability), less impairment losses. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(14) OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

(15) IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of the reporting period the carrying amount of financial assets. If there is any objective evidence that a financial asset is impaired, the Group provides for such impairment losses. The objective evidence which indicates impairment of financial assets represents events actually occurring after initial recognition of financial assets which have an impact on the financial assets' estimated future cash flows, and the impact can be reliably measured.

Available-for-sale financial assets

As at the end of each reporting period, the Group evaluates each of the available-for-sale equity instruments to determine whether the investments are impaired. If objective evidence of impairment exists, the Group records an impairment loss in the income statement equal to the difference between the cost of the instrument and the current fair value, adjusted for losses recorded in previous periods. Any unrealized gains or losses previously recognized in the available-for-sale financial assets reserve is removed and recognized in the income statement as part of the calculation of impairment loss described above. The impairment analysis and amounts recorded are based the functional currency of the group entity holding the investment.

For equity securities, a significant or prolonged decline in the fair value of an equity instrument is objective evidence of impairment. In conducting an impairment analysis, the Group considers quantitative and qualitative evidence. More specifically, the Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. In general, the larger the magnitude of the declines in fair value relative to cost, the lower the volatility, the longer the duration of the decline or the more consistent the magnitude of decline, the more likely objective evidence of impairment of an equity instrument exists.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets (continued)

The Group also considers qualitative evidence that includes, but is not necessarily limited to the following:

- Significant financial difficulty of the investee, including failure to comply with contractual obligations, financial restructuring, deterioration of going concern expectations

- Adverse changes relative to the investee's technology, market, customer base, macroeconomic indicators relative to the business, significant legal or regulatory matters

Impairments do not establish a new cost basis and, accordingly, to the extent an impairment loss has been previously recorded due to the significant or prolonged criteria described above, any subsequent losses, including any portion attributable to foreign currency changes, are also recognized in profit or loss until the asset is derecognized.

If after an impairment loss has been recognized on an available-for-sale debt instrument, and the fair value of the debt instrument increases in a subsequent period whereby the increase can be objectively related to an event occurring after the impairment losses were recognized, the impairment loss is reversed which is recognized in profit or loss. Impairment losses recognized for equity instruments classified as available-for-sale are not reversed through profit or loss.

Financial assets carried at amortized cost

If financial assets carried at amortized cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognized as an impairment loss in the income statement. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognizes the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognized are not included in the collective assessment for impairment.

After the Group recognizes an impairment loss of financial assets carried at amortized cost, if there is objective evidence that the financial assets' value restores and the restoration can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed and recognized in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment was reversed.

Financial assets carried at cost

If financial assets carried at cost are impaired, the impairment loss will be recognized in profit or loss and measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed. For equity investments which are measured at the cost method and do not have either active market quotation or reliably measurable fair values, their impairments also follow the aforementioned principle.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(16) DERECOGNITION OF FINANCIAL INSTRUMENTS

A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

(a) the rights to receive cash flows from the asset have expired; or

(b) the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

If the obligation of a financial liability has been fulfilled, cancelled or expired, the financial liability is derecognized. If the present financial liability is substituted by the same debtor with another liability differing in substance, or the terms of the present liability have been substantially modified, this substitution or modification is treated as derecognition of a present liability and recognition of a new liability with any arising difference recognized in profit or loss.

(17) ASSETS PURCHASED UNDER AGREEMENTS TO RESELL AND ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Assets sold under repurchase agreements continue to be recognized but a liability is established for the consideration received. The Group may be required to provide additional collateral based on the fair value of the underlying assets and such collateral assets continue to be carried on the statement of financial position at the end of the reporting period.

The Group enters into purchases of assets under agreements to resell substantially identical assets. These agreements are classified as loans and receivables. Assets purchased under agreements to resell are recorded at the cost of the amounts advanced. The amounts advanced under these agreements are reflected as assets in the statement of financial position. The Group may not take physical possession of assets purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(18) INVESTMENT PROPERTIES

Investment properties are interests in buildings that are held to earn rental income rather than for the supply of services or for administrative purposes.

Investment properties are initially measured at cost, which is the fair value of the consideration given to acquire them, including transaction costs. Subsequently, all investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis, after taking into account the estimated residual value (5% of original cost), over the estimated useful lives. The estimated useful lives of investment properties vary from 30 to 35 years.

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the individual investment properties.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Transfers to, or from, investment properties are made when, and only when, there is evidence of a change in use.

(19) PROPERTY AND EQUIPMENT

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Estimated residual values	Estimated useful lives
Leasehold improvements	–	Over the shorter of economic useful lives and terms of the leases
Buildings	1% – 5%	30 – 50 years
Equipment, furniture and fixtures	0% – 10%	3 – 15 years
Motor vehicles	1% – 5%	5 – 8 years

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) CONSTRUCTION IN PROGRESS

Construction in progress mainly represents costs incurred in the construction of building premises, as well as the cost of equipment pending installation, less any impairment losses.

No provision for depreciation is made on construction in progress until such time the relevant assets are completed and ready for use.

(21) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(a) Core deposits

Core deposits are accounts that a financial institution expects to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflects the use of the deposits at a lower cost alternative source of funding.

(b) Expressway operating rights

Expenditures on acquiring the expressway operating rights are capitalized as intangible assets and subsequently depreciated on the straight-line basis over the contract terms.

(c) Prepaid land premiums

Prepaid land premiums are prepaid under PRC law for fixed periods. Prepaid land premiums are initially stated at cost and subsequently amortized on the straight-line basis over lease terms. All of the Group's prepaid land premiums are related to lands located in Mainland China.

(d) Trademarks

Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. They are not amortized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) INTANGIBLE ASSETS (OTHER THAN GOODWILL) (CONTINUED)

(e) Patents and know-how

Patents and know-how are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives.

The useful lives of intangible assets are set as below:

	Estimated useful lives
Core deposits	20 years
Expressway operating rights	20 – 30 years
Prepaid land premiums	40 – 50 years
Trademarks	indefinite
Patents and know-how	10 – 15 years
Computer software	3 – 5 years

(22) SETTLED ASSETS

Settled assets are initially recognized at fair value. The difference between the initial fair value and the sum of the related loan principal, interest receivable and impairment provision is taken into the income statement. At the end of the reporting period, the settled assets are measured at the lower of their carrying value and net realizable value. When the carrying value of the settled assets is higher than the net realizable value, a provision for the decline in value of settled assets is recognized in the income statement in "Impairment losses on assets".

(23) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that a non-financial asset other than deferred tax assets may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For non-financial assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. The recoverable amount is the higher of its fair value less costs to sell and its value-in-use, determined on an individual asset (or cash-generating unit) basis, unless the individual asset (or cash-generating unit) does not generate cash flows that are largely independent from those of other assets or groups of assets (or groups of cash-generating units). Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Intangible assets with indefinite useful lives are tested for impairment annually at each year end either individually or at the cash-generating unit level, as appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) INSURANCE GUARANTEE FUND

According to "Administrative Regulations on the Insurance Guarantee Fund" (Baojianhuiling [2008] No.2), the Group calculates the insurance guarantee fund as follows:

- 0.8% of the premium income for non-investment type property insurance, 0.08% of the consideration received for investment type property insurance with guaranteed return, and 0.05% of the consideration received for investment type property insurance without guaranteed return;
- 0.15% of the consideration received for life insurance with guaranteed return, and 0.05% of the consideration received for life insurance without guaranteed return;
- 0.8% of the premium income for short term health insurance, and 0.15% of the premium income for long term health insurance; and
- 0.8% of the premium income for non-investment type accident insurance; 0.08% of the consideration received for investment type accident insurance with guaranteed return, and 0.05% of the consideration received for investment type accident insurance without guaranteed return.

No additional provision is required when the accumulated insurance guarantee fund balances of Ping An Life Insurance Company of China, Ltd. ("Ping An Life"), Ping An Annuity Insurance Company of China, Ltd. ("Ping An Annuity") and Ping An Health Insurance Company of China, Ltd.("Ping An Health") reach 1% of their respective total assets. For Ping An Property & Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty"), no additional provision is required when the accumulated balance reaches 6% of its total assets.

The revenue and premium income used in the calculation of the insurance guarantee fund is the amount agreed in the contract.

(25) INSURANCE CONTRACTS

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Some insurance contracts contain both an insurance component and a deposit component. The Group chooses to unbundle those components, if the insurance component and the deposit component are distinct and separately measurable. The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for according to relevant accounting policies. If the insurance component and the deposit component are not distinct and separately measurable, the whole contract is accounted for as an insurance contract.

(26) SIGNIFICANT INSURANCE RISK TESTING

For other insurance contracts issued by the Group, tests are performed to determine if the contracts contain significant insurance risk, and contracts of similar nature are grouped together for this purpose. When performing the significant insurance risk test, the Group makes judgments in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(27) INSURANCE CONTRACT LIABILITIES

The insurance contract liabilities of the Group include long term life insurance policyholders' reserves, unearned premium reserves and claim reserves.

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Property and casualty and short term life insurance policies are grouped into certain measurement units by lines of business. For long term life insurance policies, the Group mainly considers the characteristics of the policies, including product type, gender, age, and durations of policies, when determining the measurement units.

Insurance contract liabilities are measured based on a reasonable estimate of amount of payments when the Group fulfils the relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfill the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:
    - Guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits;
    - Non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends, etc;
    - Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses, claim expenses, etc.
- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the income statement over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty associated with the future net cash flows.
- At inception of an insurance contract, any "day-one" gain is not recognized in the income statement, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, any "day-one" loss is recognized in the income statement. Any residual margin is subsequently measured based on the assumptions of the years when the policies become effective, and will not be adjusted for future change in assumptions. For non-life insurance contracts, the Group amortizes the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss. For life insurance contracts, the Group amortizes the residual margin on the basis of the sums insured or the number of policies during the whole insurance coverage period.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short duration contracts whose duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money is determined with reference to information currently available as at the end of the reporting period and is not locked.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to reprice the premium.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(27) INSURANCE CONTRACT LIABILITIES (CONTINUED)

Unearned premium reserves

The unearned premium reserves are provided for unexpired insurance obligations of property and casualty and short term life insurance contracts.

Unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions made for commissions, business tax, insurance guarantee fund, regulatory charges and other incremental costs. Subsequent to initial recognition, unearned premium reserves are measured on a 1/365 basis.

Claim reserves

Claim reserves are insurance contract liabilities provided for insurance claims of the property and casualty and short term life insurance contracts. Claim reserves include incurred and reported reserves, incurred but not reported ("IBNR") reserves and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using the case-by-case estimate method and average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using the chain ladder method, the Bornhuetter-Ferguson method, the loss ratio method and the average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on a reasonable estimate of ultimate necessary claim expenses in the future by using the case-by-case estimate method and ratio allocation method as well as margins.

Long term life insurance policyholders' reserves

Long term life insurance policyholders' reserves are insurance contract liabilities provided for long term life and health insurance contracts.

The Group determines risk margins of the long term life insurance policyholders' reserves using the scenario comparison method. The unfavorable scenarios are determined according to the uncertainty and impact of expected net cash outflows.

The key assumptions used in the measurement of long term life insurance policyholders' reserves include insurance accident occurrence rates, lapse and surrender rates, expense assumptions, policy dividend assumptions, discount rate, etc. In deriving these assumptions, the Group uses information currently available as at the end of the reporting period.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed on the unearned premium reserves, claim reserves and long term life insurance policyholders' reserves. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceeds their carrying amounts on date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made for the respective insurance contract liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(28) DISCRETIONARY PARTICIPATION FEATURES ("DPF") IN LONG TERM LIFE INSURANCE CONTRACTS

DPF are contained in certain long term life insurance contracts. These contracts are collectively called participating insurance contracts. Under the current PRC insurance regulations, the Group is obligated to pay to the policyholders of participating insurance contracts at least 70% of the distributable surplus, which includes mainly net investment spread and other gains or losses arising from the assets supporting these contracts. If this eligible surplus has not been declared and paid, it is included in the long term life insurance policyholders' reserves if legal or constructive obligation exists. To the extent that there is a subsequent change in the expected future eligible surplus due to realized and unrealized gains, which may be paid to policyholders of participating insurance contracts in the future under the policy terms, such change in surplus is included in long term life insurance policyholders' reserves, and shadow accounting will apply if part of the unrealized gain is captured directly in other comprehensive income.

(29) INVESTMENT CONTRACTS

Insurance policies that are not considered insurance contracts under IFRS 4 are classified as investment contracts. These policies do not contain significant insurance risk.

- Premium receipts are recognized not as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the income statement. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Charges including policy administration fees are recognized as other income during the period of service provided.

(30) INVESTMENT-LINKED BUSINESS

The individual investment-linked contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. The group investment-linked contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

The assets and liabilities related to investment-linked contracts which are regarded as insurance contracts are presented as policyholder account assets and liabilities in respect of insurance contracts. The assets and liabilities related to investment-linked contracts which are regarded as investment contracts are presented as policyholder account assets and liabilities in respect of investment contracts. The assets and liabilities of each investment-linked fund are segregated from each other and from the rest of the Group's invested assets for recording purposes. As the investment risks of investment-linked contracts were fully undertaken by policyholders, the assets and liabilities related to investment-linked contracts were not included in the analysis of risk management in Note 44.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(30) INVESTMENT-LINKED BUSINESS (CONTINUED)

The group investment-linked contracts and the deposit component unbundled from the above individual investment-linked insurance contracts are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented in policyholder account liabilities. These liabilities are initially measured and subsequently carried at fair value. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the income statement.

- The investment income arising from the policyholder account assets and the benefits and surrender paid to the policyholders, to the extent of the account balances, are directly adjusted to the relevant liabilities rather than recognized in the income statement.

- Charges including account management fees and surrender charges are calculated at a fixed amount or certain percentage of policy account liabilities and recognized as other income during the period of service provided.

- Assets of investment-linked contracts are initially measured and subsequently carried at fair value, presented as policyholder account assets.

(31) UNIVERSAL LIFE BUSINESS

The individual universal life contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. The group universal life contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

The group universal life contracts and the deposit component unbundled from the above individual universal life insurance contracts are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented in policyholder contract deposits. These liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Unrealized gains or losses, based on the changes in fair value of available-for-sale financial assets of the universal life insurance portfolio, are recognized on a reasonable basis as liabilities to policyholders for those attributable to the policyholders and are recognized in other comprehensive income for those attributable to equity holders.

(32) PROVISIONS

Except contingent considerations deriving from or contingent liabilities assumed in business combinations, contingent liabilities are recognized as provisions if the following conditions are met:

- An entity has a present obligation as a result of a past event;

- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

- A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period with the consideration of risks, uncertainties and the present value. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(33) REVENUE RECOGNITION

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The Group's main revenue is recognized on the following bases:

(a) Gross premium

Premium income and reinsurance premium income is recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

Premiums from long term life insurance contracts with instalment or single payments are recognized as revenue when due. Premiums from property and casualty and short term life insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts.

(b) Income from investment contracts

Investment contracts issued by the Group are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. The fees are recognized as revenue in the period in which they are due unless they relate to services to be provided in future periods which would be deferred and recognized as the service is provided. Initiation and other front-end fees are charged for certain investment contracts recorded at amortized cost and are recognized through an adjustment to the effective yield.

(c) Interest income

Interest income for interest bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognized in the income statement using the effective interest rate method. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Fees and commission income of non-insurance operations

The Group earns fees and commission income of non-insurance operations from a diverse range of services it provides to its customers. Fee income can be divided into the following main categories:

Fee income earned from services that are provided over a certain period of time

Fees earned from the provision of services over a period of time are accrued over that period. These fees include investment fund administration fees, custodian fees, fiduciary fees, credit related fees, asset management fees, portfolio and other management fees, advisory fees, etc. However, loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on the completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees may include underwriting fees, corporate finance fees, brokerage fees, etc. Loan syndication fees are recognized in the income statement when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same effective interest rate as for the other participants.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(33) REVENUE RECOGNITION (CONTINUED)

(e) Dividend income

Dividend income is recognized when the right to receive dividend payment is established.

(f) Expressway toll fee income

Expressway toll fee income is recognized upon the completion of services.

(34) REINSURANCE

The Group undertakes inward and outward reinsurance in the normal course of operations. All of the reinsurance business of the Group has significant insurance risk transfer.

Outward reinsurance business

Outward reinsurance arrangements do not relieve the Group from its obligations to policyholders. When recognizing premium income from insurance contracts, the Group calculates to determine the amount of premium ceded and reinsurers' share of expenses and recognize them through profit or loss according to reinsurance contracts. When calculating unearned premium reserves, claim reserves and long term life policyholders' reserves of insurance contracts, the Group estimates the reinsurance related cash flows according to the reinsurance contracts, considers the risk margin when determining the amount of insurance contract reserves to be recovered from reinsurers, and recognizes reinsurers' share of insurance contract liabilities. When insurance contract liabilities are reduced for actual payment of claims and claim expenses, reinsurers' share of insurance contract liabilities are reduced accordingly. In the meantime, the Group calculates to determine the amount of claim expenses to be recovered from the reinsurers according to the reinsurance contracts and recognizes the amount through profit or loss. When there is an early termination of an insurance contract, the Group calculates to determine the adjustment amount of premium ceded and reinsurers' share of expenses according to the reinsurance contracts and recognizes the amount through profit or loss, and the balance of reinsurers' share of insurance contract liabilities is reversed accordingly.

As a cedent, the Group presents in the statement of financial position the assets arising from reinsurance contracts and the liabilities arising from insurance contracts separately instead of offsetting the assets and liabilities. The Group also presents in the income statement the income derived from reinsurance contracts and the expenses incurred for insurance contracts separately instead of offsetting the income and expenses.

Inward reinsurance business

During the period of recognizing reinsurance premium income, the Group determines reinsurance expenses according to the reinsurance contracts and recognizes the expenses through profit or loss. As for profit commission, the Group recognizes it as a reinsurance expense through profit or loss according to the reinsurance contracts when it is feasible to determine the amount of profit commission to be paid to the reinsurers.

Upon receipt of the statement of the reinsurance business, the Group adjusts the reinsurance premium income and reinsurance expenses, and then recognizes the adjusted amounts through profit or loss according to the reckoning statement.

(35) POLICYHOLDER DIVIDENDS

Policyholder dividends represent dividends paid by the Group to policyholders in accordance with the terms of direct insurance contracts. The dividends are calculated and provided based on the dividend allocation method and the results of actuarial valuation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(36) OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

Where the Group is the lessor, assets leased by the Group under operating leases are included in investment properties and rentals receivable under such operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms.

Where the Group is the lessee, rentals payable under operating leases are charged to the consolidated income statement on the straight-line basis over the lease terms. The aggregate benefit of incentives provided by the lessor is recognized as a reduction in rental expenses over the lease terms on the straight-line basis.

(37) EMPLOYEE BENEFITS

(a) Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

(b) Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes contributions for medical benefits to the local authorities in accordance with the relevant local regulations.

(38) SHARE-BASED PAYMENT TRANSACTIONS

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share appreciation rights which are settled in cash.

The cost of share appreciation rights is measured initially at fair value at the grant date using the Black-Scholes formula and taking into account the terms and conditions upon which the instruments are granted. The liability is remeasured at the end of each reporting period up to and including the settlement date with changes in fair value recognized in the income statement.

(39) TAX

Income tax comprises current and deferred tax. Income tax is recognized in the income statement, or in other comprehensive income or in equity if it relates to items that are recognized in the same or a different period directly in other comprehensive income or in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(39) TAX (CONTINUED)

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed by the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(40) FIDUCIARY ACTIVITIES

Where the Group acts in a fiduciary capacity, such as nominee, trustee or agent, assets arising thereon together with related undertakings to return, such assets to customers, are recorded off-balance sheet.

The Group's banking operation grants entrusted loans on behalf of third-party lenders, which are recorded off-balance sheet. The Group, as an agent, grants such entrusted loans to borrowers under the direction of those third-party lenders who fund these loans. The Group has been contracted by those third-party lenders to manage the administration and collection of these loans on their behalf. Those third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with these entrusted loans which are recognized ratably over the period in which the service is provided. The risk of loss is borne by those third-party lenders.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(41) RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(42) SEGMENT REPORTING

For management purposes, the Group is organized into operating segments based on the internal organization structure, management requirements and internal reporting. The reportable segments are determined and disclosed based on operating segments.

Operating segments refer to the Group's component that satisfies the following conditions:

(1) The component produces income and expenses in the daily operation.

(2) The management of the Company regularly assesses the operating results of its business units for the purpose of making decisions about resources allocations and performance assessment.

(3) The Group is able to obtain the accounting information such as the financial position, operating results and cash flows of the component.

Two or more operating segments can be merged as one if they have similar characteristics and satisfy certain conditions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities in these financial statements. Estimates and judgments are continually assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgments and accounting estimation, which have the most significant effect on the amounts recognized in the financial statements.

(1) CLASSIFICATION OF FINANCIAL ASSETS

Management makes significant judgments on the classification of financial assets. Different classifications would affect the accounting treatment and the Group's financial position and operating results.

(2) CLASSIFICATION AND UNBUNDLING OF INSURANCE CONTRACTS AND SIGNIFICANT INSURANCE RISK TESTS

The Group makes significant judgments on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. Such judgment affects the unbundling of insurance contracts.

The Group makes significant judgments on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. Such judgment affects the classification of insurance contracts.

When determining whether the policies transfer a significant insurance risk, the Group makes the following judgments for different policies:

- If the insurance risk ratio of a non-annuity policy is equal or greater than 5% at one or more points in time during the policy coverage period, the Group classifies it as an insurance contract. The insurance risk ratio of a direct insurance policy is the percentage of the benefits to be paid when the insured event occurs divided by the amounts to be paid when the insured event does not occur minus 100%.

- Annuity policies where the longevity risk is transferred are classified as insurance contracts.

- If a property and casualty insurance or a short term life insurance policy obviously meets the criteria for significant insurance risk transfer, the Group directly classifies it as an insurance contract.

When determining whether a reinsurance policy transfers significant insurance risks, judgment is made on a comprehensive understanding of the commercial substance of the reinsurance policy and other relevant contracts and agreements. If the reinsurance risk ratio of the reinsurance policy is greater than 1%, the Group classifies it as a reinsurance contract. The reinsurance risk ratio of a reinsurance policy is derived from the present value of probability-weighted average net losses where the reinsurer incurs a net loss divided by expected premium income of the reinsurer. If a reinsurance policy obviously transfers a significant insurance risk, the Group directly classifies it as a reinsurance contract without calculating the reinsurance risk ratio.

When performing significant insurance risk testing, the Group would group all policies of the same product with similar risk characteristics into the same portfolio. The Group would then select representative policy samples from each policy portfolio to perform individual testing. If over 50% of the selected policy samples transfer significant insurance risk, all the policies in that portfolio are classified as insurance contracts.

The unbundling and classification of insurance contracts would affect the Group's revenue recognition, liability measurement and financial statement presentation.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(3) MEASUREMENT UNIT FOR INSURANCE CONTRACTS

The Group makes significant judgments on whether a group of insurance contracts' insurance risks are of the same nature. Different measurement units would affect the measurement of insurance contract liabilities.

(4) IMPAIRMENT OF AVAILABLE-FOR-SALE EQUITY INVESTMENTS

The Group considers that impairment provision is needed for an available-for-sale equity investment when there is a significant or prolonged decline in fair value of that security below its cost. Management exercises judgment when determining conditions that are considered "significant or prolonged". Refer to Note 3. (15) for the factors which the Group considers when making such judgment.

(5) VALUATION OF INSURANCE CONTRACT LIABILITIES

At the end of the reporting period, when measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of amounts of the payments which the Group is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period.

At the end of the reporting period, the Group shall make an estimate of the assumptions used in the measurement of insurance contract liabilities. Such assumptions shall be determined based on information currently available at the end of the reporting period. To determine these assumptions, the Group selects proper risk margins according to both uncertainties and degree of impact of expected future cash outflows.

The main assumptions used in the measurement of policyholders' reserves and unearned premium reserves are as follows:

- For long term life insurance contracts where the future insurance benefits are not affected by investment income of the underlying asset portfolio, the discount rate assumption is based on the benchmarking yield curve for the measurement of insurance contract liabilities published by China Central Depository and Clearing Co., Ltd., with consideration of the impact of the tax and liquidity premium. The current discount rate assumption for the measurement at the end of 2011 ranged from 2.70% – 5.38% (2010: 2.60% – 5.40%).

  For long term non-life insurance contracts where the future insurance benefits are not affected by investment income of the underlying asset portfolio, as the risk margin has no material impact on the reserve measurement, the discount rate assumption used is the benchmarking yield curve for the measurement of insurance contract liabilities published by China Central Depository and Clearing Co., Ltd.

  For long term life insurance contracts where the future insurance benefits are affected by investment income of the underlying asset portfolio, the discount rates are determined based on expected future investment returns of the asset portfolio backing those liabilities. Future investment returns used in 2011 reserve valuation was assumed to be 5.0% in 2012 and to increase by 0.25% every year to 5.5% in 2014 and thereafter. Future investment returns used in 2010 reserve valuation was assumed to be 4.75% in 2011 and to increase by 0.25% every year to 5.0% in 2012 and 5.5% in 2014 and thereafter.

  For short term insurance contracts liabilities whose duration is within one year, the future cash flows are not discounted.

  The discount rate and investment return assumptions are affected by the future macro-economy, capital market, investment channels of insurance funds, investment strategy, etc, and therefore subject to uncertainty.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(5) VALUATION OF INSURANCE CONTRACT LIABILITIES (CONTINUED)

- The Group uses reasonable estimates, based on market and actual experience and expected future development trends, in deriving assumptions of mortality rates, morbidity rates, disability rates, etc.

  The assumption of mortality rates is based on the Group's prior experience data on mortality rates, estimates of current and future expectations, the understanding of the China insurance market as well as a risk margin. The assumption of mortality rates is presented as a percentage of "China Life Insurance Mortality Table (2000-2003)", which is the industry standard for life insurance in China.

- The assumption of morbidity rates is determined based on the Group's assumptions used in product pricing, experience data of morbidity rates, and estimates of current and future expectation as well as a risk margin.

  The assumptions of mortality and morbidity rates are affected by factors such as changes in lifestyles of national citizens, social development, and improvement of medical treatment, and hence subject to uncertainty.

- The Group uses reasonable estimates, based on actual experience and future development trends, in deriving lapse rate assumptions.

  The assumptions of lapse rates are determined by reference to different pricing interest rates, product categories and sales channels separately.

  The assumptions of lapse rates are affected by factors such as future macro-economy and market competition, and hence subject to uncertainty.

- The Group uses reasonable estimates, based on an expense study and future development trends, in deriving expense assumptions. If the future expense level becomes sensitive to inflation, the Group will consider the inflation factor as well in determining expense assumptions.

  The expense assumptions include assumptions of acquisition costs and maintenance costs. The assumption of maintenance costs also has a risk margin.

- The Group uses reasonable estimates, based on expected investment returns of participating insurance accounts, participating dividend policy, policyholders' reasonable expectations, etc. in deriving policy dividend assumptions.

  The assumption of participating insurance accounts is affected by the above factors, and hence bears uncertainty. The future assumption of life and bancassurance participating insurance with a risk margin is calculated at 85% (2010: 90%) of the spread.

- In the measurement of unearned premium reserves for the property and casualty insurance and short term life insurance business, the Group applies the cost of capital approach and the insurance industry guideline ranged from 3% to 6%.

The major assumptions needed in measuring claim reserves include the claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The loss development factors and expected loss ratio of each measurement unit are based on the Group's historical claim development experiences and claims paid, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environments such as macroeconomic regulations, and legislation. In the measurement of claim reserves, the Group applies the cost of capital approach and insurance industry guideline ranged from 2.5% to 5.5%.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS DETERMINED USING VALUATION TECHNIQUES

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, and by using the discounted cash flow analysis and/or option pricing models.

When using valuation techniques to determine the fair value of financial instruments, the Group uses to the extent all practicable market parameters that market participants would consider in pricing, including risk-free rate, credit risk, foreign exchange rate, prices of commodity, share price and index, future volatility of financial instrument prices, risk of repayment in advance, etc. In addition, the management of the Group also estimates credit risk and market volatility for both parties of the transaction when references are lacking.

Using different valuation techniques and parameter assumptions may lead to significant differences of fair value estimations.

(7) IMPAIRMENT LOSSES OF LOANS AND ADVANCES

The Group reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

(8) DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Significant management judgment is required to estimate the amount and timing of future taxable profit as well as the applicable tax rates so as to determine, together with the tax planning strategies, the amounts of deferred income tax assets and liabilities to be recognized. In this regard, the Group has formulated feasible tax planning strategies to facilitate recognition of deferred tax assets of approximately RMB5,672 million as at 31 December 2011 (31 December 2010: RMB5,513 million).

(9) CORPORATE INCOME TAX

Since 1 January 2009, the Group has implemented the "*Interpretation No. 2 to China Accounting Standards*" and the "*Regulation on Accounting for Insurance Contracts*" (Caikuai [2009] No. 15) issued by the Ministry of Finance. As the relevant tax laws and regulations have not clearly clarified how the implementation of the above accounting regulations would affect the manner in which corporate income tax would be imposed, the Group accrued the corporate income tax based on its understanding and judgment of the current prevailing tax laws and regulations when preparing the financial statements.

5. SCOPE OF CONSOLIDATION

(1) Particulars of the Company's principal subsidiaries as at 31 December 2011 are set out below:

Name	Place of incorporation	Attributable equity interest Direct	Attributable equity interest Indirect	Registered/authorized capital (RMB unless otherwise stated)	Paid-in capital (RMB unless otherwise stated)	Principal activities
Ping An Life Insurance Company of China, Ltd. (i)	The PRC	99.51%	–	28,800,000,000	33,800,000,000	Life insurance
Ping An Property & Casualty Insurance Company of China, Ltd.(ii)	The PRC	99.51%	–	17,000,000,000	17,000,000,000	Property and casualty insurance
Shenzhen Development Bank Co., Ltd. (iii)	The PRC	42.15%	10.23%	5,123,350,416	5,123,350,416	Banking
Ping An Bank Co., Ltd.	The PRC	–	47.53%	8,622,824,478	8,622,824,478	Banking
China Ping An Trust Co., Ltd.	The PRC	99.88%	–	6,988,000,000	6,988,000,000	Investment and trust
Ping An Securities Company, Ltd.	The PRC	–	86.66%	3,000,000,000	3,000,000,000	Security investment and brokerage
Ping An Annuity Insurance Company of China, Ltd.	The PRC	79.91%	19.99%	3,360,000,000	3,360,000,000	Annuity insurance
Ping An Asset Management Co., Ltd.	The PRC	96.00%	3.98%	500,000,000	500,000,000	Asset management
Ping An Health Insurance Company of China, Ltd.	The PRC	76.00%	3.98%	625,000,000	625,000,000	Health insurance
China Ping An Insurance Overseas (Holdings) Limited	Hong Kong	100.00%	–	HKD4,000,000,000	HKD935,000,000	Investment holding
China Ping An Insurance (Hong Kong) Company Limited	Hong Kong	–	100.00%	HKD490,000,000	HKD490,000,000	Property and casualty insurance
Ping An Futures Co., Ltd.	The PRC	–	89.47%	120,000,000	120,000,000	Futures brokerage
Shenzhen Ping An New Capital Investment Co., Ltd.	The PRC	–	99.88%	4,000,000,000	4,000,000,000	Investment holding
Shenzhen Ping An Real Estate Co., Ltd. (iv)	The PRC	–	99.88%	1,000,000,000	1,000,000,000	Property management
Shenzhen Ping An Real Estate Investment Co., Ltd.	The PRC	–	99.88%	1,800,000,000	1,800,000,000	Real estate investment
Shenzhen Xin An Investment Consultant Co., Ltd.	The PRC	–	99.88%	100,000,000	100,000,000	Investment consulting
Ping An of China Asset Management (Hong Kong) Company Limited	Hong Kong	–	100.00%	HKD80,000,000	HKD65,000,000	Asset management
Yuxi Ping An Real Estate Co., Ltd.	The PRC	–	79.90%	38,500,000	38,500,000	Property leasing
Yuxi Meijiahua Business Management Co., Ltd.	The PRC	–	79.90%	500,000	500,000	Property management
Ping An Meijiahua (Jingzhou) Business Management Co., Ltd.	The PRC	–	99.88%	USD9,700,000	USD9,700,000	Real estate investment

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2011 are set out below: (continued)

Name	Place of incorporation	Attributable equity interest Direct	Attributable equity interest Indirect	Registered/authorized capital (RMB unless otherwise stated)	Paid-in capital (RMB unless otherwise stated)	Principal activities
Shenzhen Ping An Commercial Property Investment Co., Ltd.	The PRC	–	98.88%	20,000,000	20,000,000	Real estate investment
Anseng Investment Company Limited	British Virgin Islands	–	100.00%	USD50,000	USD2	Project investment
Profaith International Investment Limited	British Virgin Islands	–	100.00%	USD50,000	USD1	Project investment
Portfield Limited	Hong Kong	–	100.00%	HKD10,000	HKD10	Project investment
Ningbo Beilun Port Expressway Co., Ltd.	The PRC	–	100.00%	USD77,800,000	USD77,800,000	Expressway operation
Shanxi Changjin Expressway Co., Ltd.	The PRC	–	59.71%	750,000,000	750,000,000	Expressway operation
Shanxi Jinjiao Expressway Co., Ltd.	The PRC	–	59.71%	504,000,000	504,000,000	Expressway operation
Shenzhen Ping An Financial Technology Consulting Co., Ltd. (v)	The PRC	–	99.88%	10,000,000	10,000,000	Financial advisory services
Shenzhen Ping An Decheng Investment Co., Ltd.	The PRC	–	99.88%	300,000,000	300,000,000	Investment consulting
Ping An Tradition International Money Broking Company Ltd.	The PRC	–	66.92%	50,000,000	50,000,000	Money brokerage
Ping An Caizhi Investment Management Company Limited	The PRC	–	86.66%	600,000,000	600,000,000	Equity investment
Ping An Technology (Shenzhen) Co., Ltd.	The PRC	–	100.00%	USD30,000,000	USD30,000,000	IT services
Ping An Processing & Technology (Shenzhen) Co., Ltd.	The PRC	–	100.00%	USD30,000,000	USD30,000,000	IT and business process outsourcing services
Ping An Channel Development Consultation Service Company of Shenzhen, Ltd. (vi)	The PRC	–	99.88%	10,000,000	10,000,000	Consulting services
Ping An of China Securities (Hong Kong) Company Limited	Hong Kong	–	86.66%	HKD200,000,000	HKD200,000,000	Security investment and brokerage
Shanghai Huping Investment Management Co., Ltd.	The PRC	–	99.88%	1,000,000	1,000,000	Investment holding
Beijing Huian Investment Management Co., Ltd.	The PRC	–	99.88%	3,000,000	3,000,000	Investment consulting
Xuchang Central China Securities Investment Co., Ltd.	The PRC	–	49.95%	5,000,000	5,000,000	Investment consulting

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2011 are set out below: (continued)

Name	Place of incorporation	Attributable equity interest Direct	Attributable equity interest Indirect	Registered/authorized capital (RMB unless otherwise stated)	Paid-in capital (RMB unless otherwise stated)	Principal activities
Shenzhen Xin An Small Loan Co., Ltd. (vii)	The PRC	–	99.88%	280,000,000	280,000,000	Small loans investment
Suzhou Suping Investment Management Co., Ltd.	The PRC	–	99.88%	2,000,000	2,000,000	Investment management
Chengdu Xinping Investment Management Co., Ltd.	The PRC	–	99.88%	1,000,000	1,000,000	Investment management
Xuchang XJ Investment Holding Co., Ltd.	The PRC	–	99.88%	5,000,000	5,000,000	Industry investment and business management
Ping An UOB Fund Management Company Limited (viii)	The PRC	–	60.63%	300,000,000	300,000,000	Funds collecting and sales
Beijing Fu'an Management Consultation Limited Company (viii)	The PRC	–	99.88%	100,000	100,000	Business management consulting, investment and property management
Shenzhen Stock Investment Co., Ltd. (viii)	The PRC	–	99.88%	1,000,000	1,000,000	Industry investment and investment management consulting
Ping An Wealth Management Co., Ltd. (viii)	The PRC	–	100.00%	50,000,000	50,000,000	Investment management and consultation
Shenzhen Ping An Financial Center Development Company Ltd. (viii)	The PRC	–	99.51%	100,000,000	100,000,000	Real estate investment exploitation, building construction and decoration
Wuhan Pingrui Anxin Investment Co., Ltd. (viii)	The PRC	–	99.88%	500,000	500,000	Investment management
Yunnan Ping An Investment Co., Ltd. (viii)	The PRC	–	99.88%	130,000,000	130,000,000	Project investment
Tianjin Ping An Equity Investment Management Co., Ltd. (viii)	The PRC	–	99.88%	20,000,000	20,000,000	Entrusted management equity investment
Shanghai Pingpu Investment Co., Ltd. (viii)	The PRC	–	99.88%	2,826,000,000	2,826,000,000	Industry investment and investment management
Ping An of China Futures (Hong Kong) Company Limited (viii)	Hong Kong	–	86.66%	HKD10,000,000	HKD10,000,000	Futures brokerage
Xishuangbanna Financial Assets Commodity Exchange Co., Ltd. (viii)	The PRC	–	74.91%	200,000,000	40,000,000	Financial assets, financial products, equity and debts, commodity trading and relevant services
Yunnan Jinghe Real Estate Investment Co., Ltd. (viii)	The PRC	–	64.92%	200,000,000	200,000,000	Real estate, public transportation and travel resources development

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2011 are set out below: (continued)

Name	Place of incorporation	Attributable equity interest		Registered/authorized capital (RMB unless otherwise stated)	Paid-in capital (RMB unless otherwise stated)	Principal activities
		Direct	Indirect			
Tongxiang Ping An Investment Co., Ltd. (viii)	The PRC	–	99.88%	500,000,000	150,000,000	Industry investment and investment assets management
Tongxiang Anyi Property Investment Co., Ltd. (viii)	The PRC	–	99.87%	10,000,000	10,000,000	Real estate exploitation and operation, construction materials, industry investment and economic information consulting
Kunshan Liancheng Equity Investment Management Co., Ltd. (viii)	The PRC	–	99.88%	6,000,000	6,000,000	Investment and consulting
Kunshan Pingan Property Equity Investment Management Co., Ltd. (viii)	The PRC	–	99.88%	2,000,000	2,000,000	Investment and consulting
Shenzhen Jiaxin Investment and Development Co., Ltd. (viii)	The PRC	–	99.88%	500,000	500,000	Investment and consulting
Chongqing Jiaping Investment Management Co., Ltd. (viii)	The PRC	–	99.88%	1,000,000	1,000,000	Business investment management
Shanghai Lujiazui International Financial Assets Commodity Exchange Co., Ltd. (viii)	The PRC	–	74.91%	400,000,000	80,000,000	Financial assets, financial products, equity and debts, commodity trading and relevant services

Notes:

(i) During 2011, Ping An Life's paid-in capital had been increased to RMB33.8 billion. As at the date of approval of these financial statements, the business registration modification procedure was in progress.

(ii) During 2011, the paid-in capital of Ping An Property & Casualty was increased to RMB17 billion.

(iii) During 2011, the subscription for non-public offering shares of approximately 1.638 billion of Shenzhen Development Bank Co., Ltd. ("SDB") has been completed. The company and its subsidiary, Ping An Life, together hold 52.38% of shares in SDB. SDB in turn holds 90.75% of total shares of Ping An Bank Co., Ltd.("Ping An Bank") and Ping An Bank became a subsidiary of SDB.

(iv) During 2011, Shenzhen Ping An Property Investment Management Co., Ltd. was renamed as Shenzhen Ping An Real Estate Co., Ltd. The paid-in capital of Shenzhen Ping An Real Estate Co., Ltd. was increased to RMB1 billion during the year.

(v) During 2011, Shenzhen Ping An Marketing Services Co., Ltd. was renamed as Shenzhen Ping An Financial Technology Consulting Co., Ltd.

(vi) During 2011, the paid-in capital of Shenzhen Ping An Channel Development Consultation Service Co., Ltd. was increased to RMB10 million.

(vii) During 2011, the paid-in capital of Shenzhen Xin An Small Loan Co., Ltd. was increased to RMB280 million.

(viii) These subsidiaries were newly set up during 2011.

(ix) During 2011, the Store Corporation, Ping An Wealth Huilongguan Property Investment Single Fund Trust Scheme, Shangdi Hualian Property Investment No.1 Single Fund Trust Scheme were fully or partially disposed and they are not subsidiaries of the Group thereafter.

Other than the changes above, there are no significant changes to the scope of consolidation as at 31 December 2011 from that as at 31 December 2010.

5. SCOPE OF CONSOLIDATION (CONTINUED)

(2) As at 31 December 2011, the Company had the following major special purpose entities:

Name	Attributable equity interest Direct	Indirect	Paid-in capital (RMB)	Principal activities
Shanxi Taijiao Expressway Single Fund Trust Scheme	–	100%	2,345,699,500	Investment in expressways
Hubei Jindong Expressway Single Fund Trust Scheme	–	100%	637,666,838	Investment in expressways
Anhui Bofu Expressway Single Fund Trust Scheme	–	100%	804,000,000	Loans
Ping An Caifu Chuanghui Aggregated Fund Trust Scheme	–	100%	970,000,000	Investment in trust schemes
New Capital Risk Investment Single Fund Trust Scheme No.1	–	100%	23,414,650	Investment in financial products
Zhaohang Furui Yisheng Participating Single Fund Trust Scheme	–	100%	1,337,980,000	Investment in securities and trust schemes
Jiaohang Furui Yisheng Single Fund Trust Scheme	–	100%	997,484,573	Investment in securities and trust schemes
Wenying Aggregated Fund Trust Scheme No.1	–	100%	700,000,000	Investment in financial products, trust schemes and bank deposits
Zhaohang Furui Yisheng Participating Single Fund Trust Scheme No.2	–	100%	327,880,000	Investment in securities and trust schemes
Zhongxin Furui Yisheng Participating Single Fund Trust Scheme	–	100%	279,368,820	Investment in securities and trust schemes
Fengtai No.13 Yuxi Single Fund Trust Scheme	–	100%	155,000,000	Loans
Fuxin Wenjian Participating Aggregated Fund Trust Scheme	–	100%	135,586,450	Investment in securities and trust schemes
Zhaohang Furui Yisheng Participating Aggregated Fund Trust Scheme	–	100%	85,519,850	Investment in securities and trust schemes
Ping An Caifu Anping Single Fund Trust Scheme	–	100%	500,000,000	Investment in trust schemes
Ping An Caifu Ansheng Single Fund Trust Scheme	–	100%	500,000,000	Investment in trust schemes

5. SCOPE OF CONSOLIDATION (CONTINUED)

(3) THE ACQUISITION OF SUBSIDIARIES NOT UNDER COMMON CONTROL

In September 2010, the Company and SDB entered into a share subscription agreement. According to the agreement, the Company would subscribe for 1,638 million ordinary A shares specifically issued by SDB, and the consideration included approximately 90.75% of Ping An Bank's total shares held by the Company and RMB2,690 million in cash. On 8 July 2011, the Company transferred 90.75% of Ping An Bank's shares to SDB and the relevant business registration change procedures were completed on 12 July 2011. On 18 July 2011, the Company transferred the cash of RMB2,690 million to SDB. On 20 July 2011, SDB completed the registration procedure for the change in shareholdings. Upon the completion of the transaction, the Group's ownership in SDB increased from 29.99% to 52.38% of the total shares issued, and SDB has become a subsidiary of the Group from an associate. The Group is deemed to have gained control of SDB on 18 July 2011, which was regarded as the acquisition date.

Key financial information of SDB as at the acquisition date is as follows:

(in RMB million)	Fair Value (Note 1)	Book Value
Balances with the Central Bank and statutory deposits	94,302	94,302
Cash and amounts due from banks and other financial institutions	29,119	29,119
Fixed maturity investments	245,930	247,583
Equity investments	38	38
Derivative financial assets	452	452
Loans and advances to customers	440,991	440,991
Investments in associates and joint ventures	404	407
Accounts receivable	28,320	28,320
Property and equipment	4,487	2,552
Intangible assets	15,290	186
Deferred tax assets	2,071	2,071
Other assets	6,340	6,036
Total identifiable assets	867,744	852,057
Due to banks and other financial institutions	127,651	127,651
Assets sold under agreements to repurchase	14,989	14,989
Derivative financial liabilities	364	364
Customer deposits and payables to brokerage customers	632,497	632,497
Accounts payable	12,518	12,518
Income tax payable	1,385	1,385
Bonds payable	13,077	13,126
Deferred tax liabilities	4,060	115
Other liabilities	11,260	11,260
Total identifiable liabilities	817,801	813,905
	49,943	38,152
Less: Non-controlling interests	(23,783)	
Fair value of net assets acquired attributable to the Company	26,160	
Goodwill arising on acquisition	8,624	
Acquisition cost	34,784	

5. SCOPE OF CONSOLIDATION (CONTINUED)

(3) THE ACQUISITION OF SUBSIDIARIES NOT UNDER COMMON CONTROL (CONTINUED)

Key financial information of SDB as at the acquisition date is as follows: (continued)

(in RMB million)	Fair Value (Note 1)
(1) Fair value of investment in SDB shares as at the date of acquisition (Note 2)	26,126
(2) Capital injection to SDB with shares of Ping An Bank:	
– Carrying amount of 90.75% shares of Ping An Bank (Note 3)	15,492
– Less: Remaining 47.53% effective interest in Ping An Bank after the injection	(8,115)
(3) Capital injection to SDB in cash:	
– Total cash injection	2,690
– Less: 52.38% of cash injection remaining with the Group	(1,409)
Acquisition cost	34,784

Note 1: The fair values of the above identifiable assets and liabilities (excluding deferred tax) acquired as at the date of acquisition were based on the independent appraisal report. Except for bonds which were classified as held-to-maturity, the major financial assets and liabilities held by SDB were held-for-trading and available-for-sale financial assets measured at fair value, loans and receivables at amortized cost, customer deposits and other financial liabilities. The fair values of these financial assets and liabilities were close to their carrying value. The appraisal of the held-to-maturity financial assets was based on the valuation price published by China Central Depository and Clearing Co., Ltd. on the valuation date. The major non-financial assets held by SDB were properties and core deposits. The properties were appraised using the market comparison approach and income approach; and the core deposits were appraised using the income approach.

Note 2: The 29.99% equity interest in SDB previously held by the Group had been remeasured to the fair value at the acquisition date. The difference between the fair value and the book value has been charged to profit or loss for the current year. Fair value was based on an independent appraisal report. The fair value of the 29.99% equity interest in SDB previously held by the Group was determined at RMB26,126 million at the acquisition date and a consequent loss of RMB1,952 million was recognized in the income statement for the current year.

Note 3: The shares of Ping An Bank, as consideration of the transaction, previously held by the Group, remain within the Group after the acquisition, and the investment is still under the control of the Group. As a result, they were measured at the original carrying amounts in the consolidated financial statements of the Group at the acquisition date and no gain or loss was recognized.

Cash flow from the acquisition of SDB Group's shares is shown as follows:

	(in RMB million)
Cash consideration paid	–
Less: Cash and cash equivalents held by the subsidiary as at the acquisition date	81,238
Net cash inflow from the acquisition of SDB	81,238

From the date of acquisition, the operating results and cash flow that SDB has contributed to the Group are shown as follows:

	(in RMB million)
Revenue	13,278
Net profit	4,437
Net cash outflow	(44,566)

If the combination had taken place at the beginning of the year, the operating results from continuing operations of the Group during 2011 are shown as follows:

	(in RMB million)
Revenue	283,202
Net profit	26,131

6. SEGMENT REPORTING

Business activities of the Group are first segregated by product and type of service: insurance activities, banking activities, securities activities and corporate activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided into life insurance and property and casualty insurance. The types of products and services from which reportable segments derive revenue are listed below.

- The life insurance segment offers a comprehensive range of life insurance products to individual and corporate customers, including term, whole-life, endowment, annuity, investment-linked, universal life and healthcare insurance.
- The property and casualty insurance segment offers a wide variety of insurance products to individual and corporate customers, including automobile insurance, non-automobile insurance and accident and health insurance.
- The banking segment undertakes loan and intermediary businesses with corporate customers and retail business as well as wealth management and credit card services with individual customers.
- The securities segment undertakes brokerage, trading, investment banking and asset management services.
- The corporate segment includes the management and support of the Group's business through its strategy, risk, treasury, finance, legal, human resources functions, etc. The corporate segment derives revenue from investing activities.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions with regard to resources allocation and performance assessment. Segment performance is assessed, based on indicators such as net profit.

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

More than 99% of the Group's revenue is derived from its operations in Mainland China. More than 99% of the Group's non-current assets are located in Mainland China.

During 2011, the Group's top 5 customers in respect of total income are as follows:

(in RMB million)	2011	2010
Total income from top 5 customers	**287**	214
Percentage of total income	**0.1%**	0.1%

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2011 and for the year then ended is as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Eliminations	Total
Gross written premiums and policy fees	124,094	83,708	-	-	-	-	-	207,802
Less: Premiums ceded to reinsurers	(459)	(10,511)	-	-	-	-	-	(10,970)
Change in unearned premium reserves	(438)	(9,732)	-	-	-	-	-	(10,170)
Net earned premiums	123,197	63,465	-	-	-	-	-	186,662
Reinsurance commission income	(205)	3,861	-	-	-	-	-	3,656
Interest income from banking operations	-	-	39,314	-	-	-	-	39,314
Fees and commission income from non-insurance operations	-	-	3,687	2,959	-	2,030	(62)	8,614
Including: inter-segment fees and commission income from non-insurance operations	-	-	39	-	-	23	(62)	-
Investment income	26,674	2,854	(80)	397	23	2,218	(2,821)	29,265
Including: Inter-segment investment income	540	50	-	18	49	2,164	(2,821)	-
Share of profits and losses of associates and jointly controlled entities	(117)	-	1,200	-	-	(15)	-	1,068
Other income	3,876	305	212	38	189	3,561	(4,516)	3,665
Including: Inter-segment other income	2,269	17	-	-	185	2,045	(4,516)	-
Total income	153,425	70,485	44,333	3,394	212	7,794	(7,399)	272,244
Claims and policyholders' benefits	(109,058)	(36,706)	-	-	-	-	-	(145,764)
Commission expenses on insurance operations	(11,351)	(6,843)	-	-	-	-	427	(17,767)
Interest expenses on banking operations	-	-	(20,943)	-	-	-	511	(20,432)
Fees and commission expenses on non-insurance operations	-	-	(416)	(314)	-	(396)	76	(1,050)
Loan loss provisions, net of reversals	4	-	(1,718)	-	-	10	-	(1,704)
Foreign exchange gains/(losses)	(241)	(32)	129	(8)	(248)	(34)	-	(434)
General and administrative expenses	(15,642)	(19,689)	(11,389)	(1,845)	(414)	(3,581)	1,985	(50,575)
Finance costs	(172)	(247)	-	-	(278)	(557)	-	(1,254)
Other expenses	(4,009)	(208)	(196)	(1)	(3)	(1,199)	2,378	(3,238)
Total expenses	(140,469)	(63,725)	(34,533)	(2,168)	(943)	(5,757)	5,377	(242,218)
Profit/(loss) before tax	12,956	6,760	9,800	1,226	(731)	2,037	(2,022)	30,026
Income tax	(2,982)	(1,781)	(1,823)	(263)	-	(595)	-	(7,444)
Profit/(loss) for the year	9,974	4,979	7,977	963	(731)	1,442	(2,022)	22,582

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2011 and for the year then ended is as follows: (continued)

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Eliminations	Total
Balances with the Central Bank and statutory deposits	6,566	3,400	158,400	-	-	-	-	168,366
Cash and amounts due from banks and other financial institutions	162,530	39,929	50,567	10,617	13,726	7,304	(23,667)	261,006
Fixed maturity investments	487,557	31,448	235,935	14,001	2,622	1,791	(1,001)	772,353
Equity investments	94,171	8,903	136	2,037	766	11,962	(990)	116,985
Loans and advances to customers	800	-	610,075	-	-	1,099	(243)	611,731
Investments in associates and jointly controlled entities	7,459	-	429	-	-	4,020	(71)	11,837
Accounts receivable	-	-	170,589	-	-	138	-	170,727
Others	92,024	25,488	35,193	1,702	8,864	10,942	(1,794)	172,419
Segment assets	**851,107**	**109,168**	**1,261,324**	**28,357**	**25,978**	**37,256**	**(27,766)**	**2,285,424**
Due to banks and other financial institutions	1,665	-	181,820	243	5,230	8,233	(1,496)	195,695
Assets sold under agreements to repurchase	46,367	1,722	39,197	11,083	-	2,366	(1,001)	99,734
Customer deposits and payables to brokerage customers	-	-	850,846	8,654	-	(46)	(23,405)	836,049
Accounts payable	-	-	70,561	-	-	78	-	70,639
Insurance payables	18,230	9,946	-	-	-	-	(202)	27,974
Insurance contract liabilities	693,974	64,430	-	-	-	-	-	758,404
Investment contract liabilities for policyholders	32,378	433	-	-	-	-	-	32,811
Policyholder dividend payable	17,979	-	-	-	-	-	-	17,979
Bonds payable	3,997	4,595	16,046	-	-	1,995	-	26,633
Others	6,509	5,768	27,033	935	530	8,811	(1,422)	48,164
Segment liabilities	**821,099**	**86,894**	**1,185,503**	**20,915**	**5,760**	**21,437**	**(27,526)**	**2,114,082**
Other segment information:								
Capital expenditure	3,001	1,140	810	91	44	347	(40)	5,393
Depreciation and amortization	1,126	400	1,142	80	38	358	(17)	3,127
Total other non-cash expenses charged to consolidated results	2,295	278	1,717	-	40	(11)	-	4,319

6. **SEGMENT REPORTING** (CONTINUED)

The segment analysis as at 31 December 2010 and for the year then ended is as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Eliminations	Total
Gross written premiums and policy fees	96,877	62,507	–	–	–	–	–	159,384
Less: Premiums ceded to reinsurers	(1,357)	(6,824)	–	–	–	–	–	(8,181)
Change in unearned premium reserves	66	(10,145)	–	–	–	–	–	(10,079)
Net earned premiums	95,586	45,538	–	–	–	–	–	141,124
Reinsurance commission income	155	2,461	–	–	–	–	–	2,616
Interest income from banking operations	–	–	9,331	–	–	–	–	9,331
Fees and commission income from non-insurance operations	–	–	931	3,705	–	931	(24)	5,543
Including: inter-segment fees and commission income from non-insurance operations	–	–	7	–	–	17	(24)	–
Investment income	26,681	2,146	75	448	323	2,076	(666)	31,083
Including: Inter-segment investment income	549	34	–	21	29	33	(666)	–
Share of profits and losses of associates and jointly controlled entities	(20)	–	1,145	–	–	340	–	1,465
Other income	3,077	279	38	12	182	4,235	(3,171)	4,652
Including: Inter-segment other income	1,413	6	–	–	166	1,586	(3,171)	–
Total income	125,479	50,424	11,520	4,165	505	7,582	(3,861)	195,814
Claims and policyholders' benefits	(89,841)	(25,236)	–	–	–	–	–	(115,077)
Commission expenses on insurance operations	(8,790)	(5,934)	–	–	–	–	179	(14,545)
Interest expenses on banking operations	–	–	(3,893)	–	–	–	496	(3,397)
Fees and commission expenses on non-insurance operations	–	–	(130)	(315)	–	(181)	17	(609)
Loan loss provisions, net of reversals	–	–	(375)	–	–	(251)	–	(626)
Foreign exchange gains/(losses)	(102)	(34)	44	(1)	(5)	(6)	–	(104)
General and administrative expenses	(13,363)	(13,801)	(3,725)	(1,785)	(348)	(2,868)	1,505	(34,385)
Finance costs	(103)	(197)	–	–	(258)	(364)	9	(913)
Other expenses	(3,132)	(143)	(74)	(6)	(4)	(2,057)	1,605	(3,811)
Total expenses	(115,331)	(45,345)	(8,153)	(2,107)	(615)	(5,727)	3,811	(173,467)
Profit/(loss) before tax	10,148	5,079	3,367	2,058	(110)	1,855	(50)	22,347
Income tax	(1,731)	(1,214)	(485)	(464)	(10)	(505)	–	(4,409)
Profit/(loss) for the year	8,417	3,865	2,882	1,594	(120)	1,350	(50)	17,938

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2010 and for the year then ended is as follows: (continued)

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Eliminations	Total
Balances with the Central Bank and statutory deposits	5,532	2,400	34,178	–	–	–	–	42,110
Cash and amounts due from banks and other financial institutions	161,241	31,252	10,816	17,528	680	4,664	(22,866)	203,315
Fixed maturity investments	430,236	23,643	78,178	10,354	12,437	3,434	(4,630)	553,652
Equity investments	68,860	6,360	25	1,594	3,691	5,839	–	86,369
Loans and advances to customers	800	–	129,673	–	–	1,487	–	131,960
Investments in associates and jointly controlled entities	7,646	–	26,890	–	–	5,113	(48)	39,601
Accounts receivable	–	–	–	–	–	116	–	116
Others	88,763	15,700	3,011	500	1,019	7,464	(1,953)	114,504
Segment assets	763,078	79,355	282,771	29,976	17,827	28,117	(29,497)	1,171,627
Due to banks and other financial institutions	1,845	–	26,940	–	5,230	7,510	(2,703)	38,822
Assets sold under agreements to repurchase	82,557	–	23,773	6,045	–	105	(4,630)	107,850
Customer deposits and payables to brokerage customers	–	–	182,118	14,297	–	(289)	(20,163)	175,963
Accounts payable	–	–	–	–	–	280	–	280
Insurance payables	13,317	6,710	–	–	–	–	(20)	20,007
Insurance contract liabilities	594,189	45,758	–	–	–	–	–	639,947
Investment contract liabilities for policyholders	29,359	632	–	–	–	–	–	29,991
Policyholder dividend payable	14,182	–	–	–	–	–	–	14,182
Bonds payable	–	4,548	2,992	–	–	–	–	7,540
Others	4,644	4,360	4,270	3,090	510	5,087	(1,799)	20,162
Segment liabilities	740,093	62,008	240,093	23,432	5,740	12,693	(29,315)	1,054,744
Other segment information:								
Capital expenditure	2,308	506	191	118	6	445	(45)	3,529
Depreciation and amortization	1,070	275	275	74	47	357	–	2,098
Total other non-cash expenses charged to consolidated results	8	306	373	2	–	303	–	992

7. GROSS AND NET WRITTEN PREMIUMS AND POLICY FEES

(in RMB million)	2011	2010
Gross written premiums, policy fees and premium deposits	**270,964**	226,955
Less: Premium deposits of policies without significant insurance risk transfer	**(3,568)**	(3,221)
Premium deposits unbundled from universal life and investment-linked products	**(59,594)**	(64,350)
Gross written premiums and policy fees	**207,802**	159,384

(in RMB million)	2011	2010
Long term life business gross written premiums and policy fees	**116,566**	90,685
Short term life business gross written premiums	**7,528**	6,192
Property and casualty business gross written premiums	**83,708**	62,507
Gross written premiums and policy fees	**207,802**	159,384

(in RMB million)	2011	2010
Gross written premiums and policy fees		
Life insurance		
Individual life insurance	**102,883**	81,526
Bancassurance	**15,534**	10,555
Group life insurance	**5,677**	4,796
	124,094	96,877
Property and casualty insurance		
Automobile insurance	**65,292**	49,420
Non-automobile insurance	**16,249**	11,205
Accident and health insurance	**2,167**	1,882
	83,708	62,507
Gross written premiums and policy fees	**207,802**	159,384

(in RMB million)	2011	2010
Net of reinsurance premiums ceded		
Life insurance		
Individual life insurance	**102,591**	81,264
Bancassurance	**15,526**	10,550
Group life insurance	**5,518**	3,706
	123,635	95,520
Property and casualty insurance		
Automobile insurance	**59,206**	45,841
Non-automobile insurance	**11,841**	7,992
Accident and health insurance	**2,150**	1,850
	73,197	55,683
Net written premiums and policy fees	**196,832**	151,203

8. NET INTEREST INCOME FROM BANKING OPERATIONS

(in RMB million)	2011	2010
Interest income from banking operations		
Due from the Central Bank	**1,308**	394
Due from financial institutions	**4,680**	612
Rediscounted bills and reverse repurchase agreements collateralized by bills	**2,944**	322
Others	**1,736**	290
Loans and advances to customers	**24,709**	6,530
Corporate loans and advances to customers	**16,764**	4,317
Individual loans and advances to customers	**7,452**	2,018
Discounted bills	**493**	195
Bonds	**5,483**	1,795
Others	**3,134**	–
Subtotal	**39,314**	9,331
Interest expenses on banking operations		
Due to the Central Bank	**21**	–
Due to financial institutions	**7,331**	1,150
Rediscounted bills and repurchase agreements collateralized by bills	**1,310**	482
Others	**6,021**	668
Customer deposits	**11,086**	2,122
Bonds payable	**561**	125
Others	**1,433**	–
Subtotal	**20,432**	3,397
Net interest income from banking operations	**18,882**	5,934

The interest income accrued on impaired financial assets during the year 2011 amounted to RMB80 million (2010: RMB13 million).

9. NET FEES AND COMMISSION INCOME FROM NON-INSURANCE OPERATIONS

(in RMB million)	2011	2010
Fees and commission income from non-insurance operations		
Brokerage fees	**867**	1,173
Underwriting commission income	**2,083**	2,517
Trust service fees	**1,802**	714
Fees and commission income from the banking business	**3,657**	931
Others	**205**	208
	8,614	5,543
Fees and commission expenses on non-insurance operations		
Brokerage fees paid	**162**	204
Fees and commission expenses on the banking business	**416**	130
Others	**472**	275
	1,050	609
Net fees and commission income from non-insurance operations	**7,564**	4,934

10. INVESTMENT INCOME

(in RMB million)	2011	2010
Net investment income	**34,285**	25,972
Realized gains/(losses)	**(2,094)**	5,788
Unrealized losses	**(320)**	(137)
Impairment losses	**(2,606)**	(540)
Total investment income	**29,265**	31,083

10. INVESTMENT INCOME (CONTINUED)

(1) NET INVESTMENT INCOME

(in RMB million)	2011	2010
Interest income from non-banking operations on fixed maturity investments		
Bonds and debt schemes		
– Held-to-maturity	**15,340**	11,191
– Available-for-sale	**5,565**	6,097
– Carried at fair value through profit or loss	**726**	414
– Loans and receivables	**609**	56
Term deposits		
– Loans and receivables	**7,575**	4,845
Current accounts		
– Loans and receivables	**420**	388
Others		
– Loans and receivables	**1,003**	813
– Carried at fair value through profit or loss	**43**	–
Dividend income on equity investments		
Equity investment funds		
– Available-for-sale	**2,276**	1,595
– Carried at fair value through profit or loss	**280**	186
Equity securities		
– Available-for-sale	**1,693**	728
– Carried at fair value through profit or loss	**9**	23
Operating lease income from investment properties	**687**	443
Interest expenses on assets sold under agreements to repurchase and replacements from banks and other financial institutions	**(1,941)**	(807)
	34,285	25,972

(2) REALIZED GAINS/(LOSSES)

(in RMB million)	2011	2010
Fixed maturity investments		
– Available-for-sale	**(231)**	3,081
– Carried at fair value through profit or loss	**(174)**	31
Equity investments		
– Available-for-sale	**(382)**	2,313
– Carried at fair value through profit or loss	**(166)**	(87)
– Subsidiaries, associates and jointly controlled entities	**(1,179)**	450
Derivative financial instruments		
– Carried at fair value through profit or loss	**22**	–
Others	**16**	–
	(2,094)	5,788

10. INVESTMENT INCOME (CONTINUED)

(3) UNREALIZED GAINS/(LOSSES)

(in RMB million)	2011	2010
Fixed maturity investments		
– Carried at fair value through profit or loss	**126**	(174)
Equity investments		
– Carried at fair value through profit or loss	**(452)**	43
Derivative financial instruments		
– Carried at fair value through profit or loss	**6**	(6)
	(320)	(137)

(4) IMPAIRMENT LOSSES

(in RMB million)	2011	2010
Equity investments		
– Available-for-sale	**(2,606)**	(540)

11. OTHER INCOME

(in RMB million)	2011	2010
Revenue of XJ Group Corporation ("XJ Group")	**–**	1,664
Expressway toll fee income	**1,077**	913
Management income from investment-linked products and income from investment contracts	**1,105**	1,069
Consulting fee income from trust business	**456**	97
Sales of goods	**350**	427
Others	**677**	482
	3,665	4,652

FINANCIAL STATEMENTS

12. CLAIMS AND POLICYHOLDERS' BENEFITS

(1)

(in RMB million)	2011 Gross	2011 Reinsurers' share	2011 Net
Claims and claim adjustment expenses	**48,631**	**(4,371)**	**44,260**
Surrenders	**4,407**	**–**	**4,407**
Annuities	**4,721**	**–**	**4,721**
Maturities and survival benefits	**12,598**	**–**	**12,598**
Policyholder dividends	**5,000**	**–**	**5,000**
Increase in policyholders' reserves	**68,730**	**(27)**	**68,703**
Interest credited to policyholder contract deposits	**6,075**	**–**	**6,075**
	150,162	**(4,398)**	**145,764**

(in RMB million)	2010 Gross	2010 Reinsurers' share	2010 Net
Claims and claim adjustment expenses	34,867	(4,319)	30,548
Surrenders	3,816	–	3,816
Annuities	4,028	–	4,028
Maturities and survival benefits	6,640	–	6,640
Policyholder dividends	3,907	–	3,907
Increase in policyholders' reserves	60,573	1	60,574
Interest credited to policyholder contract deposits	5,564	–	5,564
	119,395	(4,318)	115,077

(2)

(in RMB million)	2011 Gross	2011 Reinsurers' share	2011 Net
Long term life insurance contract benefits	**105,743**	**(247)**	**105,496**
Short term life insurance claims	**3,826**	**(264)**	**3,562**
Property and casualty insurance claims	**40,593**	**(3,887)**	**36,706**
	150,162	**(4,398)**	**145,764**

(in RMB million)	2010 Gross	2010 Reinsurers' share	2010 Net
Long term life insurance contract benefits	87,646	(197)	87,449
Short term life insurance claims	3,311	(919)	2,392
Property and casualty insurance claims	28,438	(3,202)	25,236
	119,395	(4,318)	115,077

13. PROFIT BEFORE TAX

(1) PROFIT BEFORE TAX IS ARRIVED AT AFTER CHARGING/(CREDITING) THE FOLLOWING ITEMS:

(in RMB million)	2011	2010
Employee costs (Note 13. (2))	**19,975**	12,806
Interest expenses on investment contract reserves	**785**	748
Provision for insurance guarantee fund	**997**	784
Regulatory charges	**338**	249
Depreciation of investment properties	**351**	254
Depreciation of property and equipment	**1,673**	1,224
Amortization of intangible assets	**1,101**	620
Rental expenses	**2,592**	1,811
Advertising expenses	**3,387**	2,184
Traveling expenses	**830**	743
Office miscellaneous expenses	**1,236**	1,056
Other taxes	**277**	157
Postage and telecommunication expenses	**1,196**	838
Vehicle and vessel fuel expenses	**508**	533
Gains on disposal of investment properties, property and equipment, and intangible assets	**(6)**	(20)
Provision/(reversal of provision) for doubtful debts, net	**(25)**	292
Provision for loans, net	**1,704**	626
Cost of sales from XJ Group	**-**	1,391
Auditors' remuneration – annual audit, half-year review and quarterly agreed-upon procedures	**54**	39

(2) EMPLOYEE COSTS

(in RMB million)	2011	2010
Wages, salaries and bonuses	**16,098**	10,491
Retirement benefits, social security contributions and welfare benefits	**3,877**	2,315
	19,975	12,806

14. INCOME TAX

(in RMB million)	2011	2010
Current income tax	**8,541**	2,832
Deferred income tax	**(1,097)**	1,577
	7,444	4,409

On 16 March 2007, the National People's Congress approved the *Corporate Income Tax Law of the People's Republic of China* (the new "CIT Law"). The new CIT Law unified the domestic corporate income tax rate at 25% with effect from 1 January 2008. For subsidiaries and branches of the Group located in the Special Economic Zones that were entitled to preferential income tax rates, the applicable CIT rate would be transited to 25% over five years. During the transition period, the applicable CIT rate for relevant subsidiaries and branches would be 18%, 20%, 22%, 24% and 25% for years 2008, 2009, 2010, 2011 and 2012, respectively. For other subsidiaries and branches of the Group, the CIT rate for 2011 was 25%.

14. INCOME TAX (CONTINUED)

Subsidiaries of the Group located in the Hong Kong Special Administrative Region are subject to Hong Kong profits tax. The tax rate of Hong Kong profits tax was 16.5% for 2011 (2010: 16.5%).

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate of 24% (2010: 22%) is as follows:

(in RMB million)	2011	2010
Profit before tax	**30,026**	22,347
Tax computed at the applicable tax rate of 24% (2010: 22%)	**7,206**	4,916
Tax effect of expenses not deductible in determining taxable income	**1,839**	1,287
Tax effect of income not taxable in determining taxable income	**(1,787)**	(1,779)
Deferred tax effect of different tax rates between current year and future years	**(5)**	15
Tax effect of higher tax rate on branches and entities (in Mainland China) located outside the Special Economic Zones	**99**	176
Additional tax provision	**92**	23
Tax losses utilized from previous years	**–**	(229)
Income tax per consolidated income statement	**7,444**	4,409

The Group's tax position is subject to assessment and inspection of the tax authorities before finalization.

15. OTHER COMPREHENSIVE INCOME

(in RMB million)	2011	2010
Losses of available-for-sale financial assets arising during the year	**(21,886)**	(1,439)
Less: Income tax relating to available-for-sale financial assets	**4,578**	1,373
Reclassification adjustments for losses/(gains) included in the income statement		
– Losses/(gains) on disposal	**642**	(5,319)
– Impairment losses	**2,606**	540
	(14,060)	(4,845)
Shadow accounting adjustments	**2,153**	2,358
Less: Income tax relating to shadow accounting adjustments	**(538)**	(523)
	1,615	1,835
Exchange differences on translation of foreign operations	**78**	8
Share of other comprehensive income of associates and jointly controlled entities	**103**	(3)
	(12,264)	(3,005)

16. DIVIDENDS

(in RMB million)	2011	2010
Interim dividend – RMB0.15 (2010: RMB0.15) per ordinary share	**1,187**	1,147
Proposed final dividend – RMB0.25 (2010: RMB0.40) per ordinary share (not recognized as a liability as at 31 December)	**1,979**	3,058

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

On 29 March 2011, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2010, agreeing to declare a final cash dividend of RMB0.40 per share for 2010 which amounted to RMB3,058 million based on the total shares of 7,644 million outstanding at that point in time. On 16 June 2011, the above Profit Appropriation Plan was approved by the shareholders' general meeting of the Company.

17. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Company's net profit attributable to ordinary shareholders by the weighted average number of outstanding shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

	2011	2010
Net profit attributable to ordinary shareholders (in RMB million)	**19,475**	17,311
Weighted average number of outstanding shares of the Company (million shares)	**7,780**	7,519
Basic earnings per share (in RMB)	**2.50**	2.30
Diluted earnings per share (in RMB)	**2.50**	2.30

18. BALANCES WITH THE CENTRAL BANK AND STATUTORY DEPOSITS

(in RMB million)	31 December 2011	31 December 2010
Statutory reserve deposits with the Central Bank for banking operations	**136,877**	26,697
Unrestricted deposits with the Central Bank	**21,336**	7,481
Other deposits with the Central Bank	**187**	–
Statutory deposits for insurance operations	**9,966**	7,932
	168,366	42,110

In accordance with relevant regulations, bank operations are required to place mandatory reserve deposits with the People's Bank of China (the "PBOC") for customer deposits in both RMB and foreign currencies. As at 31 December 2011, the mandatory deposits are calculated at 19% (31 December 2010: 16.5%) of customer deposits denominated in RMB and 5% (31 December 2010: 5%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its day to day operations.

Statutory deposits for insurance operations are placed with PRC banks in accordance with the PRC Insurance Law and relevant regulations based on not less than 20% of the respective registered capital of the subsidiaries engaged in the insurance business within the Group.

19. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2011	31 December 2010
Cash on hand	**2,242**	755
Term deposits	**157,977**	134,928
Due from banks and other financial institutions	**92,340**	63,984
Placements with banks and other financial institutions	**8,447**	3,648
	261,006	203,315

As at 31 December 2011, amounts due from banks of RMB13,267 million (31 December 2010: term deposits of RMB2,852 million and placements with banks of RMB100 million) were designated at fair value through profit or loss.

As at 31 December 2011, cash and amounts due from banks and other financial institutions of RMB278 million (31 December 2010: RMB47 million) were restricted from use.

As at 31 December 2011, cash and amounts due from overseas banks and other financial institutions amounted to RMB4,804 million (31 December 2010: RMB1,357 million).

20. FIXED MATURITY INVESTMENTS

(in RMB million)	31 December 2011	31 December 2010
Bonds	**697,344**	526,716
Debt schemes	**10,360**	1,070
Policy loans	**14,105**	8,431
Assets purchased under agreements to resell	**37,312**	17,435
Banking wealth management products	**13,232**	–
	772,353	553,652

(1) BONDS

(in RMB million)	31 December 2011	31 December 2010
Held-to-maturity, at amortized cost	**480,005**	339,012
Available-for-sale, at fair value	**199,373**	168,757
Carried at fair value through profit or loss		
– Held-for-trading	**9,732**	17,661
– Designated at fair value through profit or loss	**–**	72
Loans and receivables	**8,234**	1,214
	697,344	526,716

(in RMB million)	31 December 2011	31 December 2010
Government bonds	**139,110**	138,020
Central Bank bills	**11,084**	15,667
Finance bonds	**363,793**	212,891
Corporate bonds	**183,357**	160,138
	697,344	526,716
Listed	**56,673**	56,897
Unlisted	**640,671**	469,819
	697,344	526,716

As at 31 December 2011, bonds with a carrying amount of RMB98,441 million (31 December 2010: RMB107,590 million) were pledged as assets sold under agreements to repurchase.

As at 31 December 2011, bonds with a carrying amount of RMB6,970 million (31 December 2010: Nil) were pledged for agreements of time deposits from the PBOC.

20. FIXED MATURITY INVESTMENTS (CONTINUED)

(2) ASSETS PURCHASED UNDER AGREEMENTS TO RESELL

(in RMB million)	31 December 2011	31 December 2010
Bonds	**8,239**	8,635
Bills	**27,963**	8,800
Others	**1,145**	–
Total	**37,347**	17,435
Less: Provision for impairment losses	**(35)**	–
Net	**37,312**	17,435

The fair value of the assets held as collateral for assets purchased under agreements to resell approximates their carrying value.

As at 31 December 2011, bonds held as collateral for assets purchased under agreements to resell with a carrying amount of RMB420 million (31 December 2010: RMB599 million) were pledged as assets sold under agreements to repurchase.

21. EQUITY INVESTMENTS

(in RMB million)	31 December 2011	31 December 2010
Equity investment funds	**30,390**	28,027
Equity securities	**77,485**	54,947
Other equity investments	**9,110**	3,395
	116,985	86,369

(1) EQUITY INVESTMENT FUNDS

(in RMB million)	31 December 2011	31 December 2010
Available-for-sale, at fair value	**25,461**	21,983
Carried at fair value through profit or loss	**4,929**	6,044
	30,390	28,027
Listed	**6,394**	6,916
Unlisted	**23,996**	21,111
	30,390	28,027

21. EQUITY INVESTMENTS (CONTINUED)

(2) EQUITY SECURITIES

(in RMB million)	31 December 2011	31 December 2010
Available-for-sale, at fair value	**77,313**	51,688
Held-for-trading	**172**	3,259
	77,485	54,947
Listed	**77,315**	54,764
Unlisted	**170**	183
	77,485	54,947

(3) OTHER EQUITY INVESTMENTS

(in RMB million)	31 December 2011	31 December 2010
Available-for-sale, at fair value	**44**	–
Available-for-sale, at cost	**7,286**	3,395
Designated at fair value through profit or loss	**1,780**	–
	9,110	3,395
Unlisted	**9,110**	3,395

22. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2011			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	**6,753**	**150**	**6,503**	**150**
Currency forwards and swaps	**57,763**	**668**	**52,151**	**582**
	64,516	**818**	**58,654**	**732**

	31 December 2010			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	122	2	254	2
Currency forwards and swaps	634	4	1,463	10
Credit default swaps	–	–	66	3
	756	6	1,783	15

None of the above derivatives has been designated as a hedging instrument.

23. LOANS AND ADVANCES TO CUSTOMERS

(1) ANALYZED BY CORPORATE AND INDIVIDUAL

(in RMB million)	31 December 2011	31 December 2010
Corporate customers		
Loans	**414,478**	86,828
Discounted bills	**17,683**	2,199
Individual customers		
Credit card	**24,710**	10,559
Property mortgages	**140,786**	25,767
Others	**24,982**	8,143
Gross	**622,639**	133,496
Less: Loan loss provisions	**(10,908)**	(1,536)
Net	**611,731**	131,960

(2) ANALYZED BY INDUSTRY

(in RMB million)	31 December 2011	31 December 2010
Corporate customers		
Agriculture, husbandry and fishery	**1,695**	413
Extraction (heavy industry)	**6,619**	732
Manufacturing (light industry)	**134,197**	19,218
Energy	**14,829**	4,096
Transportation, storage and communication	**30,059**	10,123
Commercial	**107,241**	10,784
Real estate	**36,635**	9,274
Service, technology, culture and sanitary industries	**51,689**	21,687
Construction	**27,572**	9,122
Others	**3,942**	1,379
Loans	**414,478**	86,828
Discounted bills	**17,683**	2,199
Corporate customers	**432,161**	89,027
Individual customers	**190,478**	44,469
Gross	**622,639**	133,496

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) ANALYZED BY TYPE OF COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS

(in RMB million)	31 December 2011	31 December 2010
Unsecured	**115,814**	42,265
Guaranteed	**131,858**	31,342
Secured by collateral		
Secured by mortgages	**277,763**	46,314
Secured by monetary assets	**79,521**	11,376
Subtotal	**604,956**	131,297
Discounted bills	**17,683**	2,199
Gross	**622,639**	133,496

(4) AGING ANALYSIS OF PAST DUE LOANS

	31 December 2011				
(in RMB million)	Within 3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Unsecured	**829**	**280**	**51**	**219**	**1,379**
Guaranteed	**419**	**62**	**260**	**80**	**821**
Secured by collateral					
Secured by mortgages	**4,146**	**792**	**540**	**371**	**5,849**
Secured by monetary assets	**339**	**26**	**10**	**176**	**551**
	5,733	**1,160**	**861**	**846**	**8,600**

	31 December 2010				
(in RMB million)	Within 3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Unsecured	300	241	83	105	729
Guaranteed	36	26	40	3	105
Secured by collateral					
Secured by mortgages	387	92	87	23	589
Secured by monetary assets	32	–	–	–	32
	755	359	210	131	1,455

Past due loans refer to the loans with either principal or interest being past due by one day or more.

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(5) ANALYZED BY REGION

	31 December 2011		31 December 2010	
(in RMB million)	Amount	%	Amount	%
Southern and Central China	**242,726**	**38.98%**	77,928	58.38%
Eastern China	**228,993**	**36.77%**	55,251	41.39%
Northern and North-eastern China	**110,995**	**17.83%**	132	0.10%
South-western China	**35,590**	**5.72%**	100	0.07%
Offshore business	**3,831**	**0.62%**	85	0.06%
Others	**504**	**0.08%**	–	–
Gross	**622,639**	**100.00%**	133,496	100.00%

(6) LOAN LOSS PROVISION

(in RMB million)	Individually assessed	Collectively assessed	Total
As at 1 January 2011	**398**	**1,138**	**1,536**
Acquisition of subsidiaries	**1,089**	**6,403**	**7,492**
Charge/(reversal) for the year	**(112)**	**1,816**	**1,704**
Write-off during the year	**(21)**	**(251)**	**(272)**
Write-backs during the year			
Recovery of loans written off previously	**405**	**88**	**493**
Interest accrued on impaired loans	**(43)**	**-**	**(43)**
Other changes for the year	**(2)**	**-**	**(2)**
As at 31 December 2011	**1,714**	**9,194**	**10,908**
As at 1 January 2010	211	720	931
Acquisition of subsidiaries	–	–	–
Charge/(reversal) for the year	205	421	626
Write-off during the year	(5)	(3)	(8)
Write-backs during the year			
Recovery of loans written off previously	–	–	–
Interest accrued on impaired loans	(13)	–	(13)
As at 31 December 2010	398	1,138	1,536

As at 31 December 2011, no discounted bills (31 December 2010: RMB195 million) were pledged as assets sold under agreements to repurchase.

As at 31 December 2011, discounted bills with a carrying amount of RMB716 million (31 December 2010: Nil) were pledged for amounts due to the PBOC.

24. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The Group's investments in the principal associates and jointly controlled entities as at year end are as follows:

(in RMB million) Name of the invested entity	31 December 2011	31 December 2010
SDB	**-**	26,890
Veolia Water (Kunming) Investment Co., Ltd. ("Veolia Kunming")	**208**	197
Veolia Water (Yellow River) Investment Co., Ltd. ("Veolia Yellow River")	**613**	629
Veolia Water (Liuzhou) Investment Co., Ltd. ("Veolia Liuzhou")	**111**	110
Shanxi Taichang Expressway Co., Ltd. ("Shanxi Taichang")	**809**	894
Hubei Shumyip Huayin Traffic Development Co., Ltd. ("Hubei Shumyip Huayin")	**301**	404
Beijing-Shanghai High-speed Railway Equity Investment Scheme ("Beijing-Shanghai Railway")	**6,300**	6,300
Hangzhou Sundy Real Estate Group Co., Ltd. ("Hangzhou Sundy")	**-**	489
Shaoxing Pingan New Capital Co., Ltd. ("Shaoxing Pingan New Capital")	**36**	37
Central China Securities Holding Co., Ltd. ("Central China Securities")	**1,684**	2,180
Zhong You Jin Hong Natural Gas Transmission Co., Ltd. ("Zhong You Jin Hong")	**480**	437
XJ Group	**-**	187
Foshan Shunde Peace Hospital Investment Co., Ltd. ("Shunde Peace Hospital")	**136**	-
Tianjin Ancheng Chuangjing Equity Investment Fund of Partnership Enterprise ("Ancheng Chuangjing")	**16**	-
Tongxin No.1 Real Estate Investment Aggregated Fund Trust Scheme ("Tongxin No.1")	**100**	-
Chengdu Gongtou Assets Management Co., Ltd. ("Chengdu Gongtou")	**429**	-
Ping An Caifu Jinkang Trust Schemes of Collective Funds ("Jinkang Trust")	**87**	92
Xi'an Ruilian Modern Electronic Chemical Co., Ltd. ("Xi'an Ruilian")	**321**	313
Sensible Asset Management Hongkong Limited ("Sensible Asset Management")	**-**	15
Ping An Russell Investment Management (Shanghai) Co., Ltd. ("Ping An Russell")	**41**	-
Guangzhou Shengan Chuangfu Investment & Management Limited ("Shengan Chuangfu")	**10**	-
Newheight Holdings Ltd. ("Newheight Holdings")	**70**	-
Others	**85**	427
	11,837	39,601

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24. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

The Group's investments in the principal associates and jointly controlled entities as at year end are as follows: (continued)

Name of the invested entity	Place of incorporation	Paid-in capital (RMB unless otherwise stated)	Percentage of voting rights	Principal activities
Associates				
Veolia Kunming	Hong Kong	USD91,875,208	24.00%	Water plant operation
Veolia Yellow River	Hong Kong	USD189,421,568	49.00%	Water plant operation
Veolia Liuzhou	Hong Kong	USD32,124,448	45.00%	Water plant operation
Shanxi Taichang	The PRC	2,600,190,000	30.00%	Expressway operation
Hubei Shumyip Huayin	The PRC	110,000,000	49.00%	Expressway investment
Beijing-Shanghai Railway	The PRC	16,000,000,000	39.38%	Railway investment
Shaoxing Pingan New Capital	The PRC	130,000,000	30.00%	Investment holding
Central China Securities	The PRC	2,033,515,700	40.63%	Security investment and brokerage
Zhong You Jin Hong	The PRC	549,396,700	19.24%	Construction and operation of gas distribution pipe network
Shunde Peace Hospital	The PRC	18,520,000	46.00%	Hospital investment and management
Tongxin No.1	N/A	246,600,000	40.50%	Real estate trust
Chengdu Gongtou	The PRC	518,700,000	33.20%	Investments and assets management
Jointly controlled entities				
Jinkang Trust	N/A	200,000,000	50.00%	Investment in a chain of clinics
Xi'an Ruilian	The PRC	34,375,000	40.63%	Manufacture and sale of liquid crystal materials
Ping An Russell	The PRC	100,000,000	51.00%	Investment consulting and management
Shengan Chuangfu	The PRC	20,000,000	49.94%	Investment consulting and management
Newheight Holdings	Cayman Islands	USD2,036	50.00%	Investment holding
Ancheng Chuangjing	The PRC	526,000,000	N/A	Equity investment and consulting services

As at 31 December 2011, shares of subsidiaries with a carrying amount of RMB2,364 million (31 December 2010: Nil) were pledged as assets sold under agreements to repurchase.

25. PREMIUM RECEIVABLES

(in RMB million)	31 December 2011	31 December 2010
Premium receivables	**12,234**	6,496
Less: Provision for doubtful receivables	**(145)**	(198)
Premium receivables, net	**12,089**	6,298
Life insurance	**5,324**	3,736
Property and casualty insurance	**6,765**	2,562
Premium receivables, net	**12,089**	6,298

The credit terms of premium receivables granted are generally from one to six months with interest free.

An aging analysis of premium receivables is as follows:

(in RMB million)	31 December 2011	31 December 2010
Within 3 months	**11,819**	6,095
Over 3 months but within 1 year	**241**	173
Over 1 year	**29**	30
	12,089	6,298

26. ACCOUNTS RECEIVABLE

(in RMB million)	31 December 2011	31 December 2010
Receivables with respect to making payments on behalf of customers (Note)	**74,126**	–
Receivables under factoring	**7,759**	–
Receivables with respect to making payments on behalf of other banks	**88,481**	–
Others	**361**	116
Total	**170,727**	116
Less: provision for accounts receivable	**–**	–
Net	**170,727**	116

Note: The above receivables are related to the provision of trade finance services for customers by making payments on their behalf via the offshore business unit of the Group's banking subsidiaries or other banks in accordance with the terms of agreements signed with the customers. In connection with this, the payments made by other banks are correspondingly recorded in "Accounts payable".

27. REINSURERS' SHARE OF INSURANCE LIABILITIES

(in RMB million)	31 December 2011	31 December 2010
Reinsurers' share of unearned premium reserves	**3,903**	2,627
Reinsurers' share of claim reserves	**3,432**	3,021
Reinsurers' share of policyholders' reserves	**557**	530
	7,892	6,178

28. INVESTMENT PROPERTIES

(in RMB million)	2011	2010
Cost		
As at 1 January	**10,074**	7,326
Acquisition of subsidiaries	**698**	315
Additions	**1,388**	3
Transfer to property and equipment, net	**(1,146)**	2,576
Disposal of subsidiaries	**(327)**	(83)
Disposals	**(39)**	(63)
As at 31 December	**10,648**	10,074
Accumulated depreciation and impairment losses		
As at 1 January	**1,208**	896
Acquisition of subsidiaries	**119**	–
Charge for the year	**351**	254
Transfer to property and equipment, net	**(106)**	91
Disposal of subsidiaries	**–**	(5)
Disposals	**–**	(28)
As at 31 December	**1,572**	1,208
Net book value		
As at 31 December	**9,076**	8,866
As at 1 January	**8,866**	6,430
Fair value as at 31 December 2011	**14,265**	12,844

The fair values of the investment properties as at 31 December 2011 were estimated by the Group, based on valuation performed by independent valuers.

The rental income arising from investment properties for the year 2011 amounted to RMB687 million (2010: RMB443 million), which is included in net investment income.

There was no gain or loss arising from the disposal of investment properties during the year 2011 (2010: Gain of RMB16 million).

As at 31 December 2011, investment properties with a carrying amount of RMB1,897 million (31 December 2010: RMB1,959 million) were pledged as collateral for long term borrowings with a carrying amount of RMB1,499 million (31 December 2010: RMB1,517 million).

The Group was still in the process of applying for title certificates for certain investment properties with a carrying amount of RMB896 million as at 31 December 2011 (31 December 2010: RMB2,631 million).

29. PROPERTY AND EQUIPMENT

(in RMB million)	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2011	1,941	4,213	3,675	844	1,803	12,476
Acquisition of subsidiaries	698	4,689	1,585	84	192	7,248
Additions	579	137	1,126	210	1,786	3,838
Transfer of construction in progress	271	814	30	-	(1,120)	(5)
Transfer from investment properties, net	-	1,155	-	-	(9)	1,146
Disposal of subsidiaries	-	(18)	(43)	-	-	(61)
Disposals	(284)	(33)	(306)	(49)	-	(672)
As at 31 December 2011	3,205	10,957	6,067	1,089	2,652	23,970
Accumulated depreciation and impairment losses						
As at 1 January 2011	859	1,221	1,878	337	11	4,306
Acquisition of subsidiaries	308	986	1,030	47	-	2,371
Charge for the year	612	261	681	119	-	1,673
Transfer from investment properties, net	-	106	-	-	-	106
Disposal of subsidiaries	-	(4)	(5)	-	-	(9)
Disposals	(178)	(19)	(268)	(39)	-	(504)
As at 31 December 2011	1,601	2,551	3,316	464	11	7,943
Net book value						
As at 31 December 2011	1,604	8,406	2,751	625	2,641	16,027
As at 1 January 2011	1,082	2,992	1,797	507	1,792	8,170

29. PROPERTY AND EQUIPMENT (CONTINUED)

(in RMB million)	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2010	1,493	5,505	3,923	679	3,249	14,849
Acquisition of subsidiaries	–	18	1	–	–	19
Additions	383	114	677	239	1,466	2,879
Transfer of construction in progress	285	251	1	1	(603)	(65)
Transfer to investment properties, net	–	(491)	–	–	(2,085)	(2,576)
Disposal of subsidiaries	–	(1,086)	(682)	(23)	(220)	(2,011)
Disposals	(220)	(98)	(245)	(52)	(4)	(619)
As at 31 December 2010	1,941	4,213	3,675	844	1,803	12,476
Accumulated depreciation and impairment losses						
As at 1 January 2010	569	1,445	1,847	311	11	4,183
Acquisition of subsidiaries	–	–	6	–	–	6
Charge for the year	431	194	522	77	–	1,224
Disposal of subsidiaries	–	(288)	(319)	(14)	–	(621)
Disposals	(141)	(130)	(178)	(37)	–	(486)
As at 31 December 2010	859	1,221	1,878	337	11	4,306
Net book value						
As at 31 December 2010	1,082	2,992	1,797	507	1,792	8,170
As at 1 January 2010	924	4,060	2,076	368	3,238	10,666

The Group was still in the process of applying for title certificates for its buildings with a carrying amount of RMB478 million as at 31 December 2011 (31 December 2010: RMB216 million).

30. INTANGIBLE ASSETS

(in RMB million)	Goodwill	Expressway operating rights	Prepaid land premiums	Core deposits	Software and others	Total
Cost						
As at 1 January 2011	**619**	**7,426**	**2,757**	**–**	**1,234**	**12,036**
Acquisition of subsidiaries	**–**	**–**	**–**	**15,082**	**360**	**15,442**
Additions	**8,624**	**–**	**545**	**–**	**380**	**9,549**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**(18)**	**(18)**
Disposals	**(40)**	**–**	**–**	**–**	**(35)**	**(75)**
As at 31 December 2011	**9,203**	**7,426**	**3,302**	**15,082**	**1,921**	**36,934**
Accumulated amortization and impairment losses						
As at 1 January 2011	**–**	**1,111**	**287**	**–**	**736**	**2,134**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**152**	**152**
Charge for the year	**–**	**320**	**90**	**377**	**314**	**1,101**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**(5)**	**(5)**
Disposals	**–**	**–**	**–**	**–**	**(32)**	**(32)**
As at 31 December 2011	**–**	**1,431**	**377**	**377**	**1,165**	**3,350**
Net book value						
As at 31 December 2011	**9,203**	**5,995**	**2,925**	**14,705**	**756**	**33,584**
As at 1 January 2011	**619**	**6,315**	**2,470**	**–**	**498**	**9,902**

(in RMB million)	Goodwill	Expressway operating rights	Prepaid land premiums	Patents and know-how	Software and others	Total
Cost						
As at 1 January 2010	914	7,426	2,845	2,212	1,135	14,532
Acquisition of subsidiaries	–	–	–	–	12	12
Additions	–	–	429	–	218	647
Disposal of subsidiaries	(295)	–	(509)	(2,212)	(125)	(3,141)
Disposals	–	–	(8)	–	(6)	(14)
As at 31 December 2010	619	7,426	2,757	–	1,234	12,036
Accumulated amortization and impairment losses						
As at 1 January 2010	–	791	268	37	562	1,658
Acquisition of subsidiaries	–	–	–	–	–	–
Charge for the year	–	320	52	16	232	620
Disposal of subsidiaries	–	–	(29)	(53)	(56)	(138)
Disposals	–	–	(4)	–	(2)	(6)
As at 31 December 2010	–	1,111	287	–	736	2,134
Net book value						
As at 31 December 2010	619	6,315	2,470	–	498	9,902
As at 1 January 2010	914	6,635	2,577	2,175	573	12,874

30. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2011, all the expressway operating rights of the Group were pledged as collateral for long term borrowings amounted to RMB2,812 million (31 December 2010: RMB3,156 million).

As at 31 December 2011, the Group was still in the process of applying for title certificates for prepaid land premium with a carrying amount of RMB2,120 million (31 December 2010: RMB1,641 million).

31. OTHER ASSETS

(in RMB million)	31 December 2011	31 December 2010
Other receivables (Note)	**8,848**	5,491
Due from reinsurers	**4,369**	2,830
Interest receivables	**22,735**	14,179
Settled assets	**602**	55
Prepayments	**3,649**	727
Dividend receivables	**40**	210
Inventories	**106**	97
Others	**1,749**	721
	42,098	24,310

Note: Since 1 January 2009, the Group has implemented the "*Interpretation No. 2 to China Accounting Standards*" and the "*Regulation on Accounting for Insurance Contracts*" (Caikuai [2009] No. 15) issued by the Ministry of Finance. As the relevant tax laws and regulations have not clearly clarified how the implementation of the above accounting regulations would affect the manner in which corporate income tax would be imposed, the Group accrued the corporate income tax based on its understanding and judgment of the current prevailing tax laws and regulations when preparing the financial statements. As there is a difference between the accrued corporate income tax amount and the actual payment of the corporate income tax, the Group recorded this difference of RMB3,520 million in other assets as at 31 December 2011 as prepaid income tax (31 December 2010: RMB2,499 million). The amount and timing as to the recoverability of such prepaid tax is subject to the final clarification from the relevant tax authorities.

32. SHARE CAPITAL

(in millions)	31 December 2011	31 December 2010
Number of shares registered, issued and fully paid, with a par value of RMB1 each	**7,916**	7,644

On 17 June 2011, the Company issued 272 million H shares to Jinjun Limited, a company wholly owned by Chow Tai Fook Nominee Limited, for a total consideration of HKD19,448 million, equivalent to RMB16,169 million. The consideration, net of issuing expenses, was equivalent to RMB16,134 million. The share contribution was verified by the Chinese Certified Public Accountants.

33. RESERVES AND RETAINED PROFITS

GROUP

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Out of the Group's retained profits, RMB8,493 million as at 31 December 2011 (31 December 2010: RMB5,110 million) represents the Company's share of its subsidiaries' surplus reserve fund which cannot be used for profit distribution.

Out of the Group's retained profits, RMB7,544 million as at 31 December 2011 (31 December 2010: RMB4,928 million) represents the Company's share of its subsidiaries' general reserve which cannot be used for profit distribution.

33. RESERVES AND RETAINED PROFITS (CONTINUED)

COMPANY

(in RMB million)	Share premium	Available-for-sale financial assets	Surplus reserve fund	General reserve	Retained profits	Total
As at 1 January 2011	**67,644**	**21**	**6,689**	**395**	**4,928**	**79,677**
Total comprehensive income for the year	**-**	**(237)**	**-**	**-**	**22,240**	**22,003**
Appropriations to surplus reserve fund	**-**	**-**	**293**	**-**	**(293)**	**-**
Shareholder's capital injection	**15,862**	**-**	**-**	**-**	**-**	**15,862**
Dividend declared	**-**	**-**	**-**	**-**	**(4,245)**	**(4,245)**
As at 31 December 2011	**83,506**	**(216)**	**6,982**	**395**	**22,630**	**113,297**
As at 1 January 2010	51,907	48	6,208	395	4,668	63,226
Total comprehensive income for the year	–	(27)	–	–	4,181	4,154
Appropriations to surplus reserve fund	–	–	481	–	(481)	–
Shareholder's capital injection	15,737	–	–	–	–	15,737
Dividend declared	–	–	–	–	(3,440)	(3,440)
As at 31 December 2010	67,644	21	6,689	395	4,928	79,677

According to the Company's articles of association, the Company shall set aside 10% of its net profit determined in its statutory financial statements, prepared in accordance with PRC Accounting Standards, to a statutory surplus reserve fund. The Company can cease such profit appropriation to this fund if its balance reaches 50% of the Company's registered share capital. The Company may also make appropriations from its net profit to the discretionary surplus reserve fund provided the appropriation is approved by a resolution of the shareholders. These reserves cannot be used for purposes other than those for which they are created. Profits are used to offset prior year losses before allocations to such reserves.

Capital reserve mainly represents share premiums arising from the issuance of shares.

Subject to resolutions passed in shareholders' meetings, the statutory surplus reserve fund, discretionary surplus reserve fund and capital reserve can be transferred to share capital. The balance of the statutory surplus reserve fund after transfers to share capital shall not be less than 25% of the registered capital.

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures and fund businesses. The Group's respective entities engaged in such businesses would need to make appropriations for such reserves based on their respective year-end profit or risk assets, as determined in accordance with PRC Accounting Standards, and based on the applicable PRC financial regulations, in their annual financial statements. Such reserves are not available for profit distribution or transfer to capital.

In accordance with the relevant regulations, the net profit after tax of the Company for profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profits determined in accordance with IFRSs.

34. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB millions)	31 December 2011	31 December 2010
Deposits from other banks and financial institutions	**180,436**	25,237
Due to the Central Bank	**1,131**	–
Short term borrowings	**2,994**	3,681
Long term borrowings	**11,134**	9,904
	195,695	38,822

For the mortgage and collateral of the above borrowings, refer to Notes 19, 24, 28 and 30.

35. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	31 December 2011	31 December 2010
Bonds	**97,370**	107,550
Discounted bills	**–**	195
Others	**2,364**	105
	99,734	107,850

For the collateral of the assets sold under agreements to repurchase, refer to Notes 20, 23 and 24.

36. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

(in RMB million)	31 December 2011	31 December 2010
Current and savings accounts		
Corporate customers	**201,731**	57,927
Individual customers	**69,075**	19,371
Term deposits		
Corporate customers	**258,709**	57,165
Individual customers	**70,410**	12,319
Guarantee deposits	**204,213**	16,078
Time deposits from the PBOC	**5,800**	–
Payables to brokerage customers		
Corporate customers	**1,938**	1,762
Individual customers	**6,292**	11,341
Others	**17,881**	–
	836,049	175,963

For the collateral of time deposits from the PBOC, refer to Note 20.

37. ACCOUNTS PAYABLE

(in RMB million)	31 December 2011	31 December 2010
Payables with respect to making payments on behalf of customers (Note)	**69,478**	–
Payables under factoring	**968**	–
Others	**193**	280
	70,639	280

Note: For the details about the business of accounts payable, refer to Note 26

38. INSURANCE CONTRACT LIABILITIES

(in RMB million)	31 December 2011	31 December 2010
Policyholders' reserves	**461,521**	395,159
Policyholder contract deposits	**195,381**	155,628
Policyholder account liabilities in respect of insurance contracts	**33,460**	40,284
Unearned premium reserves	**42,288**	30,842
Claim reserves	**25,754**	18,034
Total	**758,404**	639,947

	31 December 2011		
(in RMB million)	Insurance contract liabilities	Reinsurers' share	Net
Long term life insurance contracts	**690,362**	**(557)**	**689,805**
Short term life insurance contracts	**3,612**	**(109)**	**3,503**
Property and casualty insurance contracts	**64,430**	**(7,226)**	**57,204**
	758,404	**(7,892)**	**750,512**

	31 December 2010		
(in RMB million)	Insurance contract liabilities	Reinsurers' share	Net
Long term life insurance contracts	591,071	(530)	590,541
Short term life insurance contracts	3,118	(589)	2,529
Property and casualty insurance contracts	45,758	(5,059)	40,699
	639,947	(6,178)	633,769

(in RMB million)	31 December 2011	31 December 2010
Current portion*		
Long term life	**(6,305)**	(8,039)
Short term life	**3,593**	3,102
Property and casualty	**40,737**	30,287
Non-current portion		
Long term life	**696,667**	599,110
Short term life	**19**	16
Property and casualty	**23,693**	15,471
Total	**758,404**	639,947

* Estimated net cash flows within 12 months from the end of the reporting period.

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38. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(1) LONG TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2011	31 December 2010
Policyholders' reserves	**461,521**	395,159
Policyholder contract deposits	**195,381**	155,628
Policyholder account liabilities in respect of insurance contracts	**33,460**	40,284
	690,362	591,071

The policyholders' reserves are analyzed as follows:

(in RMB million)	2011	2010
As at 1 January	**395,159**	336,014
Increase during the year	**112,194**	93,405
Decrease during the year		
– Claims and benefits paid	**(35,951)**	(24,816)
– Surrender	**(10,157)**	(8,549)
– Others	**276**	(895)
As at 31 December	**461,521**	395,159

The policyholder contract deposits are analyzed as follows:

(in RMB million)	2011	2010
As at 1 January	**155,628**	107,861
Premiums received	**60,947**	59,972
Accretion of investment income	**6,381**	4,191
Liabilities released for benefits paid	**(12,819)**	(7,413)
Policy administration fees and surrender charges deducted	**(167)**	(94)
Others	**(14,589)**	(8,889)
As at 31 December	**195,381**	155,628

(2) SHORT TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2011	31 December 2010
Unearned premium reserves	**2,213**	1,988
Claim reserves	**1,399**	1,130
	3,612	3,118

38. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(2) SHORT TERM LIFE INSURANCE CONTRACTS (CONTINUED)

The unearned premium reserves of short term life insurance are analyzed as follows:

	2011			2010		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**1,988**	**(267)**	**1,721**	2,199	(412)	1,787
Premiums written during the year	**7,624**	**(180)**	**7,444**	6,192	(1,357)	4,835
Premiums earned during the year	**(7,399)**	**393**	**(7,006)**	(6,403)	1,502	(4,901)
As at 31 December	**2,213**	**(54)**	**2,159**	1,988	(267)	1,721

The claim reserves of short term life insurance are analyzed as follows:

	2011			2010		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**1,130**	**(322)**	**808**	1,211	(367)	844
Claims incurred during the year	**3,826**	**(484)**	**3,342**	3,311	(919)	2,392
Claims paid during the year	**(3,557)**	**751**	**(2,806)**	(3,392)	964	(2,428)
As at 31 December	**1,399**	**(55)**	**1,344**	1,130	(322)	808

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS

(in RMB million)	31 December 2011	31 December 2010
Unearned premium reserves	**40,075**	28,854
Claim reserves	**24,355**	16,904
	64,430	45,758

The unearned premium reserves of property and casualty insurance are analyzed as follows:

	2011			2010		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**28,854**	**(2,360)**	**26,494**	17,946	(1,597)	16,349
Premiums written during the year	**83,708**	**(10,511)**	**73,197**	62,507	(6,824)	55,683
Premiums earned during the year	**(72,487)**	**9,022**	**(63,465)**	(51,599)	6,061	(45,538)
As at 31 December	**40,075**	**(3,849)**	**36,226**	28,854	(2,360)	26,494

38. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS (CONTINUED)

The claim reserves of property and casualty insurance are analysed as follows:

	2011			2010		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**16,904**	**(2,699)**	**14,205**	10,917	(2,076)	8,841
Claims incurred during the year	**40,593**	**(3,887)**	**36,706**	28,438	(3,202)	25,236
Claims paid during the year	**(33,142)**	**3,209**	**(29,933)**	(22,451)	2,579	(19,872)
As at 31 December	**24,355**	**(3,377)**	**20,978**	16,904	(2,699)	14,205

39. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

(in RMB million)	31 December 2011	31 December 2010
Policyholder account liabilities in respect of investment contracts	**3,992**	3,994
Investment contract reserves	**28,819**	25,997
	32,811	29,991

The investment contract liabilities are analyzed as follows:

(in RMB million)	2011	2010
As at 1 January	**29,991**	28,951
Premiums received	**6,639**	7,065
Accretion of investment income	**793**	607
Liabilities released for benefits paid	**(4,031)**	(5,797)
Policy administration fees and surrender charges deducted	**(87)**	(61)
Others	**(494)**	(774)
As at 31 December	**32,811**	29,991

As at 31 December 2010 and 2011, the Group had no reinsurance contracts without significant insurance risk transfer.

40. BONDS PAYABLE

Issuer	Type	Guarantee type	Maturity	Early redemption option	Interest type	Coupon rate (per annum)	31 December 2011	31 December 2010
Value Success International Limited	Offshore RMB bonds	Guaranteed (Note)	3 years	None	Fixed	2.075%	**1,995**	-
Ping An Property & Casualty	Subordinated bonds	None	10 years	End of the fifth year	Fixed	First 5 years: 4.20% Next 5 years: 6.20% (If not redeemed)	**2,056**	2,034
Ping An Property & Casualty	Subordinated bonds	None	10 years	End of the fifth year	Fixed	First 5 years: 4.65% Next 5 years: 6.65% (If not redeemed)	**2,539**	2,514
Ping An Life	Subordinated bonds	None	10 years	End of the fifth year	Fixed	First 5 years: 5.70% Next 5 years: 7.70% (If not redeemed)	**3,997**	-
Ping An Bank	Subordinated bonds	None	10 years	End of the fifth year	Fixed	First 5 years: 4.40% Next 5 years: 7.40% (If not redeemed)	**1,148**	1,147
Ping An Bank	Subordinated bonds	None	10 years	End of the fifth year	Floating	First 5 years: one year deposit interest plus 1.65% Next 5 years: one year deposit interest plus 4.65% (If not redeemed)	**1,847**	1,845
SDB	Subordinated bonds	None	10 years	End of the fifth year	Fixed	First 5 years: 6.10% Next 5 years: 9.10% (If not redeemed)	**6,051**	-
SDB	Subordinated bonds	None	10 years	End of the fifth year	Floating	First 5 years: three months SHIBOR plus 1.40% Next 5 years: three months SHIBOR plus 4.40% (If not redeemed)	**504**	-
SDB	Subordinated bonds	None	10 years	End of the fifth year	Fixed	First 5 years: 5.30% Next 5 years: 8.30% (If not redeemed)	**1,490**	-
SDB	Hybrid capital debt instrument	None	15 years	End of the tenth year	Fixed	First 10 years: 5.70% Next 5 years: 8.70% (If not redeemed)	**1,340**	-
SDB	Hybrid capital debt instrument	None	15 years	End of the tenth year	Fixed	7.50%	**3,666**	-
							26,633	7,540

Note: The bonds are guaranteed by China Ping An Insurance Overseas (Holdings) Limited, which is the holding company of Value Success International Limited.

41. DEFERRED TAX ASSETS AND LIABILITIES

(in RMB million)	31 December 2011	31 December 2010
Deferred tax assets	**13,383**	6,496
Deferred tax liabilities	**(4,612)**	(869)
Net	**8,771**	5,627

	2011						
(in RMB million)	As at 1 January	Acquisition of subsidiaries	Charged to profit or loss	Charged to equity	Other changes	As at 31 December	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	**(48)**	**(22)**	**82**	**-**	**-**	**12**	**(50)**
Fair value adjustments and impairment losses on available-for-sale investments	**6,101**	**78**	**128**	**4,578**	**-**	**10,885**	**(43,554)**
Insurance contract liabilities	**(324)**	**-**	**(243)**	**(538)**	**-**	**(1,105)**	**4,523**
Loan loss provisions	**30**	**1,575**	**351**	**-**	**-**	**1,956**	**(7,826)**
Intangible assets – core deposits	**-**	**(3,770)**	**94**	**-**	**-**	**(3,676)**	**14,705**
Others	**(132)**	**150**	**685**	**-**	**(4)**	**699**	**(2,788)**
	5,627	**(1,989)**	**1,097**	**4,040**	**(4)**	**8,771**	**(34,990)**

	2010					
(in RMB million)	As at 1 January	Charged to profit or loss	Charged to equity	Other changes	As at 31 December	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	(73)	25	–	–	(48)	194
Fair value adjustments and impairment losses on available-for-sale investments	4,653	75	1,373	–	6,101	(24,358)
Insurance contract liabilities	1,761	(1,562)	(523)	–	(324)	1,468
Loan loss provisions	16	14	–	–	30	(125)
Others	(363)	(129)	–	360	(132)	489
	5,994	(1,577)	850	360	5,627	(22,332)

42. OTHER LIABILITIES

(in RMB million)	31 December 2011	31 December 2010
Other payables	**5,700**	4,667
Payable to holders of trust schemes and banking wealth management products	**5,671**	435
Salaries and welfare payable	**7,649**	4,016
Interest payable	**9,645**	1,782
Other tax payable	**2,897**	1,377
Deposit received	**3,210**	1,959
Payables on underwriting securities	**28**	2,030
Contingency provision	**402**	252
Insurance guarantee fund	**404**	369
Accruals	**1,037**	503
Dividend payable	**89**	79
Deferred income	**1,155**	165
Others	**563**	285
	38,450	17,919

43. FIDUCIARY ACTIVITIES

(in RMB million)	31 December 2011	31 December 2010
Assets under trust schemes	**179,907**	133,356
Assets under corporate annuity schemes	**37,400**	29,350
Assets under asset management schemes	**21,490**	16,526
Entrusted loans	**20,665**	2,604
Entrusted investments	**33,182**	8,586
	292,644	190,422

All of the above are off-balance sheet items.

44. RISK AND CAPITAL MANAGEMENT

(1) INSURANCE RISK

Insurance risk refers to the risk that actual indemnity might exceed expected indemnity due to the frequency and severity of insurance accidents, as well as the possibility that insurance surrender rates are being underestimated. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

- Occurrence risk – the possibility that the number of insured events will differ from those expected.
- Severity risk – the possibility that the cost of the events will differ from those expected.
- Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines.

The business of the Group mainly comprises long term life insurance contracts, property and casualty and short term life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyles and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continuing improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

These risks currently do not vary significantly in relation to the location of the risk insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. However, for contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refuse to pay premiums or exercise annuity conversion option, etc. Thus, the resultant insurance risk is subject to policyholders' behaviour and decisions.

Concentration of insurance risks

The Group runs its insurance business primarily within the PRC. Hence the geographical insurance risk is concentrated primarily within the PRC.

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by insurance contract liabilities in Note 38.

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities

(a) Long term life insurance contracts

Assumptions

Material judgment is required in determining insurance contract liabilities and in choosing discount rates/investment return, mortality, morbidity, lapse rates, expenses assumptions relating to long term life insurance contracts.

Sensitivities

The Group has measured the impact on long term life insurance contract liabilities using sensitivity analysis, of varying independently certain assumptions under reasonable and possible circumstances. The following changes in assumptions have been considered:

- discount rate/investment return assumption increased by 10 basis points every year;
- discount rate/investment return assumption decreased by 10 basis points every year;
- a 10% increase in morbidity rates, mortality of life insurance policies and annuity policies before the payment period, and a 10% decrease in mortality of annuity policies in the payment period;
- a 10% increase in policy lapse rates; and
- a 5% increase in maintenance expense rates.

	31 December 2011				
(in RMB million)	Change in assumptions	Impact on gross policyholders' reserves Increase/(decrease)	Impact on net policyholders' reserves Increase/(decrease)	Impact on profit before tax Increase/(decrease)	Impact on equity before tax Increase/(decrease)
Discount rate/investment return	**+10bps**	**(4,640)**	**(4,633)**	**4,633**	**4,633**
Discount rate/investment return	**-10bps**	**4,821**	**4,813**	**(4,813)**	**(4,813)**
Morbidity/mortality rates	**+10%/-10%**	**5,347**	**4,860**	**(4,860)**	**(4,860)**
Policy lapse rates	**+10%**	**2,724**	**2,739**	**(2,739)**	**(2,739)**
Maintenance expense rates	**+5%**	**1,217**	**1,217**	**(1,217)**	**(1,217)**

	31 December 2010				
(in RMB million)	Change in assumptions	Impact on gross policyholders' reserves Increase/(decrease)	Impact on net policyholders' reserves Increase/(decrease)	Impact on profit before tax Increase/(decrease)	Impact on equity before tax Increase/(decrease)
Discount rate/investment return	+10bps	(4,392)	(4,384)	4,384	4,384
Discount rate/investment return	-10bps	4,668	4,660	(4,660)	(4,660)
Morbidity/mortality rates	+10%/-10%	4,178	3,699	(3,699)	(3,699)
Policy lapse rates	+10%	2,255	2,270	(2,270)	(2,270)
Maintenance expense rates	+5%	1,124	1,124	(1,124)	(1,124)

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

(b) Property and casualty and short term life insurance contracts

Assumptions

The principal assumption underlying the estimates includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year which are determined based on the Group's past claim experiences. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include delays in settlement, etc.

Sensitivities

The property and casualty and short term life insurance claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables including legislative change, uncertainty in the estimation process etc., is not possible to quantify. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the end of the reporting period.

Reproduced below is an exhibit that shows the development of gross claim reserves of property and casualty insurance by the accident year:

(in RMB million)	2008	2009	2010	**2011**	Total
Estimated cumulative claims paid:					
As at end of current year	16,501	17,480	26,796	**38,655**	99,432
One year later	16,736	17,649	26,630	**–**	61,015
Two years later	16,831	17,739	–	**–**	34,570
Three years later	16,709	–	–	**–**	16,709
Estimated cumulative claims	16,709	17,739	26,630	**38,655**	99,733
Cumulative claims paid	(16,413)	(16,804)	(22,676)	**(21,108)**	(77,001)
Subtotal					22,732
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin					1,623
Unpaid claim expenses					24,355

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

(b) Property and casualty and short term life insurance contracts (continued)

Sensitivities (continued)

Reproduced below is an exhibit that shows the development of net claim reserves of property and casualty insurance by the accident year:

(in RMB million)	2008	2009	2010	**2011**	Total
Estimated cumulative claims paid:					
As at end of current year	13,275	15,285	23,977	**34,486**	87,023
One year later	13,297	15,242	23,969	**-**	52,508
Two years later	13,293	15,393	–	**-**	28,686
Three years later	13,283	–	–	**-**	13,283
Estimated cumulative claims	13,283	15,393	23,969	**34,486**	87,131
Cumulative claims paid	(13,286)	(14,727)	(20,496)	**(19,112)**	(67,621)
Subtotal					19,510
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin					1,468
Unpaid claim expenses					20,978

Reproduced below is an exhibit that shows the development of gross claim reserves of short term life insurance by the accident year:

(in RMB million)	2008	2009	2010	**2011**	Total
Estimated cumulative claims paid:					
As at end of current year	3,235	3,492	3,326	**3,740**	13,793
One year later	2,945	3,378	3,358	**-**	9,681
Two years later	2,935	3,400	–	**-**	6,335
Three years later	2,935	–	–	**-**	2,935
Estimated cumulative claims	2,935	3,400	3,358	**3,740**	13,433
Cumulative claims paid	(2,935)	(3,400)	(3,315)	**(2,454)**	(12,104)
Subtotal					1,329
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin					70
Unpaid claim expenses					1,399

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

(b) Property and casualty and short term life insurance contracts (continued)

Sensitivities (continued)

Reproduced below is an exhibit that shows the development of net claim reserves of short term life insurance by the accident year:

(in RMB million)	2008	2009	2010	**2011**	Total
Estimated cumulative claims paid:					
As at end of current year	2,267	2,456	2,371	**3,495**	10,589
One year later	2,077	2,404	2,386	**–**	6,867
Two years later	2,115	2,340	–	**–**	4,455
Three years later	2,115	–	–	**–**	2,115
Estimated cumulative claims	2,115	2,340	2,386	**3,495**	10,336
Cumulative claims paid	(2,115)	(2,340)	(2,350)	**(2,256)**	(9,061)
Subtotal					1,275
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin					69
Unpaid claim expenses					1,344

To illustrate the sensitivities of ultimate claims costs, for example, a respective percentage change in the average claim costs alone results in a similar percentage change in claim reserves:

	31 December 2011				
(in RMB million)	**Change in assumptions**	**Impact on gross liabilities Increase/ (decrease)**	**Impact on net liabilities Increase/ (decrease)**	**Impact on profit before tax Increase/ (decrease)**	**Impact on equity before tax Increase/ (decrease)**
Average claim costs					
Property and casualty insurance	**+5%**	**1,217**	**1,048**	**(1,048)**	**(1,048)**
Short term life insurance	**+5%**	**70**	**67**	**(67)**	**(67)**

	31 December 2010				
(in RMB million)	Change in assumptions	Impact on gross liabilities Increase/ (decrease)	Impact on net liabilities Increase/ (decrease)	Impact on profit before tax Increase/ (decrease)	Impact on equity before tax Increase/ (decrease)
Average claim costs					
Property and casualty insurance	+5%	845	710	(710)	(710)
Short term life insurance	+5%	57	40	(40)	(40)

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

(c) Reinsurance

The Group limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis and the surplus basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurers' share of insurance liabilities.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

(2) MARKET RISK

Market risk is the risk of changes in fair value of financial instruments and future cash flows from fluctuation of market prices, which includes three types of risks from volatility of foreign exchange rates (foreign currency risk), market interest rates (interest rate risk) and market prices (price risk).

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB, HKD/RMB and EUR/RMB exchange rates. The Group seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit and equity (due to changes in fair value of foreign currency denominated non-monetary assets and liabilities measured at fair value, as well as monetary assets and liabilities). The correlation of variables will have a significant effect on determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		31 December 2011		31 December 2010	
(in RMB million)	Change in variables	**Decrease/ (increase) in profit before tax**	**Decrease/ (increase) in equity before tax**	Decrease/ (increase) in profit before tax	Decrease/ (increase) in equity before tax
USD	-5%	**414**	**435**	82	82
HKD	-5%	**(63)**	**755**	43	1,012
Other currencies	-5%	**(26)**	**53**	3	95
		325	**1,243**	128	1,189

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44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (continued)

The main monetary assets and liabilities of the Group (excluding balances of investment-linked contracts) and non-monetary assets and liabilities measured at fair value are analyzed as follows by currency:

	31 December 2011				
(in millions)	RMB	USD (Original)	HKD (Original)	Others (RMB equivalent)	RMB equivalent total
Assets					
Balances with the Central Bank and statutory deposits	166,737	230	222	-	168,366
Cash and amounts due from banks and other financial institutions	247,176	959	7,099	2,032	261,006
Fixed maturity investments	770,598	213	43	378	772,353
Equity investments	92,148	3	20,150	1,196	109,699
Loans and advances to customers	594,645	2,511	1,428	107	611,731
Premium receivables	11,490	90	39	-	12,089
Accounts receivable	161,984	1,363	81	89	170,727
Reinsurers' share of insurance liabilities	3,221	114	61	-	3,989
Other assets	35,156	97	274	4	35,992
	2,083,155	5,580	29,397	3,806	2,145,952
Liabilities					
Due to banks and other financial institutions	191,724	162	3,185	368	195,695
Assets sold under agreements to repurchase	99,522	-	-	212	99,734
Customer deposits and payables to brokerage customers	806,953	3,375	7,077	2,093	836,049
Accounts payable	68,072	387	65	76	70,639
Insurance payables	20,307	50	35	1	20,651
Investment contract liabilities for policyholders	28,819	-	-	-	28,819
Policyholder dividend payable	17,972	1	-	1	17,979
Insurance contract liabilities	681,410	177	159	2	682,656
Bonds payable	26,633	-	-	-	26,633
Other liabilities	28,314	45	222	4	28,782
	1,969,726	4,197	10,743	2,757	2,007,637

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (continued)

	31 December 2010				
(in millions)	RMB	USD (Original)	HKD (Original)	Others (RMB equivalent)	RMB equivalent total
Assets					
Balances with the Central Bank and statutory deposits	42,017	9	39	–	42,110
Cash and amounts due from banks and other financial institutions	197,680	272	4,438	48	203,315
Fixed maturity investments	552,368	192	16	–	553,652
Equity investments	61,713	2	22,815	11	82,974
Loans and advances to customers	130,736	182	22	–	131,960
Premium receivables	5,938	49	40	1	6,298
Accounts receivable	92	–	28	–	116
Reinsurers' share of insurance liabilities	2,814	98	103	–	3,551
Other assets	22,171	75	50	–	22,710
	1,015,529	879	27,551	60	1,046,686
Liabilities					
Due to banks and other financial institutions	34,977	189	3,057	–	38,822
Assets sold under agreements to repurchase	107,850	–	–	–	107,850
Customer deposits and payables to brokerage customers	174,159	224	377	–	175,963
Accounts payable	279	–	1	–	280
Insurance payables	14,771	18	35	1	14,928
Investment contract liabilities for policyholders	25,997	–	–	–	25,997
Policyholder dividend payable	14,174	1	–	1	14,182
Insurance contract liabilities	568,049	101	120	1	568,821
Bonds payable	7,540	–	–	–	7,540
Other liabilities	12,220	98	164	–	13,009
	960,016	631	3,754	3	967,392

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(b) Price risk

The Group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities and equity investment funds classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

The above investments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

The Group managed price risks by diversification of investments, setting limits for investments in different securities, etc.

The Group uses a 10-day market price value-at-risk ("VaR") technique to estimate its risk exposure for listed equity securities and equity investments funds. The Group adopts 10-day as the holding period on the assumption that not all the investments can be sold in one day. Moreover, the VaR calculation is made based on normal market conditions and a 99% confidence interval.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. The VaR may also be under or over estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence interval.

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

The analysis below is the estimated impact for listed stocks and equity investment funds with 10-day reasonable market fluctuation in using the VaR module in the normal market.

(in RMB million)	**31 December 2011**	31 December 2010
Listed stocks and equity investment funds	**7,150**	6,693

The Group expects that current listed stocks and equity investments funds will not lose more than RMB7,150 million due to market price movements in a 10-trading-day holding period on 99% of occasions.

(c) Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instruments and is fixed until maturity.

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on the Group's profit (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds and available-for-sale bonds).

(in RMB million)	Change in interest rate	31 December 2011 Decrease in profit before tax	31 December 2011 Decrease in equity before tax	31 December 2010 Decrease in profit before tax	31 December 2010 Decrease in equity before tax
Bonds carried at fair value through profit or loss and available-for-sale	+50 basis points	**106**	**4,020**	207	4,255

The following sensitivity analysis is based on the assumption that the floating rate bonds, floating rate term deposits, loans and advances and customer deposits have a static structure of interest rate risk. The analysis only measured interest rate changes within one year, reflecting the impact on interest income and interest expenses from the re-pricing of financial assets and liabilities within a year with the following assumptions: firstly, the interest rate of the floating rate bonds, floating rate term deposits/loans and advances is re-priced since the first re-pricing date after the end of the reporting period while the interest rate of customer deposits is re-priced at the end of the reporting period; secondly, the yield curve moved in parallel with the changes in the interest rate; and thirdly, there are no other changes in the portfolio of financial assets and liabilities. Regarding the above assumptions, the pre-tax impact on the Group's profit and equity as a result of actual increases or decreases in interest rates may differ from that of the following sensitivity analysis.

(in RMB million)	Change in interest rate	31 December 2011 Increase/(decrease) in profit before tax	31 December 2011 Increase/(decrease) in equity before tax	31 December 2010 Increase/(decrease) in profit before tax	31 December 2010 Increase/(decrease) in equity before tax
Floating interest rate bonds	**+50 basis points**	**420**	**420**	173	173
Floating rate term deposits	**+50 basis points**	**180**	**180**	175	175
Loans and advances to customers	**+50 basis points**	**2,233**	**2,233**	518	518
Customer deposits and payables to brokerage customers	**+50 basis points**	**(3,040)**	**(3,040)**	(742)	(742)

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44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

The following table sets out the Group's term deposits (excluding balances of investment-linked contracts) by maturity:

(in RMB million)	31 December 2011	31 December 2010
Fixed interest rate		
Less than 3 months (including 3 months)	6,933	4,839
3 months to 1 year (including 1 year)	429	16,257
1-2 years (including 2 years)	19,170	1,900
2-3 years (including 3 years)	–	19,670
3-4 years (including 4 years)	54,050	–
4-5 years (including 5 years)	25,965	54,050
More than 5 years	16,900	3,242
Floating interest rate	34,530	34,970
	157,977	134,928

The following table sets out the Group's bonds, debt schemes and banking wealth management products (excluding balances of investment-linked contracts) by maturity:

	31 December 2011				
(in RMB million)	Loans and receivables	Held-to-maturity	Available-for-sale	Carried at fair value through profit or loss	Total
Fixed interest rate					
Less than 3 months (including 3 months)	530	1,269	2,859	782	5,440
3 months to 1 year (including 1 year)	12,702	9,574	7,783	1,792	31,851
1-2 years (including 2 years)	1,264	30,030	15,959	787	48,040
2-3 years (including 3 years)	836	25,507	13,647	1,370	41,360
3-4 years (including 4 years)	150	38,436	13,068	168	51,822
4-5 years (including 5 years)	134	16,958	16,019	646	33,757
More than 5 years	6,000	322,357	68,523	2,014	398,894
Floating interest rate	10,210	35,874	61,515	2,173	109,772
	31,826	480,005	199,373	9,732	720,936

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

(in RMB million)	31 December 2010 Loans and receivables	Held-to-maturity	Available-for-sale	Carried at fair value through profit or loss	Total
Fixed interest rate					
Less than 3 months (including 3 months)	150	599	4,244	1,646	6,639
3 months to 1 year (including 1 year)	100	19,672	6,610	5,446	31,828
1-2 years (including 2 years)	–	5,325	5,288	701	11,314
2-3 years (including 3 years)	964	15,104	20,411	2,263	38,742
3-4 years (including 4 years)	–	13,972	10,330	1,188	25,490
4-5 years (including 5 years)	–	26,403	14,185	1,331	41,919
More than 5 years	–	250,018	70,701	2,991	323,710
Floating interest rate	1,070	7,919	36,988	2,167	48,144
	2,284	339,012	168,757	17,733	527,786

Interest rates on floating rate term deposits and floating rate bonds are repriced at intervals of less than one year. Interest rates on fixed rate term deposits and fixed rate bonds are fixed before maturity.

(3) CREDIT RISK

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investments in bonds, equity investments, reinsurance arrangements with reinsurers, policy loans, financial guarantees, loan commitments, etc. The Group mitigates credit risk by using a variety of controls including credit control policies, credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

The bank segment of the Group has formulated a complete set of operational procedures for credit approval and management. These procedures are being enforced across the bank segment. Credit management procedures for its corporate and retail loans comprise the processes of credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection. In addition, the Group has formulated the "Policies of Credit Underwriting", which have defined the functions and responsibilities of different credit operational processes, and have enhanced the monitoring of the related compliance for improving the overall effective control of credit risk. The bank segment of the Group has strengthened its early warning monitoring system for the credit business with measures applicable to the portfolio level and to individual customers, resulting in early detection and effective management of credit risks.

The bank segment of the Group sub-divides credit asset risks into 10 categories based on the five-tier loan classification system promulgated by the China Banking Regulatory Commission (the "CBRC"), namely, Pass One, Pass Two, Pass Three, Pass Four, Pass Five, Special Mention One, Special Mention Two, Substandard, Doubtful and Loss and Write-off. The bank segment applies different management policies to the loans in accordance with their respective loan categories.

Risks arising from financial guarantees and loan commitments are similar to those associated with loans and advances. Transactions of financial guarantees and loan commitments are, therefore, subject to the same portfolio management and the same requirements for application and collateral as loans and advances to customers.

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Credit quality

The following table sets forth amounts due from banks and other financial institutions placed with the PBOC and major commercial banks in the PRC in terms of aggregates held by the Group. The following analysis excludes balances of investment-linked contracts.

(in RMB million)	31 December 2011	31 December 2010
PBOC	**158,400**	34,178
Top five commercial banks		
China Minsheng Banking Corp., Ltd.	**29,633**	29,131
Shanghai Pudong Development Bank Co., Ltd.	**20,855**	21,143
China Everbright Bank Co., Ltd.	**18,671**	13,509
Bank of China Limited.	**18,631**	26,739
Industrial Bank Co., Ltd.	**18,301**	17,104
Other major banks and financial institutions		
Bank of Communication Co., Ltd.	**16,786**	5,222
Industrial and Commercial Bank of China Limited	**11,652**	10,521
The Hongkong and Shanghai Banking Corp., Ltd. ("HSBC")	**367**	105
SDB	**–**	3,293
Agricultural Bank of China Limited	**13,417**	10,807
China Construction Bank Corporation	**12,577**	10,699
Others	**86,849**	52,090
	406,139	234,541

The Group's debt securities investment mainly includes domestic government bonds, Central Bank bills, financial institution bonds and corporate bonds. As at 31 December 2011, 99.88% (31 December 2010: 99.71%) of the financial institution bonds held by the Group either had a credit rating of A or above, or were issued by national commercial banks. As at 31 December 2011, 99.64% (31 December 2010: 100%) of the common corporate bonds and short term corporate financing bonds held by the Group had a credit rating of AA and A-1 or above. The bond credit ratings are assigned by qualified appraisal institutions in the PRC.

The credit risk associated with policy loans will not cause a material impact on the Group's consolidated financial statements taking into consideration their collateral held and a maturity term of no more than one year as at 31 December 2011 and 31 December 2010.

Credit exposure

The carrying amounts of the financial assets, which are not recorded at fair value, represent the maximum credit risk exposure. And the carrying amounts of the financial assets, which are recorded at fair value, represent the current risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in fair values. The Group also assumes credit risk due to credit commitments. The details are disclosed in Note 51.(3).

Please refer to Note 23.(2) and (5) for an analysis of concentration of loans and advances by industry and geographical region.

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters.

The main types of collateral obtained are as follows:

- for policy loans, cash value of policies;
- for reverse repurchase transactions, bills, loans and negotiable securities;
- for commercial lending, charges over real estate properties, inventories, equity investments and trade receivables etc.; and
- for retail lending, residential properties over mortgages.

Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding balance. In general, the Group does not occupy repossessed properties for business use.

Aging analysis of financial assets past due

	31 December 2011						
		Past due but not impaired					
(in RMB million)	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Impaired	Total
Cash and amounts due from banks and other financial institutions	48,337	-	-	-	-	59	48,396
Assets purchased under agreements to resell	37,300	-	-	-	-	47	37,347
Premium receivables	11,294	314	235	264	813	127	12,234
Due from reinsurers	3,611	241	127	391	759	41	4,411
Loans and advances to customers	613,087	2,692	3,266	12	5,970	3,582	622,639
Corporate loans	427,294	1,486	672	12	2,170	2,697	432,161
Personal loans	185,793	1,206	2,594	-	3,800	885	190,478
Gross total	713,629	3,247	3,628	667	7,542	3,856	725,027

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44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Aging analysis of financial assets past due (continued)

	31 December 2010						
		Past due but not impaired					
(in RMB million)	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Impaired	Total
Premium receivables	5,788	1	366	177	544	164	6,496
Due from reinsurers	2,716	1	39	43	83	65	2,864
Loans and advances to customers	131,742	592	147	116	855	899	133,496
Corporate loans	88,506	4	4	3	11	510	89,027
Personal loans	43,236	588	143	113	844	389	44,469
Gross total	140,246	594	552	336	1,482	1,128	142,856

Of the aggregate amount of gross past due but not impaired loans and advances to customers, the fair value of collateral that the Group held as at 31 December 2011 was RMB9,919 million (31 December 2010: RMB1,464 million).

Of the aggregate amount of corporate loans and advances individually determined to be impaired, the fair value of collateral that the Group held as at 31 December 2011 was RMB999 million (31 December 2010: RMB160 million).

The carrying amount of loans and advances that would otherwise be past due or impaired and whose terms have been renegotiated is as follows:

(in RMB million)	**31 December 2011**	31 December 2010
Loans and advances to customers	**1,167**	268

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group seeks to manage its liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis. The banking business of the Group is exposed to potential liquidity risk. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, maintaining stable deposits, etc.

The table below summarizes the remaining contractual maturity profile of the financial assets and liabilities of the Group (excluding balances of investment-linked contracts) based on undiscounted contractual cash flows.

	31 December 2011						
(in RMB million)	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Balances with the Central Bank and statutory deposits	25,796	26	1,680	5,129	371	137,064	170,066
Cash and amounts due from banks and other financial institutions	47,065	48,103	18,361	144,805	21,678	67	280,079
Fixed maturity investments	413	50,048	76,948	269,186	709,875	-	1,106,470
Equity investments	-	-	-	-	-	116,985	116,985
Loans and advances to customers	4,611	134,319	285,926	150,919	138,335	-	714,110
Premium receivables	796	6,111	2,100	3,075	7	-	12,089
Accounts receivable	138	84,826	90,709	1,695	-	-	177,368
Other assets	7,560	3,560	896	1,241	-	-	13,257
	86,379	326,993	476,620	576,050	870,266	254,116	2,590,424

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44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

	31 December 2011						
(in RMB million)	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Due to banks and other financial institutions	15,238	119,317	56,962	9,082	1,762	–	202,361
Assets sold under agreements to repurchase	–	99,630	19	469	–	–	100,118
Customer deposits and payables to brokerage customers	388,621	211,321	188,935	66,668	38	–	855,583
Accounts payable	78	42,167	30,845	–	–	–	73,090
Insurance payables	17,131	3,219	300	1	–	–	20,651
Investment contract liabilities for policyholders	–	771	2,230	9,371	23,409	–	35,781
Policyholder dividend payable	17,979	–	–	–	–	–	17,979
Bonds payable	–	459	984	17,037	17,717	–	36,197
Other liabilities	14,691	2,493	734	1,202	17	–	19,137
	453,738	479,377	281,009	103,830	42,943	–	1,360,897
Derivative cash flows							
Derivative financial instruments settled on a net basis	–	(7)	–	(6)	–	–	(13)
Derivative financial instruments settled on a gross basis							
– Cash inflow	–	54,507	56,147	1,738	84	–	112,476
– Cash outflow	–	(54,498)	(56,059)	(1,736)	(84)	–	(112,377)
	–	9	88	2	–	–	99

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

	31 December 2010						
(in RMB million)	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Balances with the Central Bank and statutory deposits	7,666	409	5,186	2,901	120	26,697	42,979
Cash and amounts due from banks and other financial institutions	61,752	12,185	22,409	124,570	5,032	42	225,990
Fixed maturity investments	353	30,195	48,644	162,992	564,919	–	807,103
Equity investments	–	–	–	–	–	86,369	86,369
Loans and advances to customers	724	30,627	50,978	42,723	28,437	–	153,489
Premium receivables	503	4,030	784	974	7	–	6,298
Accounts receivable	92	24	–	–	–	–	116
Other assets	5,070	1,865	607	989	–	–	8,531
	76,160	79,335	128,608	335,149	598,515	113,108	1,330,875

	31 December 2010						
(in RMB million)	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Due to banks and other financial institutions	9,917	14,612	5,558	8,289	2,621	–	40,997
Assets sold under agreements to repurchase	–	107,861	205	–	–	–	108,066
Customer deposits and payables to brokerage customers	107,257	22,082	38,738	10,918	–	–	178,995
Accounts payable	280	–	–	–	–	–	280
Insurance payables	12,846	1,656	426	–	–	–	14,928
Investment contract liabilities for policyholders	–	958	2,615	13,826	15,548	–	32,947
Policyholder dividend payable	14,182	–	–	–	–	–	14,182
Bonds payable	–	84	239	1,220	8,620	–	10,163
Other liabilities	7,830	2,141	388	865	3	–	11,227
	152,312	149,394	48,169	35,118	26,792	–	411,785
Derivative cash flows							
Derivative financial instruments settled on a net basis	–	–	–	–	–	–	–
Derivative financial instruments settled on a gross basis							
- Cash inflow	–	845	865	497	–	–	2,207
- Cash outflow	–	(847)	(855)	(497)	–	–	(2,199)
	–	(2)	10	–	–	–	8

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44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(5) MISMATCHING RISK OF ASSETS AND LIABILITIES

The objective of the Group's asset and liability management is to match assets with liabilities on the basis of both the duration and interest rate. In the current regulatory and market environment, however, the Group is unable to invest in sufficient assets with long enough duration to match that of its life insurance and investment contract liabilities. When the current regulatory and market environment permits, however, the Group will lengthen the duration of its assets by matching the new liabilities of lower guarantee rates, while narrowing the gap of existing liabilities of higher guarantee rates.

(6) OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, employees and systems or from uncontrollable external events. The Group is exposed to many types of operational risks in the conduct of its business from inadequate or failure to obtain proper authorizations, supporting documentation and ensuring operational and informational security procedures as well as from fraud or errors by employees. The Group attempts to manage operational risk by establishing clear policies and requiring well documented business processes to ensure that transactions are properly authorized, supported and recorded.

(7) CAPITAL MANAGEMENT

The Group's capital requirements are primarily dependent on the scale and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and to maintain healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to ordinary shareholders or issue capital securities.

The Group complied with the externally imposed capital requirements as at 31 December 2011 and no changes were made to its capital base, objectives, policies and processes from the previous year.

The table below summarizes the minimum regulatory capital for the Group and its major insurance subsidiaries and the regulatory capital held against each of them.

	31 December 2011			31 December 2010		
(in RMB million)	**Regulatory capital held**	**Minimum regulatory capital**	**Solvency margin ratio**	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio
The Group	**182,492**	**109,489**	**166.7%**	124,207	62,778	197.9%
Ping An Life	**52,489**	**33,623**	**156.1%**	50,981	28,295	180.2%
Ping An Property & Casualty	**18,174**	**10,943**	**166.1%**	15,002	8,353	179.6%

The Group's solvency ratio is calculated based on the relevant regulations promulgated by the CIRC, which is an indicator of the overall solvency position of a financial conglomerate.

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(7) CAPITAL MANAGEMENT (CONTINUED)

The regulatory capital of the banking business is analyzed below:

(in RMB million)	31 December 2011 Regulatory capital held	31 December 2010 Regulatory capital held
Core capital	**67,244**	15,681
Supplementary capital	**24,664**	2,870
Capital	**91,491**	18,551
Risk weighted assets	**794,702**	169,254
Core capital adequacy ratio	**8.46%**	9.26%
Capital adequacy ratio	**11.51%**	10.96%

The above regulatory ratios are calculated based on "Measures for the Management of Capital Adequacy Ratios of Commercial Banks" and relevant regulations promulgated by the CBRC. The CBRC requires that a commercial bank's capital adequacy ratio is no less than 8% and core capital adequacy ratio is no less than 4%.

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments mainly consist of cash and amounts due from banks and other financial institutions, term deposits, bonds, funds, stocks, loans, borrowings, deposits from other banks and financial institutions, customer deposits and payables to brokerage customers, etc. The Group holds various other financial assets and liabilities which directly arose from insurance operations, such as premium receivables, reinsurers' share of insurance liabilities, annuity and other insurance payables.

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

	Carrying values		Fair values	
(in RMB million)	**31 December 2011**	31 December 2010	**31 December 2011**	31 December 2010
Financial assets				
Available-for-sale				
Bonds	**199,373**	168,757	**199,373**	168,757
Funds	**25,461**	21,983	**25,461**	21,983
Stocks	**77,313**	51,688	**77,313**	51,688
Others	**7,330**	3,395	**7,330**	3,395
Carried at fair value through profit or loss				
Bonds	**9,732**	17,733	**9,732**	17,733
Funds	**4,929**	6,044	**4,929**	6,044
Stocks	**172**	3,259	**172**	3,259
Others	**15,047**	3,628	**15,047**	3,628
Derivative financial assets	**818**	6	**818**	6
Held-to-maturity				
Bonds	**480,005**	339,012	**476,627**	331,290
Loans and receivables				
Balances with the Central Bank and statutory deposits	**168,366**	42,110	**168,366**	42,110
Cash and amounts due from banks and other financial institutions	**247,739**	200,363	**247,739**	200,363
Loans and advances to customers	**611,731**	131,960	**611,731**	131,960
Bonds	**8,234**	1,214	**8,234**	1,214
Debt schemes	**10,360**	1,070	**10,360**	1,070
Policy loans	**14,105**	8,431	**14,105**	8,431
Assets purchased under agreements to resell	**37,312**	16,759	**37,312**	16,759
Banking wealth management products	**13,232**	–	**13,232**	–
Premium receivables	**12,089**	6,298	**12,089**	6,298
Accounts receivable	**170,727**	116	**170,727**	116
Other assets	**35,992**	22,710	**35,992**	22,710
Total financial assets	**2,150,067**	1,046,536	**2,146,689**	1,038,814
Financial liabilities				
Derivative financial liabilities	**732**	15	**732**	15
Other financial liabilities				
Due to banks and other financial institutions	**195,695**	38,822	**195,695**	38,822
Assets sold under agreements to repurchase	**99,734**	107,850	**99,734**	107,850
Customer deposits and payables to brokerage customers	**836,049**	175,963	**836,049**	175,963
Accounts payable	**70,639**	280	**70,639**	280
Insurance payables	**20,651**	14,928	**20,651**	14,928
Investment contract liabilities for policyholders	**28,819**	25,894	**28,819**	25,894
Policyholder dividend payable	**17,979**	14,182	**17,979**	14,182
Bonds payable	**26,633**	7,540	**24,926**	7,444
Other liabilities	**28,782**	14,218	**28,782**	14,218
Total financial liabilities	**1,325,713**	399,692	**1,324,006**	399,596

The assets and liabilities of the investment-linked business are not included in the above financial assets and liabilities.

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements, i.e., held-to-maturity and loans and receivables.

Assets for which fair value approximates to carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to term deposits, and savings accounts without a specific maturity. For other variable rate instruments, an adjustment is also made to reflect the change in the required credit spread since the instrument was first recognized.

Loans and advances to customers of the Group are repriced within one year, and the interest rates are adjusted according to the statutory interest rate announced by the PBOC. Thus, the carrying amounts approximate to their fair values.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortized cost is estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debts issued the fair values are determined based on quoted market prices. For those debts issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: valuation techniques which use any inputs which have a significant effect on the recorded fair value that are not based on observable market data.

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2011			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Carried at fair value through profit or loss				
Bonds	1,640	8,034	58	9,732
Equity investment funds	4,290	639	–	4,929
Equity securities	172	–	–	172
Others	–	15,047	–	15,047
	6,102	23,720	58	29,880
Derivative financial assets				
Interest rate swaps	–	150	–	150
Currency forwards and swaps	–	668	–	668
	–	818	–	818
Available-for-sale financial assets				
Bonds	22,028	177,345	–	199,373
Equity investment funds	25,138	323	–	25,461
Equity securities	72,077	5,066	170	77,313
Others	44	–	–	44
	119,287	182,734	170	302,191
Total financial assets	125,389	207,272	228	332,889
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	–	150	–	150
Currency forwards and swaps	–	582	–	582
Total financial liabilities	–	732	–	732

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

	31 December 2010			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Carried at fair value through profit or loss				
Bonds	740	16,931	62	17,733
Equity investment funds	5,957	87	–	6,044
Equity securities	3,259	–	–	3,259
Others	–	3,628	–	3,628
	9,956	20,646	62	30,664
Derivative financial assets				
Interest rate swaps	–	2	–	2
Currency forwards and swaps	–	4	–	4
	–	6	–	6
Available-for-sale financial assets				
Bonds	21,876	146,881	–	168,757
Equity investment funds	21,743	240	–	21,983
Equity securities	46,125	5,383	180	51,688
	89,744	152,504	180	242,428
Total financial assets	99,700	173,156	242	273,098
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	–	2	–	2
Currency forwards and swaps	–	10	–	10
Credit default swaps	–	3	–	3
Total financial liabilities	–	15	–	15

The assets and liabilities of the investment-linked business are not included in the above disclosure of the fair value hierarchy.

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45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

	Carried at fair value through profit or loss		Available-for-sale financial assets	
	Debt securities		Equity securities	
(in RMB million)	**2011**	2010	**2011**	2010
At 1 January	**62**	–	**180**	186
Additions	**-**	60	**-**	–
Total gains/(losses) in investment income in the income statement	**(4)**	2	**-**	–
Total losses in other comprehensive income	**-**	–	**(10)**	(6)
At 31 December	**58**	62	**170**	180

Realized and unrealized losses of Level 3 financial instruments measured at fair value included in the income statement and in other comprehensive income for the year are presented in the consolidated other comprehensive income as follows:

	2011		
(in RMB million)	**Realized losses**	**Unrealized losses**	**Total**
Total losses included in the income statement for the year	**-**	**4**	**4**
Total losses included in other comprehensive income for the year	**-**	**10**	**10**
Total losses included in other comprehensive income for assets and liabilities held at 31 December 2011	**-**	**10**	**10**

	2010		
(in RMB million)	Realized losses	Unrealized losses/(gains)	Total
Total gains included in the income statement for the year	–	(2)	(2)
Total losses included in other comprehensive income for the year	–	6	6
Total losses included in other comprehensive income for assets and liabilities held at 31 December 2010	–	6	6

Transfers

During the year ended 31 December 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

Sensitivity

The following table shows the sensitivity of the fair value of Level 3 instruments to changes in key assumptions, by class of instrument:

(In RMB million)	31 December 2011		31 December 2010	
	Carrying amount	Effect of reasonably possible alternative assumptions Increase/(decrease) in fair value	Carrying amount	Effect of reasonably possible alternative assumptions Increase/(decrease) in fair value
Carried at fair value through profit or loss				
Debit securities				
– Discount rate – 5%	**60**	**5**	62	5
– Discount rate +5%	**60**	**(4)**	62	(4)
Available-for-sale financial assets				
Equity securities				
– Discount rate – 5%	**170**	**13**	180	14
– Discount rate +5%	**170**	**(12)**	180	(13)

In order to determine reasonably possible alternative assumptions, the Group adjusted key unobservable model inputs. For equity securities, the adjustment made was to increase and decrease the assumed discount rate by 5% on each direction, which is considered by the Group to be within a range of reasonably possible alternatives based on market practice with reference to other listed companies.

46. CASH AND CASH EQUIVALENTS

(in RMB million)	31 December 2011	31 December 2010
Balances with the Central Bank	**21,336**	7,481
Cash and amounts due from banks and other financial institutions		
Cash on hand	**2,242**	755
Term deposits	**5,034**	952
Due from banks and other financial institutions	**59,737**	48,553
Placements with banks and other financial institutions	**6,829**	3,548
Equity investments		
Money market placements	**4,334**	4,657
Fixed maturity investments		
Bonds of original maturities within 3 months	**103**	–
Assets purchased under agreements to resell	**10,866**	14,992
Total	**110,481**	80,938

The carrying amounts disclosed above approximate to their fair values at year end.

47. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to net cash flows from operating activities:

(in RMB million)	2011	2010
Profit before tax	**30,026**	22,347
Adjustments for:		
Depreciation	**2,024**	1,478
Amortization of intangible assets	**1,101**	620
Gains on disposal of investment properties, property and equipment, and intangible assets	**(6)**	(20)
Investment income	**(38,422)**	(34,098)
Finance costs	**1,254**	913
Foreign exchange losses	**434**	104
Provision for doubtful debts, net	**2,616**	366
Gains on disposal of settled assets	**(69)**	–
Loan loss provisions, net of reversals	**1,704**	626
Operating profit/(loss) before working capital changes	**662**	(7,664)
Changes in operating assets and liabilities:		
Increase in balances with the Central Bank and statutory deposits	**(28,694)**	(10,867)
Decrease/(increase) in amounts due from banks and other financial institutions	**(5,007)**	9,011
Increase in premium receivables	**(5,766)**	(1,986)
Increase in accounts receivable	**(142,295)**	(560)
Increase in inventories	**(9)**	(213)
Increase in reinsurers' share of insurance liabilities	**(1,714)**	(1,194)
Increase in loans and advances to customers	**(40,484)**	(24,097)
Decrease in assets purchased under agreements to resell of the banking and securities business	**41,219**	4,321
Increase in other assets	**(6,633)**	(2,240)
Increase/(decrease) in amounts due to banks and other financial institutions	**28,680**	(4,726)
Increase in derivative financial liabilities	**–**	5
Increase in customer deposits and payables to brokerage customers	**32,462**	35,808
Increase in insurance payables	**7,967**	5,230
Increase in insurance contract liabilities	**87,892**	125,807
Increase in investment contract liabilities for policyholders	**42,316**	1,701
Increase in policyholder dividend payable	**3,797**	3,363
Increase in assets sold under agreements to repurchase of the banking and securities business	**5,474**	5,719
Increase in other liabilities	**61,011**	6,190
Cash generated from operations	**80,878**	143,608
Income tax paid	**(5,530)**	(4,353)
Net cash flows from operating activities	**75,348**	139,255

48. COMPENSATION OF KEY MANAGEMENT PERSONNEL

(1) KEY MANAGEMENT PERSONNEL COMPRISE THE COMPANY'S DIRECTORS, SUPERVISORS, AND SENIOR OFFICERS AS DEFINED IN THE COMPANY'S ARTICLES OF ASSOCIATION.

The summary of compensation of key management personnel for the year is as follows:

(in RMB million)	2011	2010
Salaries and other short term employee benefits after tax	**54**	55
Individual income tax	**35**	35

(2) DIRECTORS' AND SUPERVISORS' REMUNERATION

	2011					
(in RMB thousand)	**Fees after tax**	**Salaries, allowances and other benefits after tax**	**Bonus after tax**	**Contributions to pension schemes**	**Total after tax**	**Individual income tax**
Current directors						
MA Mingzhe	**-**	**2,841**	**2,764**	**75**	**5,680**	**4,205**
SUN Jianyi	**-**	**1,524**	**1,637**	**75**	**3,236**	**2,207**
WANG Liping	**-**	**1,308**	**825**	**62**	**2,195**	**1,365**
YAO Jason Bo	**-**	**2,723**	**1,096**	**2**	**3,821**	**2,736**
LIN Lijun	**-**	**371**	**228**	**60**	**659**	**163**
CHEN Hongbo	**-**	**-**	**-**	**-**	**-**	**-**
WONG Tung Shun Peter	**-**	**-**	**-**	**-**	**-**	**-**
NG Sing Yip	**-**	**-**	**-**	**-**	**-**	**-**
LI Zhe	**-**	**-**	**-**	**-**	**-**	**-**
GUO Limin	**-**	**-**	**-**	**-**	**-**	**-**
CHEUNG Chi Yan Louis	**182**	**-**	**-**	**-**	**182**	**55**
ZHANG Hongyi	**232**	**-**	**-**	**-**	**232**	**68**
CHEN Su	**232**	**-**	**-**	**-**	**232**	**68**
XIA Liping	**232**	**-**	**-**	**-**	**232**	**68**
TANG Yunwei	**232**	**-**	**-**	**-**	**232**	**68**
LEE Carmelo Ka Sze	**232**	**-**	**-**	**-**	**232**	**68**
CHUNG Yu Wo Danny	**232**	**-**	**-**	**-**	**232**	**68**
WOO Ka Biu Jackson	**104**	**-**	**-**	**-**	**104**	**29**
Subtotal	**1,678**	**8,767**	**6,550**	**274**	**17,269**	**11,168**

FINANCIAL STATEMENTS

48. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	2011					
(in RMB thousand)	Fees after tax	Salaries, allowances and other benefits after tax	Bonus after tax	Contributions to pension schemes	Total after tax	Individual income tax
Past directors						
CHOW Wing Kin Anthony	131	–	–	–	131	37
David FRIED	–	–	–	–	–	–
Subtotal	131	–	–	–	131	37
Current supervisors						
GU Liji	198	–	–	–	198	52
SUN Fuxin	50	–	–	–	50	10
PENG Zhijian	–	–	–	–	–	–
DING Xinmin	–	1,288	4,418	84	5,790	4,133
SUN Jianping	–	1,023	1,077	76	2,176	1,342
XIAO Jiyan	–	610	–	55	665	216
Subtotal	248	2,921	5,495	215	8,879	5,753
Past supervisors						
WANG Wenjun	–	73	–	13	86	15
SONG Zhijiang	–	–	–	–	–	–
Subtotal	–	73	–	13	86	15
Total	2,057	11,761	12,045	502	26,365	16,973

48. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	2010					
(in RMB thousand)	Fees after tax	Salaries, allowances and other benefits after tax	Bonus after tax	Contributions to pension schemes	Total after tax	Individual income tax
Current directors						
MA Mingzhe	–	2,866	2,765	53	5,684	4,189
SUN Jianyi	–	1,544	1,665	53	3,262	2,211
CHEUNG Chi Yan Louis	–	2,789	3,223	2	6,014	4,658
WANG Liping	–	1,330	703	52	2,085	1,249
YAO Jason Bo	–	2,731	840	2	3,573	2,509
LIN Lijun	–	360	120	43	523	108
CHEN Hongbo	–	–	–	–	–	–
WONG Tung Shun Peter	–	–	–	–	–	–
NG Sing Yip	–	–	–	–	–	–
LI Zhe	–	–	–	–	–	–
GUO Limin	–	–	–	–	–	–
David FRIED	–	–	–	–	–	–
CHOW Wing Kin Anthony	232	–	–	–	232	68
ZHANG Hongyi	160	–	–	–	160	40
CHEN Su	160	–	–	–	160	40
XIA Liping	160	–	–	–	160	40
TANG Yunwei	160	–	–	–	160	40
LEE Carmelo Ka Sze	232	–	–	–	232	68
CHUNG Yu Wo Danny	232	–	–	–	232	68
Subtotal	1,336	11,620	9,316	205	22,477	15,288

48. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	2010					
(in RMB thousand)	Fees after tax	Salaries, allowances and other benefits after tax	Bonus after tax	Contributions to pension schemes	Total after tax	Individual income tax
Past directors						
HU Aimin	–	–	–	–	–	–
Clive BANNISTER	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Current supervisors						
GU Liji	198	–	–	–	198	52
SUN Fuxin	50	–	–	–	50	10
PENG Zhijian	–	–	–	–	–	–
SONG Zhijiang	–	–	–	–	–	–
WANG Wenjun	–	376	144	39	559	128
DING Xinmin	–	1,225	646	79	1,950	956
SUN Jianping	–	650	660	49	1,359	651
Subtotal	248	2,251	1,450	167	4,116	1,797
Past supervisor						
REN Huichuan	–	–	–	–	–	–
Total	1,584	13,871	10,766	372	26,593	17,085

48. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

1. Ms. WANG Wenjun resigned as a Supervisor representing the employees of the Company in March 2011 due to change in her work arrangement. In the employee representatives meeting held by the Company on 7 March 2011, Mr. XIAO Jiyan was elected to replace Ms. WANG Wenjun as a Supervisor representing the employees of the Sixth Session of the Supervisory Committee. The qualification of Mr. XIAO Jiyan as Supervisor was approved by CIRC on 5 May 2011, on which day Mr. XIAO Jiyan replaced Ms. WANG Wenjun as Supervisor representing the employees of the Company.

2. Mr. CHEUNG Chi Yan Louis resigned as the President of the Company in March 2011. The Resolution on Re-designation of Mr. CHEUNG Chi Yan Louis as Non-executive Director of the Company was considered and approved at the 2010 Annual General Meeting held by the Company on 16 June 2011. Since then, Mr. CHEUNG Chi Yan Louis has been re-designated as a Non-executive Director of the Company.

3. Mr. CHOW Wing Kin Anthony tendered his resignation as an Independent Non-executive Director of the Company in March 2011 as the term of Independent Non-executive Director has expired. The resolution regarding the appointment of Mr. WOO Ka Biu Jackson as an Independent Non-executive Director of the Company to fill in for Mr. Chow Wing Kin Anthony was passed at the 2010 Annual General Meeting held by the Company on 16 June 2011. The qualification of Mr. WOO Ka Biu Jackson as Director was approved by the CIRC on 22 July 2011, on which day Mr. WOO Ka Biu Jackson replaced Mr. CHOW Wing Kin Anthony as an Independent Non-executive Director of the Company.

4. Mr. SONG Zhijiang resigned as a Supervisor of the Company from 27 July 2011 due to change in his work arrangement.

5. Mr. David FRIED resigned as a Non-executive Director of the Company from 8 October 2011 due to change in his work arrangement.

48. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) COMPENSATION OF KEY MANAGEMENT PERSONNEL OTHER THAN DIRECTORS AND SUPERVISORS IS AS FOLLOWS:

(in RMB million)	2011	2010
Salaries and other short term employee benefits after tax	**28**	28
Individual income tax	**18**	18

The number of key management personnel other than directors and supervisors whose compensation after tax fell within the following bands is as follows:

	2011	2010
Nil – RMB1,000,000	**–**	–
RMB1,000,001 – RMB1,500,000	**1**	4
RMB1,500,001 – RMB2,000,000	**3**	2
RMB2,000,001 – RMB2,500,000	**–**	2
RMB2,500,001 – RMB3,000,000	**2**	1
RMB3,000,001 – RMB3,500,000	**2**	–
RMB3,500,001 – RMB4,000,000	**1**	–
RMB4,500,001 – RMB5,000,000	**1**	–
RMB10,500,001 – RMB11,000,000	**–**	1
	10	10

Under PRC tax regulations, individual income tax is calculated at progressive rates with a cap of 45%. The effective income tax rates of the above key management personnel other than directors and supervisors of the Group were approximately 35.70% – 43.77% (2010: 29.37% – 43.50%) for 2011 and the average effective tax rate was approximately 40.32% (2010: 39.89%).

49. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group include 4 (2010: 3) key management members whose emoluments were reflected in the analysis presented in Note 48.

Details of emoluments of the remaining highest paid individuals are as follows:

(in RMB million)	2011	2010
Salaries and other short term employee benefits after tax	**8**	11
Individual income tax	**6**	9

The number of non-key management personnel whose emoluments after tax fell within the following bands is as follows:

	2011	2010
Nil – RMB1,000,000	**-**	–
RMB4,500,001 – RMB5,000,000	**-**	1
RMB6,000,001 – RMB6,500,000	**-**	1
RMB8,000,001 – RMB8,500,000	**1**	–

Under PRC tax regulations, individual income tax is calculated at progressive rates with a cap of 45%. The effective income tax rates of the five highest paid individuals in the Group were approximately 41.65% – 43.41% (2010: 42.37% – 43.65%) for 2011 and the average effective tax rate was approximately 42.49% (2010: 43.09%).

50. SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) THE COMPANY'S RELATED PARTIES WHERE SIGNIFICANT INFLUENCE EXISTS INCLUDE CERTAIN SHAREHOLDERS SET OUT BELOW:

Name of related parties	Relationship with the Company
HSBC Holdings plc ("HSBC Holdings")	Parent of shareholders
HSBC Insurance Holdings Limited ("HSBC Insurance")	Shareholder
HSBC	Shareholder

As at 31 December 2011, HSBC Holdings held, through its subsidiaries, 15.6% equity interest in the Company and was deemed to have significant influence over the Group.

50. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(2) THE SUMMARY OF SIGNIFICANT RELATED PARTY TRANSACTIONS IS AS FOLLOWS:

(in RMB million)	2011	2010
Interest income from		
SDB	**62**	96
Interest expense paid to		
HSBC	**11**	–
SDB	**3**	4
Goods purchased from		
The Store Corporation	**679**	–

SDB became an associate of the Group since 7 May 2010 and then became subsidiary of the Group since 18 July 2011. The above interest income and expenses covered the period from 7 May 2010 to 31 December 2010 and the period from 1 January 2011 to 17 July 2011, respectively.

The Store Corporation has become a jointly controlled entity of the Group from subsidiary since 11 July 2011. The above amount of related party transactions covered the period from 11 July 2011 to 31 December 2011.

The Group charges and pays interest to related parties based on the market interest. Interest income from related parties takes up 0.8% of the Group's similar interest income in 2011(2010: 1.9%), and interest expense to related parties takes up 1.2% of the Group's similar interest expense in 2011(2010: 1.3%).

A resolution regarding Continuing Daily Connected Transactions between Ping An Group and the Connected Banks was approved in the general meeting of the Group.

(3) THE SUMMARY OF BALANCES OF THE GROUP WITH RELATED PARTIES IS AS FOLLOWS:

(in RMB million)	31 December 2011	31 December 2010
HSBC		
Cash and amounts due from banks and other financial institutions	**367**	105
Fixed maturity investments	**189**	–
Due to banks and other financial institutions	**496**	530
Bonds payable	**290**	–
SDB		
Cash and amounts due from banks and other financial institutions	**-**	3,293
Interest receivable	**-**	145
Bonds payable	**-**	100
The Store Corporation		
Other liabilities	**12**	–

51. COMMITMENTS

(1) CAPITAL COMMITMENTS

The Group had the following capital commitments relating to property development projects and investments:

(in RMB million)	31 December 2011	31 December 2010
Contracted, but not provided for	**4,246**	2,125
Authorized, but not contracted for	**7,990**	8,301
	12,236	10,426

(2) OPERATING LEASE COMMITMENTS

The Group leases office premises and staff quarters under various rental agreements. Future minimum lease payments under non-cancellable operating leases are as follows:

(in RMB million)	31 December 2011	31 December 2010
Within 1 year	**2,419**	1,512
1-5 years	**4,638**	2,707
More than 5 years	**1,099**	320
	8,156	4,539

(3) CREDIT COMMITMENTS

(in RMB million)	31 December 2011	31 December 2010
Financial guarantee contracts		
Bank acceptances	**296,782**	24,816
Guarantees issued	**25,172**	13,001
Letters of credit issued	**6,017**	1,388
Subtotal	**327,971**	39,205
Unused limit of credit cards and irrevocable loan commitments	**42,458**	27,829
Total	**370,429**	67,034
Credit risk weighted amounts of credit commitments	**156,051**	33,096

Financial guarantee contracts commit the Group to make payments on behalf of customers upon the failure of the customers to perform the terms of the contracts.

As at 31 December 2011, apart from the above irrevocable credit commitments, revocable loan commitments granted by the Group was RMB954 billion. Since these commitments was revocable under certain conditions or automatically revoked when the creditability of the borrower deteriorated, the total contract amounts do not necessarily represent future cash requirements.

51. COMMITMENTS (CONTINUED)

(4) OPERATING LEASE RENTAL RECEIVABLES

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

(in RMB million)	31 December 2011	31 December 2010
Within 1 year	**634**	249
1-5 years	**1,121**	406
More than 5 years	**330**	186
	2,085	841

52. EMPLOYEE BENEFITS

(1) PENSION

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by relevant government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

(2) HOUSING BENEFITS

The employees of the Group are entitled to participate in and make contributions to various government sponsored funds for housing purposes. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(3) MEDICAL BENEFITS

The Group makes contributions for medical benefits to the local authorities in accordance with relevant local regulations.

53. CONTINGENT LIABILITIES

Owing to the nature of the insurance and financial service business, the Group is involved in estimates for contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies and other claims. Provision has been made for probable losses to the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

54. EVENTS AFTER THE REPORTING PERIOD

(1) On 15 November 2011, the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (the "Shanghai SASAC") and Shanghai Pingpu Investment Co., Ltd. ("Shanghai Pingpu"), a subsidiary of the Group, entered into a contract to transfer 100% equity shares of Shanghai Jahwa (Group) Company Ltd. held by the Shanghai SASAC to Shanghai Pingpu at a consideration of RMB5,109 million. The transaction of equity shares transfer was completed on 16 February 2012.

(2) On 15 March 2012, the directors proposed to distribute a final dividend of RMB1,979 million as stated in Note 16.

55. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated to conform to the current year's presentation.

56. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of Directors of the Company on 15 March 2012.

Definition

In this report, unless the context otherwise indicated, the following expressions shall have the following meanings:

Ping An, Company, the Company, Group, the Group, Ping An Group	Ping An Insurance (Group) Company of China, Ltd.
Ping An Life	Ping An Life Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Property & Casualty	Ping An Property & Casualty Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Health	Ping An Health Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Annuity	Ping An Annuity Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Trust	China Ping An Trust Co., Ltd., a subsidiary of the Company
Ping An Securities	Ping An Securities Company, Ltd., a subsidiary of Ping An Trust
Ping An Asset Management	Ping An Asset Management Co., Ltd., a subsidiary of the Company
SDB, Shenzhen Development Bank	Shenzhen Development Bank Co., Ltd., became a subsidiary of the Company in July 2011, before that, it was an associate of the Company
Ping An Bank	Ping An Bank Co., Ltd., became a subsidiary of SDB in July 2011, before that, it was a subsidiary of the Company
Ping An Overseas Holdings	China Ping An Insurance Overseas (Holdings) Limited, a subsidiary of the Company
Ping An Hong Kong	China Ping An Insurance (Hong Kong) Company Limited, a subsidiary of Ping An Overseas Holdings
Ping An Asset Management (Hong Kong)	Ping An of China Asset Management (Hong Kong) Company Limited, a subsidiary of Ping An Overseas Holdings
Ping An Futures	Ping An Futures Co., Ltd., a subsidiary of Ping An Securities
Ping An Caizhi	Ping An Caizhi Investment Management Company Limited, a subsidiary of Ping An Securities
Ping An Securities (Hong Kong)	Ping An of China Securities (Hong Kong) Company Limited, a subsidiary of Ping An Securities
Ping An New Capital	Shenzhen Ping An New Capital Investment Co., Ltd., a subsidiary of Ping An Trust
Ping An Technology	Ping An Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Overseas Holdings
Ping An Processing & Technology	Ping An Processing & Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Overseas Holdings

Ping An Financial Technology	Shenzhen Ping An Financial Technology Consulting Co., Ltd., a subsidiary of Ping An New Capital
Ping An Channel Development	Ping An Channel Development Consultation Service Company of Shenzhen, Ltd., a subsidiary of Ping An New Capital
Ping An-UOB Fund	Ping An-UOB Fund Management Company Limited, a subsidiary of Ping An Trust
MIT	Mobile Integrated Terminal
Discovery	Discovery Holdings Limited
CAS	The Accounting Standards for Business Enterprises and the other relevant regulations issued by the Ministry of Finance
No. 2 Interpretation	The "No. 2 Interpretation of Accounting Standards for Business Enterprises" (Cai Kuai [2008] No. 11) issued by the Ministry of Finance
IFRS	International Financial Reporting Standards issued by International Accounting Standards Board
Written Premiums	All premiums received from the policies underwritten by the Company, which is prior to the significant insurance risk testing and unbundling of hybrid risk contracts
CSRC	China Securities Regulatory Commission
CIRC	China Insurance Regulatory Commission
CBRC	China Banking Regulatory Commission
Ministry of Finance	Ministry of Finance People' s Republic of China
PBOC	The People' s Bank of China
Stock Exchange	The Stock Exchange of Hong Kong Limited
HSBC	The Hongkong and Shanghai Banking Corporation Limited
HSBC Insurance	HSBC Insurance Holdings Limited
Listing Rules	the Rules Governing the List of Securities of The Stock Exchange of Hong Kong Limited
Code on Corporate Governance Practices	the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules
Articles of Association of the Company	the Articles of Association of Ping An Insurance (Group) Company of China, Ltd.

Corporate Information

REGISTERED NAMES
Full name of the Company (Chinese/English)
中國平安保險(集團)股份有限公司
Ping An Insurance (Group) Company of China, Ltd.

Short name of the Company (Chinese/English)
中國平安
Ping An of China

LEGAL REPRESENTATIVE
MA Mingzhe

TYPE OF STOCK AND LISTING PLACE
A share	The Shanghai Stock Exchange
H share	The Stock Exchange of Hong Kong Limited

STOCK NAME AND STOCK CODE
A share	Ping An of China	601318
H share	Ping An of China	2318

AUTHORIZED REPRESENTATIVES
SUN Jianyi
YAO Jun

SECRETARY OF THE BOARD
JIN Shaoliang

COMPANY SECRETARY
YAO Jun

REPRESENTATIVE OF SECURITIES AFFAIRS
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COMPANY WEBSITE
http://www.pingan.com

DESIGNATED NEWSPAPERS FOR INFORMATION DISCLOSURE OF A SHARE
China Securities Journal,
Shanghai Securities News,
Securities Times and Securities Daily

WEBSITE DESIGNATED BY CSRC FOR THE PUBLICATION OF THE REGULAR REPORT OF THE COMPANY
http://www.sse.com.cn
http://www.hkexnews.hk

REGULAR REPORT AVAILABLE FOR INSPECTION
Board office of the Company

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AMERICAN DEPOSITARY SHARES
The Bank of New York

OTHER RELEVANT INFORMATION
First-time registration date
March 21, 1988

Place of registration
State Administration for Industry and Commerce of the PRC

Registration number of the business license of the legal entity
100000000012314

Tax registration number
Shen Shui Deng Zi No. 440300100012316

Organization code
10001231-6

Chinese calligraphy is an art form, a vehicle used to express the forms and styles of Chinese writing. Ink is employed as a tool to underscore the Chinese people's age-old pursuit of culture. The character "專" is written in the "Running Script" while the character "業" is the imprint of a seal carved in "Clerical Style". The result is a transcendent elegance, like a stream of water, a wisp of cloud, and the plainness of a square. It underlines Ping An's global vision and the pride of a people.

While we are rooted in our traditional culture, we also embrace the advanced western style of management so as to further grow our three major businesses, namely "Insurance, Banking and Investment". With our motto "one customer, one account, multiple products, one-stop service" and cultural brand slogan "Expertise makes life simple", we are confident that we can help our customers achieve a modern financial lifestyle.

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