PING AN
Insurance · Banking · Investment

# 中国平安保险(集团)股份有限公司
# Ping An Insurance (Group) Company of China, Ltd.

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*
**(Stock Code: 2318)**

## ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017

The Board of Directors of Ping An Insurance (Group) Company of China, Ltd. (the "Company") hereby announces the audited results of the Company and its subsidiaries for the year ended December 31, 2017. This announcement, containing the full text of the 2017 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in relation to information to accompany preliminary announcements of annual results.

Both the Chinese and English versions of this results announcement are available on the websites of the Company (www.pingan.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk). Printed version of the Company's 2017 Annual Report will be delivered to the holders of H share of the Company and available for viewing on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and of the Company (www.pingan.cn) in early April 2018.

By order of the Board of the Directors
**Ma Mingzhe**
*Chairman and Chief Executive Officer*

Shenzhen, PRC, March 20, 2018

*As at the date of this announcement, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi, Ren Huichuan, Yao Jason Bo, Lee Yuansiong and Cai Fangfang; the Non-executive Directors are Lin Lijun, Soopakij Chearavanont, Yang Xiaoping, Xiong Peijin and Liu Chong; the Independent Non-executive Directors are Stephen Thomas Meldrum, Yip Dicky Peter, Wong Oscar Sai Hung, Sun Dongdong, Ge Ming and Ouyang Hui.*

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**Cautionary Statements Regarding Forward-Looking Statements**

To the extent any statements made in this report contain information that is not historical, these statements 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 including 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.

中国平安 PING AN

# Remain true to our original aspiration and march forward with you

Thirty years of wind and rain
Blew up the dust of history
Looking back, we saw flowers and thorns
And passions mixed with dreams
We, over one million people at Ping An
Remain true to our original aspiration

We started from a small two-story building
Now our office tower is 600 meters tall
We raise our heads to watch the stars
And kiss the land, our motherland
Because we love the land so much
And the scent of mud so deeply

Finance and healthcare
Are two huge wings spread by us
Under a tech-powered strategy
We take your hand with love and AI
March forward with you
March forward into the future
March forward across the sky

Our goal is to become a world-leading technology-powered personal financial services group. Focusing on two major industries of pan financial assets and pan health care, we apply innovative technologies to five ecosystems: financial services, health care, auto services, real estate services, and smart city. Ping An will combine its unique advantages such as technology, talent, financial strength, scenarios and data with leading technologies and applications to pursue “finance + technology” and explore “finance + ecosystem”, and transform into an industry and technology leader.

In 2018, as Ping An turns 30, we will continue to seek survival via competition and pursue development via innovation. We will remain true to our original aspiration with a thankful heart. We will continue to actively answer the CPC Central Committee’s call to fight a key battle of poverty alleviation. We will carry out the Three-village Project to develop rural areas.

As always, Ping An will march forward with you.

# Five-Year Summary

| (in RMB million) | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **CUSTOMER DEVELOPMENT[1]** | | | | | |
| Number of internet users (in thousand) | **436,390** | 346,300 | 241,570 | 137,340 | N/A |
| Number of retail customers (in thousand) | **165,730** | 131,070 | 109,100 | 89,350 | N/A |
| Number of contracts per customer (contract) | **2.32** | 2.21 | 2.03 | 1.93 | N/A |
| Profit per customer (in RMB) | **355.85** | 311.51 | 289.07 | 275.77 | N/A |
| Number of monthly active users (in thousand) | **73,560** | 61,990 | 43,560 | N/A | N/A |
| Proportion of users on mobile (%) | **84.7** | 67.4 | 44.4 | N/A | N/A |
| Proportion of customers holding multiple contracts with different subsidiaries (%) | **28.5** | 24.0 | 19.0 | N/A | N/A |
| **GROUP** | | | | | |
| Operating return on embedded value (%)[1] | **26.7** | 21.0 | N/A | N/A | N/A |
| Embedded value[2] | **825,173** | 637,703 | 551,514 | 458,812 | 329,653 |
| Weighted average ROE (%) | **20.7** | 17.4 | 17.1 | 18.3 | 16.4 |
| Equity attributable to shareholders of the parent company | **473,351** | 383,449 | 334,248 | 289,564 | 182,709 |
| Net profit attributable to shareholders of the parent company | **89,088** | 62,394 | 54,203 | 39,279 | 28,154 |
| Operating profit attributable to shareholders of the parent company[1] | **94,708** | 68,252 | N/A | N/A | N/A |
| Basic earnings per share (in RMB) | **4.99** | 3.50 | 2.98 | 2.47 | 1.78 |
| Dividend per share (in RMB) | **1.50** | 0.75 | 0.53 | 0.375 | 0.325 |
| Group comprehensive solvency margin ratio (%)[2] | **214.9** | 210.0 | 204.9 | 205.1 | 174.4 |
| **LIFE AND HEALTH INSURANCE BUSINESS[3]** | | | | | |
| Operating return on embedded value (%)[1] | **35.5** | 27.0 | N/A | N/A | N/A |
| Value of new business[2] | **67,357** | 50,805 | 38,420 | 21,966 | 18,163 |
| Embedded value[2] | **496,381** | 360,312 | 325,474 | 264,223 | 203,038 |
| Net profit | **36,143** | 25,033 | 21,200 | 17,425 | 13,212 |
| Operating profit[1] | **52,824** | 40,518 | N/A | N/A | N/A |
| Residual margin[1] | **616,319** | 454,705 | 330,846 | N/A | N/A |
| Comprehensive solvency margin ratio – Ping An Life (%)[2] | **234.1** | 225.9 | 219.7 | 219.9 | 171.9 |
| **PROPERTY AND CASUALTY INSURANCE BUSINESS[3]** | | | | | |
| ROE (%)[1] | **20.0** | 20.8 | N/A | N/A | N/A |
| Net profit | **13,372** | 12,700 | 12,650 | 8,817 | 5,841 |
| Combined ratio (%) | **96.2** | 95.9 | 95.6 | 95.3 | 97.3 |
| Comprehensive solvency margin ratio (%)[2] | **217.5** | 267.3 | 269.5 | 164.5 | 167.1 |
| **BANKING BUSINESS** | | | | | |
| ROE (%)[1] | **11.6** | 13.2 | N/A | N/A | N/A |
| Net profit | **23,189** | 22,599 | 21,865 | 19,802 | 15,231 |
| Net interest margin (%) | **2.37** | 2.75 | 2.81 | 2.57 | 2.31 |
| Non-performing loan ratio (%) | **1.70** | 1.74 | 1.45 | 1.02 | 0.89 |
| Provision coverage ratio (%) | **151.08** | 155.37 | 165.86 | 200.90 | 201.06 |
| Capital adequacy ratio (%) | **11.20** | 11.53 | 10.94 | 10.86 | 9.90 |
| **TRUST BUSINESS** | | | | | |
| ROE (%)[1] | **20.6** | 13.9 | N/A | N/A | N/A |
| Net profit | **3,957** | 2,322 | 2,888 | 2,212 | 1,962 |
| Assets held in trust | **652,756** | 677,221 | 558,435 | 399,849 | 290,320 |
| **SECURITIES BUSINESS** | | | | | |
| ROE (%)[1] | **8.0** | 8.9 | N/A | N/A | N/A |
| Net profit | **2,123** | 2,215 | 2,478 | 924 | 510 |

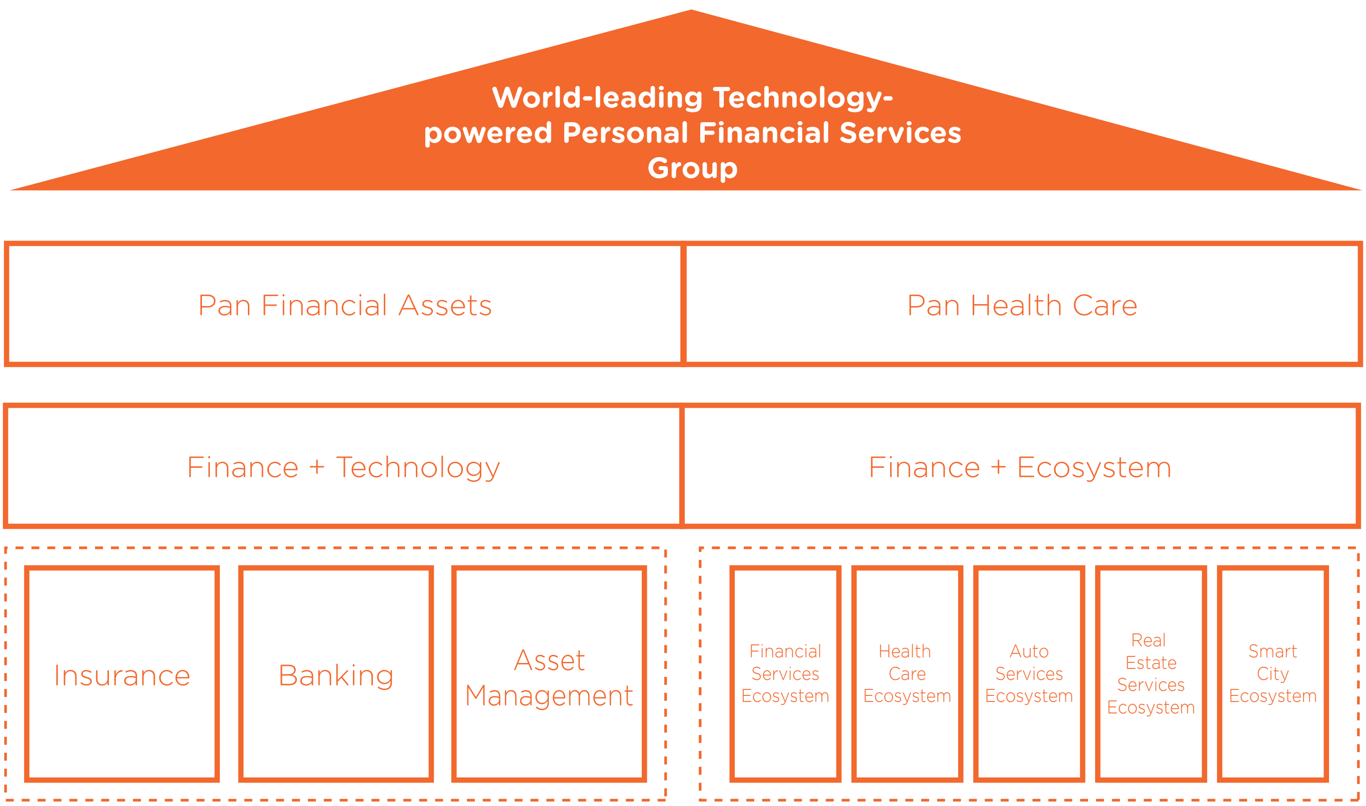
(1) Some indicators have been disclosed for less than five years.

(2) The figures for 2016 and after are under C-ROSS, comparative figures for 2015 have been restated; the figures for 2014 and before were under China Solvency I.

(3) In 2017, the Company realigned its business segments according to its operations and business activities, and certain figures have been reclassified or restated to conform to relevant period's presentation.

# Introduction

**Ping An strives to become a world-leading technology-powered personal financial services group.** In the coming decade, we will pursue "finance + technology" and explore "finance + ecosystem". Focusing on two major industries of pan financial assets and pan health care, we will create new growth drivers by applying innovative technologies to traditional financial businesses and five ecosystems, i.e. financial services, health care, auto services, real estate services, and smart city services. We provide 436 million internet users and 166 million retail customers with financial products and services by exploiting local advantages in line with global corporate governance standards under an integrated financial business model of "one customer, multiple products, and one-stop services".



# Ping An Milestones


## Founding of Company

May 27, 1988

Ping An Insurance Company was established as the first joint-stock insurance company in China.

## Foreign investors

1994

Ping An brought on board Morgan Stanley and Goldman Sachs as its shareholders, becoming the first financial institution in China to have foreign investors.

April 1996

Ping An acquired ICBC Pearl River Delta Financial Trust Joint Company, which was then renamed Ping An Trust Investment Company.

## Founding of the Group

February 14, 2003

Ping An Insurance (Group) Company of China, Ltd. was established, becoming a pilot company for integrated operations in China's financial industry.

December 2003

Ping An was given approval to acquire Fujian Asia Bank, which marked the start of its banking business.

1988 1992 1994 1995 1996 2002 2003

June 4, 1992

The Company was renamed Ping An Insurance Company of China, becoming a national insurance company.

## Expanding nationwide

October 1995

Ping An made a breakthrough in non-insurance financial business by establishing Ping An Securities Co., Ltd.

October 8, 2002

HSBC Group took a stake in Ping An, becoming its single largest shareholder.

## Stake acquired by HSBC

1994

Ping An introduced the individual life insurance marketing system, pioneering individual life insurance business in China.

## First life insurance policy

# H-share listing

June 24, 2004

Ping An Group enhanced its capital strength by going public in Hong Kong, which was the largest IPO in Hong Kong that year.

2004 2006 2007 2011 2012 2016 2017

May 2006

Ping An's national integrated operations center in Zhangjiang, Shanghai started operations, which was the largest integrated operations platform in Asia.

July 2006

Ping An acquired Shenzhen Commercial Bank, which was later renamed Ping An Bank.

March 1, 2007

Ping An Group was listed on the Shanghai Stock Exchange, which was the world's largest IPO of an insurance company by then.

# A-share listing


# Acquiring SDB

July 2011

Ping An became the controlling shareholder of Shenzhen Development Bank, which later merged with the original Ping An Bank, was renamed Ping An Bank, and built banking business presence across the country.

2012

Lufax was established as Ping An began to build presence in fintech and healthtech.

# Lufax

2016

Ping An Life's written premium exceeded RMB300 billion, and new business premium exceeded RMB100 billion.

2017

# Market cap rose above RMB1 trillion

Ping An ranked 1st among global insurance groups and joined top ten of global financial groups as its market cap rose above RMB1 trillion to new highs. Ping An ranked 1st by brand value among global insurers on multiple international rating lists.

Ping An ranked 39th in Fortune's Global 500 and 16th in Forbes Global 2000, maintaining the 1st place among Chinese insurers.

# Chairman's Statement

1. Chairman Ma Mingzhe gave a class at Lu'an Hope Primary School in Anhui Province on May 18, 2017.
2. Ping An established the Global Financial & Economic Development Research Center and the Global Medical & Healthcare Research Center with Tsinghua University on October 31, 2017.

In 2017, with the continued recovery of the global economy, China's economy steadily picked up. The 19th National Congress of the Communist Party of China (CPC) marked the beginning of a new journey towards the goal of building a modern socialist country. To Ping An, which is going to celebrate its 30th anniversary, the year 2017 was extremely important because it connected the past to the future. We remain true to our original aspiration and embrace the future with a thankful heart. We closely follow national strategies, effectively serve the real economy, strictly prevent financial risks, and pursue growth via innovation. We have adopted a strategy to pursue "finance + technology" and explore "finance + ecosystem" in the coming decade. Our goal is to become a world-leading technology-powered personal financial services group. Focusing on two major industries of pan financial assets and pan health care, we apply innovative technologies to five ecosystems: financial services, health care, auto services, real estate services, and smart city services. This has enabled us to create new value drivers and deliver excellent results.

For 2017, Ping An's net profit was RMB99,978 million, up 38.2% year on year. Its net profit attributable to shareholders of the parent company was RMB89,088 million, up 42.8% year on year. The operating profit attributable to shareholders of the parent company was RMB94,708 million, up 38.8% year on year. The new business embedded value (NBEV) rose by 32.6% year on year. The cash dividends for 2017 will amount to RMB1.50 per share, 100.0% higher than the previous year. We were happy to see that Ping An's share prices increased sharply over the past year and its market cap rose above RMB1 trillion to a record high. Ping An's strategy and business value have been widely recognized by investors. In 2017, Ping An ranked 39th in Fortune's Global 500 and 16th in Forbes Global 2000. For 16 years in a row, Ping An has been honored as the Most Respected Enterprise in China.

We are paying more attention to retail customer development. In cross-selling of different offerings, we use fintech & healthtech to enhance our efficiency and to make our services more secure, professional and convenient. In 2017, our retail customer base grew by 26.4% to 166 million. Retail business accounted for 66.2% of our net profit, and the profit per customer reached RMB356. Our internet user base grew to 436 million, with 73.56 million monthly active users.

The Company has accelerated its "finance + technology" transformation. On the one hand, technology has enabled us to pursue innovation, boost efficiency, cut costs, improve experience, and manage risks in financial and healthcare industries. Our core financial businesses became more competitive and maintained stable, healthy growth. Our long-term value creation strategy and protection-oriented product philosophy have enabled us to precisely seize market and industry opportunities. In 2017, the life and health insurance business boosted the NBEV by 32.6% year on year. The life and health insurance business's net profit for 2017 was RMB36,143 million, up 44.4% year on year. The number of sales agents increased by 24.8% to 1.3860 million and their productivity climbed by 7.1% year on year. The property & casualty business's premium income rose above RMB200 billion, up 21.4% year on year while Ping An Property & Casualty maintained an industry-leading combined ratio of 96.2%. Ping An Bank's revenue and net profit from retail banking increased by 41.7% and 68.3% year on year respectively due to its strategic transformation towards retail banking.

On the other hand, we have developed applications for diverse scenarios, integrated the applications into core technological capabilities, and exported the capabilities to serve society. Over the years, we have incubated several high-tech platforms. Three technology associates of Ping An successfully conducted private placements: Ping An Good Doctor raised USD400 million in late 2017 by completing its pre-IPO financing, and filed an IPO application with the HKEx; Ping An Healthcare Technology and OneConnect raised USD1,150 million and USD650 million in early 2018 respectively by completing their first rounds of financing. Over the past 10 years, Ping An invested heavily to promote technological innovations and applications. We have applied for over 3,000 financial and healthcare patents, including many world-leading technologies. Ping An's face recognition technology ranked first in the world according to testing results released by Labeled Faces in the Wild (LFW), an authoritative database. The technology has been used to recognize over 1 billion faces in over 200 scenarios including customhouses, airports, financial services, and social security. We combine fintech, healthtech, artificial intelligence (AI), blockchain, big data, and cloud computing to build the Smart City Cloud, which is designed to facilitate smart brand-new urban lifestyles in eight areas: administration, fiscal management, security, healthcare, education, real estate, environmental protection, and daily life. In smart fiscal management, Ping An has partnered with provinces and cities such as Nanning, Guangdong and Shenzhen to build the Smart Fiscal Cloud, a platform for local governments to manage public assets and liabilities more efficiently. In smart healthcare, Ping An Healthcare Technology provides social health insurance-related cost control and account management services for millions of people in over 200 cities across China. In public healthcare, using its world-leading big data, Ping An has built systems and models to predict, prevent and control infectious diseases, frequently-occurring diseases and chronic diseases in cities such as Shenzhen and Chongqing.

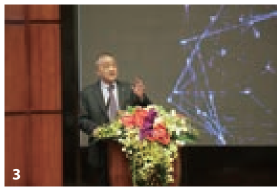
We believe that diligence is the mother of good fortune. Yesterday determines today, and today determines tomorrow. Ping An's achievements in the past year would not have been possible without our efforts in the past 30 years. Since Ping An was founded in Shekou 30 years ago, Ping An has grown from a 13-person small business into a 1.70 million-person fintech & healthtech conglomerate. Ping An has gone through three stages: exploring modern insurance and building mechanisms and platforms, focusing on insurance and exploring integrated finance, and developing integrated finance and exploring "finance + technology". Each of the stages lasted 10 years. Over the past 15 years, Ping An's total assets and net profit grew at CAGRs of nearly 30% thanks to the staff's hard work.

As we head into a new 30-year journey, we believe that a company's fate is closely tied to the national destiny. The rise of a nation is often accompanied by the emergence of some outstanding enterprises. And it is the enterprises' responsibility to support the nation and society. We remain true to our original aspiration with a thankful heart. We have actively answered the CPC Central Committee's call to fight a key battle of poverty alleviation. In 2017, we established the Educational Charity Board, and designated Ping An's founding anniversary as "Ping An Charity Day". We have conducted education support programs for 11 consecutive years, schooling over 300,000 children in remote rural areas. We have established the Rural Financial Services Development Committee, brought insurance, banking and fintech to rural areas, and provided rural people with insurance protection and financing services worth over RMB1 trillion. We have launched an RMB10 billion Three-village Project composed of the Village Officer Program, the Village Doctor Program, and the Village Teacher Program to strengthen industries, healthcare and education in rural areas.

The future has arrived. Society will see more change as technologies and applications continue to develop and advance. Turning 30, Ping An is embarking on a new journey. Our achievements in the past 30 years give us the confidence for a better future. Ping An will combine its unique advantages such as technology, talent, financial strength, scenarios and data with leading innovations and applications to transform into a fintech leader under the strategy of "finance + ecosystem". Technology will enable us to create new drivers of earnings and boost Ping An's value.

Chairman and Chief Executive Officer

Shenzhen, China
March 20, 2018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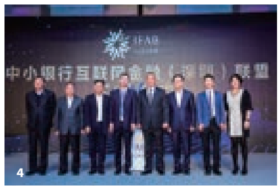

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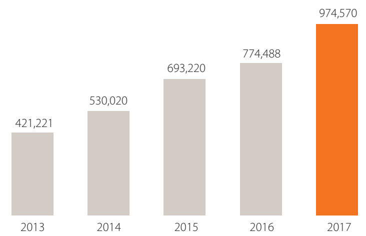
3. At the Group Executive Committee's 2017 Annual Meeting, Ping An adopted a new strategy to pursue "finance + technology" and explore "finance + ecosystem" in the coming decade.

4. Internet Finance Alliance of Small- and Medium-sized Banks (Shenzhen) was established in Shenzhen on December 6, 2017.

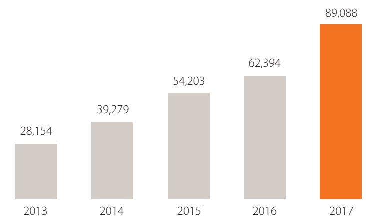
# Business Performance at a Glance

## Financial Results of the Group

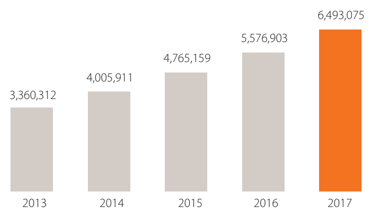
### ***Total Revenue*** *(in RMB Million)*



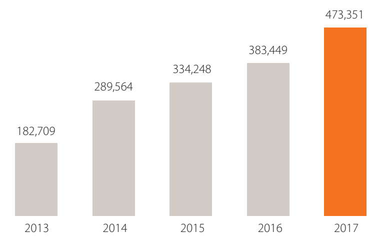

### ***Net Profit Attributable to Shareholders of the Parent Company*** *(in RMB Million)*



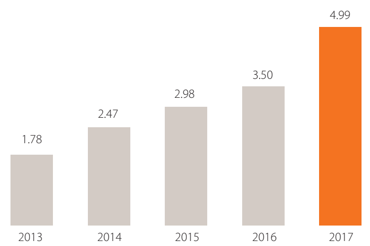

### ***Total Assets*** *(in RMB Million)*



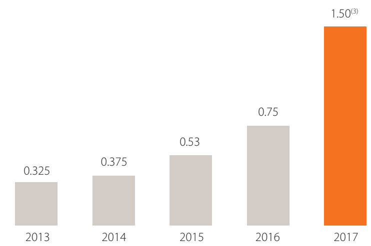

### ***Equity Attributable to Shareholders of the Parent Company*** *(in RMB Million)*



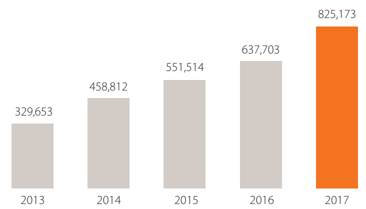

### ***Basic EPS[1]*** *(in RMB)*



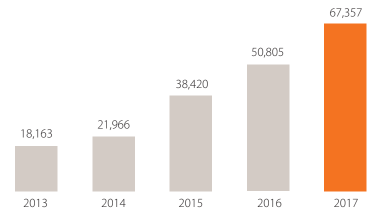

### ***Dividend per Share[1][2]*** *(in RMB)*




### ***Embedded Value[4]*** *(in RMB Million)*




### ***Value of New Business[4]*** *(in RMB Million)*




(1) On August 4, 2015, the Company completed the conversion of the capital reserve into share capital in the proportion of 10 shares for every 10 shares held, and the latest total share capital is 18,280 million. The Company recalculated basic EPSs and DPSs for the previous periods.

(2) Dividend per share refers to cash dividend, including final dividend and interim dividend.

(3) The final dividend of RMB1.00 per share will be proposed for approval at the annual general meeting for 2017.

(4) Data in and after 2016 are assessment results under the C-ROSS. Data for 2015 have been restated. Data in and before 2014 are assessment results under China Solvency I.

# Operating Results of the Retail Business

**RMB58,975 million**
Net profit of retail business up 44.4% year on year

**RMB355.85**
Profit per customer up 14.2% year on year

**2.32**
Contracts per customer up 5.0% from the beginning of 2017

**166 million**
Retail customers up 26.4% from the beginning of 2017

**46.30 million**
New customers up 20.5% year on year

**18.72 million**
new customers from internet users accounting for 40.4% of new customers in 2017

**436 million**
internet users up 26.0% from the beginning of 2017

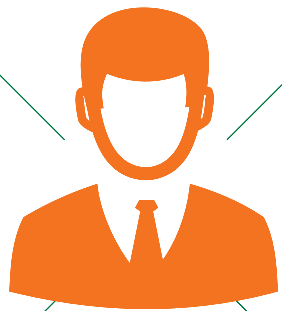
**73.56 million**
monthly active users up 18.7% year on year

**2.22**
online services per user up 14.4% from the beginning of 2017

## Customer Profiling

**70.6%**
70.6% of the customers are in economically developed areas, i.e. East China, South China and North China

**37.8**
Aged 37.8 on average



**65.1%**
65.1% from the middle class or above; every high-net-worth individual held 10.48 contracts on average

**39.1%**
39.1% of the customers graduated from junior colleges or above

# Business Performance at a Glance

## Top Ten Highlights

1 In 2017, the Company realized a net profit of RMB**99,978** million, a year-on-year increase of **38.2%**; net profit attributable to shareholders of the parent company rose **42.8%** year on year to RMB**89,088** million; operating profit attributable to shareholders of the parent company reached RMB**94,708** million, up **38.8%** year on year; ROE stood at **20.7%**. With strong results, the Company is increasing dividends. Dividend per share jumped by **100%** year on year to RMB**1.50**.

2 The Company's value is well recognized in the market. In 2017, Ping An's shares rose sharply (with A shares up **101.4%** and H shares up **114.1%**), and its market cap exceeded RMB**1.2** trillion, hitting a record high. Brand value continued to grow. Ping An ranked **39th** in Fortune's Global **500** and **16th** in Forbes Global **2000**.

3 The Company delivered strong results in customer development. The number of retail customers increased **26.4%** to **166** million. Each customer held **2.32** contracts on average, up **5.0%** from the beginning of the year. Profit per customer rose **14.2%** year on year to RMB**356**. The number of internet users reached **436** million, up **26.0%** from the start of 2017. The number of monthly active users on the internet rose to **73.56** million, up **18.7%** year on year.

4 The Company has realized leapfrog development in technology research and development capabilities. As at the end of 2017, the number of Ping An's patent applications had risen **262%** to **3,030**. The applications cover technologies such as artificial intelligence (AI), blockchain, cloud computing, big data, and security. With world-leading technologies such as face recognition, voiceprint recognition, and disease forecasting, Ping An has won many international awards in fields such as medical image reading and biometrics.

5 In 2017, the NBEV of the life and health insurance business grew by **32.6%** year on year to RMB**67,357** million. ROEV stood at **35.5%**, up **8.5** pps year on year. The number of Ping An's sales agents increased **24.8%** to **1.3860** million from the start of 2017 while productivity increased by **7.1%** year on year. The total investment yield of insurance funds reached **6.0%**, and the net investment yield was **5.8%**, both higher than industry averages.

6 Ping An Property & Casualty increased its premium income by **21.4%** year on year to over RMB**200** billion while maintaining a better than industry combined ratio of **96.2%**. Ping An Property & Casualty increased its market share by **1.3** pps. Ping An Property & Casualty launched the "**510** City Superfast Onsite Investigation" service, through which **92.9%** of the auto insurance cases requiring an on-site investigation were handled within **10** minutes.

7 The strategic transformation of Ping An Bank generated significant effects. Retail business revenue rose **41.7%** year on year, and net profit of retail business increased **68.3%** year on year. Ping An Bank continued to improve the structure of its corporate business, and adopted "C + SIE + R" and "commercial banking + investment banking + investment" industry-specific financial service models to support the real economy. Ping An Bank expanded the application of innovative technologies and topped the list of joint-stock banks with **14.82** million monthly active app users.

8 Lufax Holding maintained fast growth in wealth management, consumer finance and institutional trading. By the end of 2017, AUM rose **5.3%** from the start of 2017 to RMB**461,699** million; the loans under management increased by **96.7%** from the start of 2017 to RMB**288,434** million. Lufax became profitable for the first time in 2017.

9 Ping An Good Doctor operates the largest online health care platform in China, and has provided health management services for over **190** million users. In its pre-IPO financing, Ping An Good Doctor raised USD**400** million at a post-money valuation of USD**5.4** billion. It has filed an IPO application with the HKEx.

10 Ping An Healthcare Technology and OneConnect completed their first rounds of financing to raise USD**1.15** billion and USD**650** million respectively. The two companies' post-money valuations are USD**8.8** billion and USD**7.4** billion respectively.

# Honors and Awards

In 2017, Ping An maintained its leading brand value, received wide recognition and praise, and won various honors and awards from domestic and foreign rating agencies and media in respect of comprehensive strength, corporate governance, and corporate social responsibility.

## CORPORATE STRENGTH

- Fortune
  Ranked No. 39 on the Fortune Global 500 list, and No. 1 among Chinese insurers

- Fortune China
  Ranked No. 5 on the Fortune China 500 list, and maintained the first place among Chinese insurers and among mixed-ownership companies

- Forbes
  Ranked No. 16 on the Forbes Global 2000 list and No. 1 among global insurance conglomerates, and again topped the list of Chinese insurers

- Institutional Investor (US)
  Most Honored Company in Asia

- China Enterprise Directors Association and China Enterprise Confederation
  Ranked No. 8 on the China Top 500 List

- World-renowned data company IDC
  Ranked No. 38 on the list of 2017 IDC FinTech Rankings Top 100, and No. 1 among Chinese companies on the list

## CORPORATE GOVERNANCE

- Institutional Investor (US)
  Best IR Company
  Best Analyst Day
  Best IR Professional
  Best Website
  Best CEO – MA Mingzhe
  Best CFO – YAO Jason Bo

- China Securities Golden Bauhinia Awards organized by Ta Kung Pao, the Listed Companies Association of Beijing, and the Hong Kong Chinese Enterprises Association
  Best Listed Company in Investor Relations

- China Financial Market magazine
  Best Listed Company

## CORPORATE SOCIAL RESPONSIBILITY

- The Economic Observer
  The Most Respected Enterprise in China

- World Economic and Environmental Conference
  The International Carbon-Value Award – Carbon-Value Innovative Value Award

- 21st Century Business Herald
  Best Poverty-alleviation Contribution Award

- China Business News Corporate Social Responsibility Ranking in China
  Outstanding Enterprise Award for Corporate Social Responsibility

- Southern Weekly annual ceremony
  The Annual Responsibility & Contribution Award

## BRAND

- Millward Brown & WPP
  Ranked No. 61 on the BrandZ Top 100 Most Valuable Global Brands list, again No. 1 among global insurance brands, and No. 13 among global financial brands on the list
  Among top 8 on the BrandZ Top 100 Most Valuable Chinese Brands list, again the highest-ranking Chinese insurance brand on the list, and among top 3 Chinese financial institutions on the list

- Brand Finance
  Ranked No. 79 on the Brand Finance Global 500 2017 list
  Ranked No. 1 on the Brand Finance Insurance 100 2017 list

- Interbrand
  Ranked No. 6 on the Best China Brands 2017 list, again the highest-ranking Chinese insurance brand on the list

- World Brand Lab
  Ranked No. 231 on the list of the World's 500 Most Influential Brands for 2017

- Hurun Research Institute
  Ranked No. 9 on the Hurun Most Valuable Chinese Brands 2017 list, and No. 5 on the Most Valuable Privately-Held Chinese Brands list

# Customer Development

- Net profit from the Group's retail business grew by 44.4% year on year to RMB58,975 million, accounting for 66.2% of the Group's net profit attributable to shareholders of the parent company.
- From the beginning of 2017, retail customers(1) grew 26.4% to 166 million and contracts per customer rose 5.0%. Profit per customer grew 14.2% year on year. New customers increased 20.5% year on year to 46.30 million, 40.4% of whom were the Group's internet users.
- From the beginning of 2017, internet users(2) increased 26.0% from the start of 2017 to 436 million and monthly active users(3) grew 18.7% year on year to 73.56 million. On average, each internet user used 2.22 online services, up 14.4% from the start of 2017.
- In 2017, the Group had 47.23 million retail customers holding multiple contracts with different subsidiaries, accounting for 28.5% of all customers, up 4.5 pps and 9.5 pps from 2016 and 2015 respectively.

## CUSTOMER DEVELOPMENT STRATEGY

Focusing on retail customers, Ping An is committed to becoming a world-leading technology-powered personal financial services group. Ping An adheres to the philosophy of "one customer, multiple products and one-stop services". Centering on the ecosystems of "financial services, healthcare, auto services, real estate services and smart city services", Ping An provides diverse products and excellent services, which have been well recognized by customers. All business grew steadily. The Group's net profit attributable to shareholders of the parent company for 2017 was RMB89,088 million. The profit from retail business was RMB58,975 million, which accounted for 66.2% of the net profit attributable to shareholders of the parent company, up 0.8 pps year on year. Thanks to increasing retail customers and development of customer value, retail business value rose rapidly and has become an intrinsic driving force of Ping An's robust value growth.

Ping An continued its efforts to enhance the service capabilities of both traditional finance channels and internet channels in line with its strategies. As at December 31, 2017, the number of retail customers reached 166 million, up 26.4% from the beginning of 2017. The number of new customers acquired during 2017 was 46.3 million, up 20.5% year on year. Of the new customers, 18.72 million were the Group's internet users, accounting for 40.4%. Progress of Ping An's integrated finance strategies was accompanied by improved cross-selling among customers. As at the end of 2017, 47.23 million customers held multiple contracts with different subsidiaries, accounting for 28.5% of all customers, up 4.5 pps from the beginning of 2017. The number of contracts per customer stood at 2.32, up 5.0% from the beginning of 2017. Through application of fintech, Ping An improved the service efficiency of product lines, and achieved steady growth in major product lines' profitability. In 2017, the Group recorded profit per customer of RMB355.85, up 14.2% year on year.

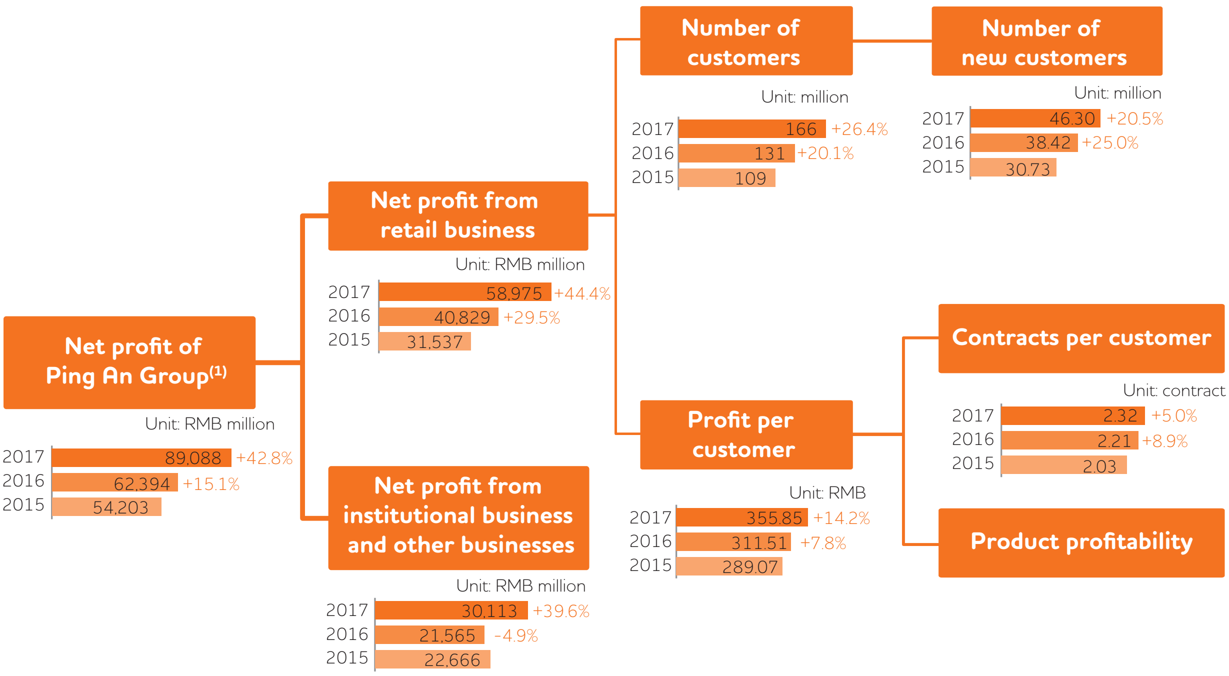
Ping An continued to build diverse core financial product lines and internet service lines, and created synergy through sharing of users, customers, services and products via Magic Gate to provide customers with ready access. In 2017, internet users increased 26.0% from the start of 2017 to 436 million and monthly active users grew 18.7% year on year to 73.56 million. On average, each internet user used 2.22 online services, up 14.4% from the beginning of 2017.

(1) Retail customers refer to retail customers holding valid financial products with core financial companies of the Group.

(2) Internet users refer to registered internet users with accounts on internet service platforms of fintech & healthtech companies (including Autohome) and core financial companies (including web platforms and apps) of the Group.

(3) The number of monthly active users refers to the average number of monthly active users for 12 months as of the end of the reporting period.

### Core drivers of the Group's profit growth




(1) Net profit of Ping An Group is the net profit attributable to shareholders of the parent company.

## THE NUMBER OF THE GROUP'S RETAIL CUSTOMERS AND INTERNET USERS INCREASED RAPIDLY

### Retail customers

By improving channel management and customer experience, Ping An achieved continuous growth in its retail customer base. As at the end of 2017, the Group had 166 million customers, up 26.4% from the beginning of 2017. The number of new customers acquired during the year was 46.30 million, up 20.5% year on year. Of the new customers, 18.72 million were the Group's internet users, accounting for 40.4%. Development of internet users has scaled up Ping An's customer base steadily.

### Retail Customer Structure (Table 1)

| (in million) | Total customers December 31 2017 | December 31 2016 | Change % |
|---|---|---|---|
| Life insurance | **53.03** | 46.23 | 14.7 |
| Auto insurance | **40.98** | 34.24 | 19.7 |
| Retail banking | **50.18** | 40.47 | 24.0 |
| Credit card | **35.10** | 23.31 | 50.6 |
| Securities, fund and trust | **33.43** | 17.42 | 91.9 |
| Others | **35.56** | 22.61 | 57.3 |
| **The Group** | **165.73** | 131.07 | 26.4 |

(1) Customers who purchased multiple financial products were counted more than once. The numbers of accumulated customers and new customers do not add up to the total due to elimination of repeatedly counted customers.
(2) The number of customers as of the end of 2017 is not equal to the sum of the number of customers as of the end of 2016 and new customers in the reporting period, due to customer attrition.
(3) The number of customers of insurance companies is counted based on the number of holders of in-force policies.
(4) "Others" include fintech & healthtech, other loans and other insurance product lines.

Ping An has made big pushes into converting its offline customers to internet users, providing diverse products and services to users through its internet platforms. As of the end of 2017, the number of the Group's customers who were also internet users reached 136 million, up 37.6% from the beginning of 2017, accounting for 82.0% of all customers. The number of customers who were also app users stood at 127 million, up 78.0% from the start of 2017, accounting for 76.9% of all customers.

### Online Customers (Table 2)

| (in million) | December 31 2017 Persons | December 31 2017 % of customers | December 31 2016 Persons | December 31 2016 % of customers |
|---|---|---|---|---|
| Number of customers who were also internet users | **135.85** | **82.0** | 98.73 | 75.3 |
| Number of customers who were also app users | **127.38** | **76.9** | 71.57 | 54.6 |

# Customer Development

### Internet users

Under a philosophy of "technology-powered finance", Ping An provides internet users with one-stop services under diversified finance and life scenarios. As at the end of 2017, the Group had 436 million internet users, up 26.0% from the start of 2017; it had 369 million app users, up 58.3% from the start of 2017; 81.23 million user migrations happened among internet platforms. On average, every internet user used 2.22 online services of Ping An, up 14.4% from the start of 2017. Meanwhile, user activity increased steadily. In 2017, the Company had 73.56 million monthly active users, up 18.7% year on year, in which annual accumulated highly active users(1) accounted for 24.2%. User stickiness continued to strengthen.

(1) Annual accumulated highly active users refer to those who log in for 48 or more times annually.

### Number of Internet Users (Table 3)

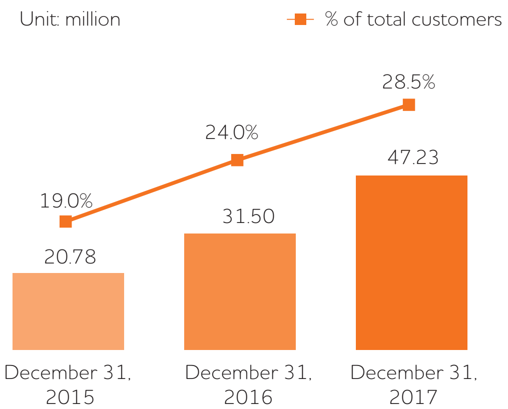
| (in million) | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| **Internet user base(1)** | **436.39** | 346.30 | 26.0 |
| Fintech & healthtech companies | **383.32** | 264.91 | 44.7 |
| Core financial companies | **236.55** | 218.66 | 8.2 |
| **App user base** | **369.42** | 233.36 | 58.3 |
| Fintech & healthtech companies | **241.01** | 151.20 | 59.4 |
| Core financial companies | **215.94** | 130.09 | 66.0 |
| **Monthly active users(2)** | **73.56** | 61.99 | 18.7 |

(1) Internet users and app users of the Group included users of fintech & healthtech companies (including Autohome) and core financial companies. Figures from repeated counting were eliminated.

(2) As per the user definition of 2016 (excluding Autohome), the number of the Group's monthly active users in 2017 would be 67.48 million.

### THE GROUP SAW A STEADY INCREASE IN CUSTOMER VALUE AND REMARKABLE RESULTS OF CUSTOMER MIGRATION.

### Number of customers holding multiple contracts with different subsidiaries




Ping An promoted customer migration among core financial subsidiaries to boost customer value. In 2017, the Group had 47.23 million retail customers holding multiple contracts with different subsidiaries, accounting for 28.5% of total customers. Each customer held 2.32 contracts, 5.0% more than at the beginning of 2017. About 36.03 million customer migrations happened among core financial subsidiaries of Ping An. Through technology innovation and efficient management, Ping An maintained healthy, sustainable profitability of its major product lines. In 2017, the Group recorded profit per customer of RMB355.85, up 14.2% year on year.

Cross-selling of insurance business maintained significant growth. In 2017, new premiums of Ping An Property & Casualty, Ping An Annuity and Ping An Health from insurance sales agents rose by 25.9% year on year to RMB43,310 million.

### New business acquired via cross-selling (Table 4)

| (in RMB million) | 2017 Amount | 2017 Channel contribution percentage | 2016 Amount | 2016 Channel contribution percentage |
|---|---|---|---|---|
| **Ping An Property & Casualty** | | | | |
| Premium income | **35,828** | **16.6%** | 28,792 | 16.2% |
| **Short-term group insurance business of Ping An Annuity** | | | | |
| Premium income | **6,728** | **45.7%** | 5,489 | 44.4% |
| **Ping An Health** | | | | |
| Premium income | **754** | **35.1%** | 113 | 14.3% |

### CUSTOMER PROFILE

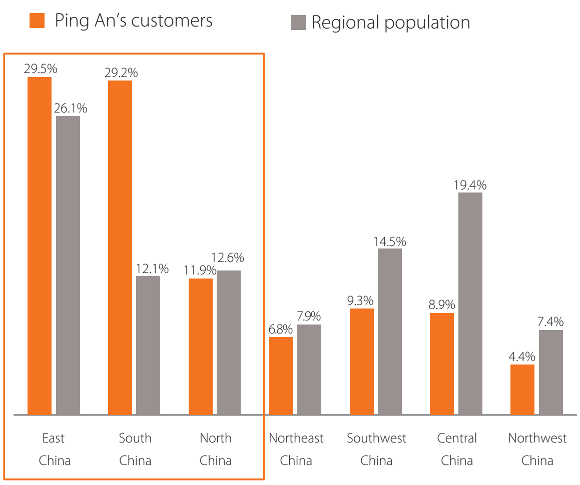
With a huge customer base and on-going customer data mining, Ping An learns more and more about customers: 70.6% of the Group's customers are in economically developed East China, South China and North China. Customers are quite young, with an average age of only 37.8. And 39.1% of our customers have junior college or higher degrees.

The more wealth customers have, the more contracts they hold and the more valuable they are. In 2017, the Group had nearly 108 million middle class or higher-level customers, accounting for 65.1% of the total. On average, each HNWI held 10.48 contracts, much more than affluent customers.

Through long-term development of customers, Ping An has built strong ties of recognition and mutual trust with customers. The longer a customer has been with us, the more contracts he/she holds. For example, 5-year or above customers hold 2.69 contracts on average, 79.3% more than 1-year or below customers.

### Geographic distribution of customers (2017)

About 70.6% of customers were in economically developed regions, higher than the regions' share in the national population.

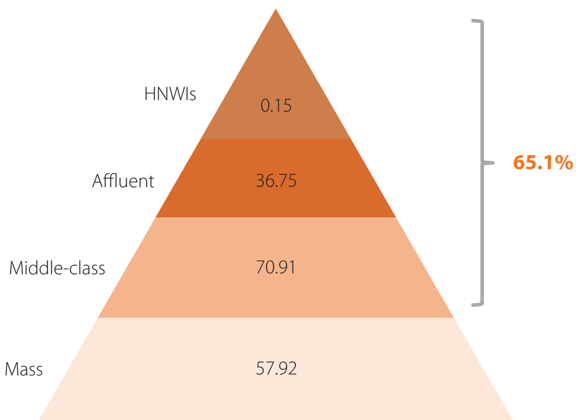



(1) Data of social averages are from the China Statistical Yearbook for 2016.

### Customer wealth structure (2017)

Middle class or higher-level customers accounted for 65.1%, up 2.7 pps from 2016.

Unit: million




### Number of contracts per customer (2017)

The more wealth customers have, the more contracts they hold, and the more contributions they make.

| (in million) | Number of customers (in million) | Number of contracts per customer (contract) |
|---|---|---|
| HNWIs | 0.15 | 10.48 |
| Affluent | 36.75 | 3.61 |
| Middle-class | 70.91 | 2.14 |
| Mass | 57.92 | 1.71 |
| **The Group** | **165.73** | **2.32** |

(1) Mass customers are those with annual income below RMB100,000, middle class customers RMB100,000-240,000, and affluent customers above RMB240,000. HNWIs have personal assets of RMB10 million or more.

Going forward, Ping An will facilitate development of its retail business to become a world-leading technology-powered personal financial services group. On one hand, it will reinforce the advantages in traditional channels, expand the user base of internet services and scale up the customer base quickly. On the other, it will diversify its personal financial products and services and optimize customer experience through further application of innovative technologies. On the whole, the Company aims to increase retail customer value and achieve development.

# Technology-Powered Business Transformation

- By December 31, 2017, the number of Ping An's patent applications had risen to 3,030, up 262.0% from the beginning of the year. The applications cover technologies such as artificial intelligence (AI), blockchain, cloud computing, big data, and security.
- Our face recognition technology has an accuracy rate of 99.8% and our voiceprint recognition technology has a text-dependent accuracy rate of 99.7%, both at world-leading levels.

## PING AN GROUP'S STRATEGY OF "FINANCE + TECHNOLOGY"

Ping An has adopted a two-pronged strategy of "finance + technology," aiming to become a world-leading fintech company on the basis of five core technologies, i.e. AI, blockchain, cloud computing, big data, and security. Focusing on fintech and healthtech, Ping An strengthens its traditional financial businesses by increasing efficiency, cutting costs, improving experience, enhancing risk management, and building ecosystems and platforms. Moreover, Ping An exports innovative technologies and services to create value.

Ping An attaches great importance to technology talent development. Ping An now has over 22,000 R&D staff members. To maintain the technological leadership, the Group has partnered with top universities and research institutes such as Peking University, Tsinghua University, Massachusetts Institute of Technology, and National Institute of Health to pursue fintech and healthtech researches.

Ping An's increasing R&D investments over recent years have generated significant outcomes. By December 31, 2017, the number of Ping An's patent applications had risen to 3,030, up 262.0% year on year. The applications cover technologies such as AI, blockchain, cloud computing, big data, and security. Ping An has boosted business efficiency and customer experience by applying leading technologies to scenarios such as financial services and health care.

### World-leading technologies:

| | Name of technology | Level/application of technology |
|---|---|---|
| ① | Face recognition | With an accuracy rate of 99.8%, Ping An' s face recognition technology has been applied to over 200 scenarios and used to recognize over 1 billion faces. |
| ② | Voiceprint recognition | Ping An' s voiceprint recognition technology has a text-dependent accuracy rate of 99.7%. |
| ③ | Ping An Medical Imaging Assistant | Ping An' s image reading technology ranked 1st in the world in lung nodule detection and false positive reduction according to test results of LUNA. |
| ④ | Disease forecasting | Ping An' s pioneering "AI + big data" models for forecasting influenza and hand, foot and mouth disease have precision rates above 90%. |
| ⑤ | Ping An Face | Ping An' s micro-expression recognition technology can identify 30 smallest facial action units, with a maximum precision rate of 98.1% and three unique emotion detection models. |
| ⑥ | Ping An Blockchain | Ping An Blockchain has been applied to 12 scenarios. With over 17,000 application nodes and 57 blockchain-related patents, Ping An Blockchain is a leader among peers in China. |

## SUPPORTING BUSINESS WITH FIVE CORE TECHNOLOGIES

Ping An takes advantage of five core technologies to boost traditional financial businesses and increase competitiveness. The five core technologies have been applied to scenarios such as customer development, channel management, customer services, and risk management, sharply increasing the value of traditional financial businesses. Ping An has successfully incubated fintech and healthtech platforms such as Lufax Holding, OneConnect, Ping An Good Doctor, and Ping An Healthcare Technology. Some core technologies have been exported to serve external entities.

### AI

Ping An has established comprehensive scenarios of AI applications such as smart perception, prediction, risk management, and services. Ping An's AI and deep learning technologies have reached world-leading levels. Our face recognition technology has an accuracy rate of 99.8%; our voiceprint recognition technology has a text-dependent accuracy rate of 99.7%. In disease forecasting, Ping An has achieved precision rates of over 90% for influenza and hand, foot and mouth disease and 92% for chronic obstructive pulmonary disease respectively. Our medical image reading technology ranked first in lung nodule detection and false positive reduction with precision rates of 95.1% and 96.8% respectively according to test results of LUng Nodule Analysis (LUNA), an international authoritative assessment in the medical imaging field. Ping An's AI-based musical composition technology won the 1st place in the international contest of "AI-generated music challenge". Ping An provides AI-based functionalities such as photography and video recording, personal loan risk management, SME loan approval, and customer services. Ping An's face recognition technology has been used to identify over 1,000 million people in over 200 scenarios within or outside the Group such as financial services, medical services, daily-life services, and security. Ping An's voiceprint recognition technology has been applied to over ten scenarios such as app login, identity verification, and blacklist identification. Ping An's micro-expression recognition technology can identify customers' smallest facial actions via remote videos in real time, detect frauds, and give risk warnings. The technology has been applied to financial business activities such as Puhui Business's loan approval.

### Blockchain

Ping An Blockchain provides secure, retraceable and efficient means of transaction recording. The technology can be applied to scenarios such as asset trading, financing, health care, and real estate trading. Ping An has successfully applied blockchain to real financial and health care scenarios. By December 31, 2017, Ping An had built over 17,000 blockchain nodes for SMEs. In health care and real estate trading, Ping An Blockchain has facilitated connectivity among medical clusters and establishment of a real estate trading platform.

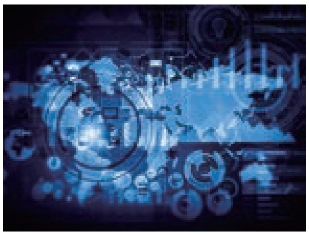
### Cloud Computing

Ping An Cloud hosts the trillion-yuan core business of Ping An, providing reliable, convenient and secure solutions for industries such as insurance, banking, asset management, fintech, and health care. Core technologies of Ping An Cloud are owned and controlled by Ping An. Business systems can be deployed in Ping An Cloud within minutes thanks to robust technologies and data. Ping An's Virtual Private Cloud (VPC) hosts 415 banks and 14 insurance companies. Ping An Cloud has received eight authoritative certifications from China and abroad. Ping An has become one of the most secure cloud computing service providers in the financial industry.

# Technology-Powered Business Transformation

## Big Data

Ping An has one of the largest big data platforms among Chinese financial institutions. In 2017, over 900 million credit inquiries were processed. On the big data platform, Ping An has built a "1+N" network of ecosystems, and applied the big data technology to areas such as financial services, health care, auto services, and real estate. In financial services, Ping An has partnered with 468 banks and 1,890 non-bank financial institutions. In health care, Ping An provides 800 million users and over 2,000 hospitals with Social Health Insurance services in over 200 cities. In auto services, Ping An has over 40 million auto insurance customers and over 1,000 million claim photos.



## Security

Ping An has established a 24/7 actively perceiving security system which combines comprehensive attack and defense functionalities. Ping An has built a robust information security governance and management framework which covers all employees and business processes. Ping An has built an end-to-end security management platform to realize group-wide real-time risk monitoring and response and protect the Group and customers against malicious attacks and frauds. Ping An has constantly increased security-related input, cooperated with domestic and foreign leading research institutions and technology teams, pursued R&D of proprietary technologies and exploration of frontier technologies, and built forward-looking presence in certain industries. Moreover, Ping An has established the industry's first financial security research institute, and is committed to building a new financial security ecosystem.

## BUILDING ECOSYSTEMS BY EXPORTING TECHNOLOGIES

Positioned as a "world-leading technology-powered personal financial services group," Ping An exploits leading advantages and exports innovative technologies to develop five ecosystems: financial services, health care, auto services, real estate services, and smart city.

## Financial Services Ecosystem

Ping An has established business models powered by "finance + technology," connected assets to funds via "open platforms + open marketplaces," and successfully incubated innovative financial businesses such as Lufax Holding and OneConnect. In June 2017, Chongqing Financial Assets Exchange under Lufax Holding launched China's first "smart cloud platform for public asset and liability management" in cooperation with Nanning Government. By the end of 2017, it had saved the local government RMB37 million to help local governments manage accounts and save money. OneConnect has established a "3 + 1" model comprised of Smart Insurance Cloud, Smart Banking Cloud, Smart Investment Cloud, and an open fintech service platform. OneConnect has partnered with 468 banks and 1,890 non-bank financial institutions, handling more than 900 million credit inquiries and an interbank transaction volume of over RMB10 trillion last year.

## Health Care Ecosystem

In the health care ecosystem, Ping An has built a robust "patient – provider – payer" model, penetrating through online portals and payers.

As to portals, Ping An Good Doctor has become the No.1 online health care portal, on which high-frequency health management services are provided to promote low-frequency medical services, boost activity, and facilitate retention. As at December 31, 2017, Ping An Good Doctor had about 190 million registered users. Ping An Wanjia Healthcare launched China's first standard clinic management platform to help primary medical institutions to improve services. Ping An Wanjia Healthcare has become a leading open clinic platform in China. As at December 31, 2017, over 20,000 clinics were using Ping An Wanjia Healthcare's cloud, and 58,000 clinics (34.0% of urban private medical institutions) were on the platform.

As to payers, Ping An Healthcare Technology is committed to building China's best tech-powered managed care service platform. Through efficient connection and effective collaboration with healthcare service participants, Ping An Healthcare Technology provides comprehensive smart solutions for upstream and downstream service providers of social health insurance, private insurance and healthcare, and even for consumers of such services. Over 2,000 hospitals have connected with Ping An Healthcare Technology's system.

### Auto Services Ecosystem

In the auto services ecosystem, Ping An serves large numbers of auto-related retail financial customers and internet users via Autohome, Ping An Bank, and Ping An Property & Casualty. Moreover, via the car dealer platform, new car and second-hand car trading platforms, and spare part platform, Ping An serves various auto service businesses including most auto assembly plants and car dealers in China as well as leading second-hand car dealers and garages. Ping An is building a comprehensive trade and finance service platform for auto purchase, use, maintenance and sale.

As China's leading online auto service platform, Autohome provides comprehensive auto services including media, e-commerce, finance, and lifestyle services. In 2017, Ping An Bank remained as a leader in the auto finance market as its new auto loans grew by 44.2% year on year to RMB118,384 million. On the "Ping An Auto Owner" app, Ping An combines extensive auto service resources and cooperates with thousands of car dealers and garages across the country to provide excellent one-stop auto services including maintenance, insurance, and lifestyle services. As at December 31, 2017, the "Ping An Auto Owner" app had 44.24 million registered users, over 26.94 million of whom had bound their vehicles to accounts; in December, the app had 9.53 million monthly active users.

### Real Estate Services Ecosystem

In the real estate services ecosystem, Ping An Haofang provides solutions on "one website and three clouds" (pinganfang.com, Brokerage Cloud, Smart City Cloud, and Smart Real Estate Cloud) to penetrate three markets: real estate marketing, management, and finance. Ping An Haofang connects with partners including developers, leasing companies, brokers and government agencies to build a data asset platform based on real estate information, consumers, brokers, and contents. On this platform, Ping An Haofang will provide an empowerment system that covers the entire industry chain, and develop a leading business model that serves the whole real estate ecosystem.

Specifically, pinganfang.com provides consumers with real estate information, advisory services, and social interactions via online and offline portals. Brokerage Cloud provides small- and medium-sized real estate agents and brokers with system services and one-stop financial solutions to help them win customers, obtain real estate information, cut costs, and improve efficiency. Smart City Cloud allows the government to boost administrative efficiency via e-government innovations on a real estate service management cloud platform combining "one website, one chart, one platform, and one report." Smart Real Estate Cloud is designed as a smart end-to-end solution for informatization of the real estate industry, serving all players on the industry chain and promoting smart management across the industry.

### Smart City Ecosystem

Ping An closely follows the Communist Party of China and the government to serve the nation, real economy, and people. To make cities better, Ping An empowers cities with technologies by building the Smart City Cloud, which covers eight key areas of people's livelihood: administration, fiscal management, security, healthcare, education, real estate, environmental protection, and daily life.
In smart health care, Ping An Healthcare Technology provides cost control and account management services for social health insurance in over 200 Chinese cities, reducing medical spending and improving health care. In public health care, on the basis of world-leading big data, Ping An builds systems and models for predicting and preventing infectious diseases, frequently-occurring diseases, and chronic diseases in cities such as Shenzhen and Chongqing. In smart fiscal management, Ping An works with provinces and cities such as Nanning, Guangdong, Shenzhen and Changsha to build Smart Fiscal Cloud, a smart platform for local governments to manage public assets and liabilities more efficiently.

# Performance Overview

- The Group's net profit for 2017 was RMB99,978 million, up 38.2% year on year. Its net profit attributable to shareholders of the parent company was RMB89,088 million, up 42.8% year on year.
- The Group's operating profit attributable to shareholders of the parent company for 2017 was RMB94,708 million, up 38.8% year on year.
- The Group's ROE for 2017 was 20.7%, up 3.3 pps year on year; ROEV was 26.7%, up 5.7 pps year on year.

We offer a wide range of financial products and services via various distribution channels under a uniform brand. We engage in three core finance businesses of insurance, banking and asset management through Ping An Life, Ping An Property & Casualty, Ping An Annuity, Ping An Health, Ping An Bank, Ping An Trust, Ping An Securities, and Ping An Asset Management. Besides, we engage in the fintech & healthtech business through a number of units including Lufax Holding, Ping An Good Doctor, OneConnect, Ping An Healthcare Technology, and Autohome.

The Group's net profit attributable to shareholders of the parent company for 2017 was RMB89,088 million, up 42.8% year on year. The operating profit attributable to shareholders of the parent company for 2017 was RMB94,708 million, up 38.8% year on year. As at December 31, 2017, the equity attributable to shareholders of the parent company was RMB473,351 million, up 23.4% compared with the beginning of 2017; the Company's total assets stood at over RMB6.49 trillion, up 16.4% compared with the beginning of 2017.

## CONSOLIDATED RESULTS

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Total revenue | **974,570** | 774,488 | 25.8 |
| Including: Premium income | **605,035** | 469,555 | 28.9 |
| Total expense | **(839,830)** | (680,077) | 23.5 |
| Profit before tax | **134,740** | 94,411 | 42.7 |
| Net profit | **99,978** | 72,368 | 38.2 |
| Net profit attributable to shareholders of the parent company | **89,088** | 62,394 | 42.8 |

| (in RMB million) | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| Total assets | **6,493,075** | 5,576,903 | 16.4 |
| Total liabilities | **5,905,158** | 5,090,442 | 16.0 |
| Shareholders' equity | **587,917** | 486,461 | 20.9 |
| Equity attributable to shareholders of the parent company | **473,351** | 383,449 | 23.4 |

## SEGMENT REPORTING

For the year 2017, the Company reviewed and redefined its business segments according to business operations in order to provide clear and concise information. The life and health insurance business represents results of Ping An Life, Ping An Annuity, and Ping An Health. The property and casualty insurance business represents results of Ping An Property & Casualty. The banking business represents results of Ping An Bank. The trust business represents results of Ping An Trust and Ping An New Capital. The securities business represents results of Ping An Securities. The other asset management business represents results of subsidiaries that engage in asset management business such as Ping An Asset Management, Ping An Financial Leasing and Ping An Overseas Holdings. The fintech & healthtech business represents results of companies that engage in fintech & healthtech business such as Lufax Holding, Ping An Good Doctor, OneConnect, Ping An Healthcare Technology and Autohome. Eliminations include offsets against cross-shareholding among business lines. The data for 2016 were restated for comparison purposes.

### Net Profit

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Life and health insurance business | **36,143** | 25,033 | 44.4 |
| Property and casualty insurance business | **13,372** | 12,700 | 5.3 |
| Banking business | **23,189** | 22,599 | 2.6 |
| Asset management business | **16,403** | 9,649 | 70.0 |
| Including: | | | |
| Trust business | **3,957** | 2,322 | 70.4 |
| Securities business | **2,123** | 2,215 | (4.2) |
| Other asset management business | **10,323** | 5,112 | 101.9 |
| Fintech & healthtech business | **14,689** | 5,922 | 148.0 |
| Other businesses and elimination | **(3,818)** | (3,535) | 8.0 |
| **The Group** | **99,978** | 72,368 | 38.2 |

### Net profit attributable to shareholders of the parent company

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Life and health insurance business | **35,658** | 24,851 | 43.5 |
| Property and casualty insurance business | **13,307** | 12,638 | 5.3 |
| Banking business | **13,449** | 13,108 | 2.6 |
| Asset management business | **15,924** | 9,412 | 69.2 |
| Including: | | | |
| Trust business | **3,953** | 2,319 | 70.5 |
| Securities business | **2,043** | 2,137 | (4.4) |
| Other asset management business | **9,928** | 4,956 | 100.3 |
| Fintech & healthtech business | **14,621** | 6,188 | 136.3 |
| Other businesses and elimination | **(3,871)** | (3,803) | 1.8 |
| **The Group** | **89,088** | 62,394 | 42.8 |

The other asset management business's profit grew sharply, driven by strong performance of companies like Ping An Asset Management, Ping An Financial Leasing, and Ping An Overseas Holdings. The fintech & healthtech business's profit soared year on year due to Lufax Holding's profit for 2017, the RMB10,850 million in net profit for 2017 from Ping An Good Doctor's restructuring, and the RMB9,497 million in net profit for 2016 from Puhui Business's restructuring. For details of Ping An Good Doctor's restructuring, please refer to the notes to financial statements.

For analysis of other business segments' results, please refer to the following sections.

### Shareholder's equity

| (in RMB million) | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| Life and health insurance business | **166,392** | 114,566 | 45.2 |
| Property and casualty insurance business | **70,144** | 63,649 | 10.2 |
| Banking business | **222,054** | 202,171 | 9.8 |
| Asset management business | **112,536** | 96,416 | 16.7 |
| Including: | | | |
| Trust business | **19,532** | 18,904 | 3.3 |
| Securities business | **27,192** | 25,649 | 6.0 |
| Other asset management business | **65,812** | 51,863 | 26.9 |
| Fintech & healthtech business | **44,359** | 26,887 | 65.0 |
| Other businesses and elimination | **(27,568)** | (17,228) | 60.0 |
| **The Group** | **587,917** | 486,461 | 20.9 |

### Equity attributable to shareholders of the parent company

| (in RMB million) | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| Life and health insurance business | **160,450** | 107,558 | 49.2 |
| Property and casualty insurance business | **69,804** | 63,340 | 10.2 |
| Banking business | **128,791** | 117,259 | 9.8 |
| Asset management business | **103,848** | 92,799 | 11.9 |
| Including: | | | |
| Trust business | **19,509** | 18,882 | 3.3 |
| Securities business | **25,842** | 24,487 | 5.5 |
| Other asset management business | **58,497** | 49,430 | 18.3 |
| Fintech & healthtech business | **37,772** | 19,056 | 98.2 |
| Other businesses and elimination | **(27,314)** | (16,563) | 64.9 |
| **The Group** | **473,351** | 383,449 | 23.4 |

### ROE

| (%) | 2017 | 2016 | Change (pps) |
|---|---|---|---|
| Life and health insurance business | **25.7** | 22.1 | 3.6 |
| Property and casualty insurance business | **20.0** | 20.8 | (0.8) |
| Banking business | **11.6** | 13.2 | (1.6) |
| Asset management business | **15.7** | 12.2 | 3.5 |
| Including: | | | |
| Trust business | **20.6** | 13.9 | 6.7 |
| Securities business | **8.0** | 8.9 | (0.9) |
| Other asset management business | **17.5** | 13.5 | 4.0 |
| Fintech & healthtech business | **41.2** | 37.6 | 3.6 |
| Other businesses and elimination | **N/A** | N/A | N/A |
| **The Group** | **20.7** | 17.4 | 3.3 |

### OPERATING PROFIT OF THE GROUP

Due to the long-term feature of the majority insurance business of the life and health insurance business, the measure of operating profit has been introduced to more appropriately evaluate business performance. Operating profit after tax is based on net profit from financial statements, excluding items that are of short-term, volatile or one-off nature, including:

- Short-term investment variance, which is the variance between actual investment return of life and health insurance business and the EV ultimate investment return assumption, net of associated relevant impact on insurance and investment contract liability. The investment return of life and health insurance business is locked at 5% after excluding the short-term investment variance;
- Impacts of discount rate change is the effect on insurance contract liability of life and health insurance business due to changes in discount rate;
- Impact of one-off non-operating items are material items that management considered to be non-operating income and expenses.

It is believed that the operating profit after tax which excludes fluctuations of above non-operating related items could provide a clearer and more objective representation of business performance and trend.

In 2017, Ping An's operating profit attributable to shareholders of the parent company rose 38.8% year on year to RMB94,708 million; the operating profit attributable to shareholders of the parent company of the life and health insurance business rose 29.7% year on year to RMB52,128 million.

| (in RMB million) | 2017 Life and health insurance business | Property and casualty insurance business | Banking business | Asset management business | Fintech & healthtech business | Other businesses and elimination | The Group |
|---|---|---|---|---|---|---|---|
| **Net profit attributable to shareholders of the parent company** | 35,658 | 13,307 | 13,449 | 15,924 | 14,621 | (3,871) | 89,088 |
| Minority interests | 485 | 65 | 9,740 | 479 | 68 | 53 | 10,890 |
| **Net profit (A)** | 36,143 | 13,372 | 23,189 | 16,403 | 14,689 | (3,818) | 99,978 |
| **Excluding:** | | | | | | | |
| Short-term investment variance[1] (B) | 4,532 | - | - | - | - | - | 4,532 |
| Impact of discount rate change (C) | (21,213) | - | - | - | - | - | (21,213) |
| Impact of one-off material non-operating items (D) | - | - | - | - | 10,850[2] | - | 10,850 |
| **Operating profit (E=A-B-C-D)** | 52,824 | 13,372 | 23,189 | 16,403 | 3,839 | (3,818) | 105,809 |
| **Operating profit attributable to shareholders of the parent company** | 52,128 | 13,307 | 13,449 | 15,924 | 3,771 | (3,871) | 94,708 |
| Operating profit attributable to minority shareholders | 696 | 65 | 9,740 | 479 | 68 | 53 | 11,101 |

| (in RMB million) | 2016 Life and health insurance business | Property and casualty insurance business | Banking business | Asset management business | Fintech & healthtech business | Other businesses and elimination | The Group |
|---|---|---|---|---|---|---|---|
| **Net profit attributable to shareholders of the parent company** | 24,851 | 12,638 | 13,108 | 9,412 | 6,188 | (3,803) | 62,394 |
| Minority interests | 182 | 62 | 9,491 | 237 | (266) | 268 | 9,974 |
| **Net profit (A)** | 25,033 | 12,700 | 22,599 | 9,649 | 5,922 | (3,535) | 72,368 |
| **Excluding:** | | | | | | | |
| Short-term investment variance[1] (B) | 2,168 | - | - | - | - | - | 2,168 |
| Impact of discount rate change (C) | (17,652) | - | - | - | - | - | (17,652) |
| Impact of one-off material non-operating items (D) | - | - | - | - | 9,497[2] | - | 9,497 |
| **Operating profit (E=A-B-C-D)** | 40,518 | 12,700 | 22,599 | 9,649 | (3,575) | (3,535) | 78,355 |
| **Operating profit attributable to shareholders of the parent company** | 40,206 | 12,638 | 13,108 | 9,412 | (3,309) | (3,803) | 68,252 |
| Operating profit attributable to minority shareholders | 312 | 62 | 9,491 | 237 | (266) | 268 | 10,104 |

Notes: (1) Short-term investment variance is the variance between actual investment return and the EV ultimate investment return assumption (5%), net of associated relevant impact on insurance and investment contract liability.

(2) The one-off material item regarded by management as non-operating income and expense in 2017 mainly refers to the net profit from Ping An Good Doctor's restructuring. The one-off material item regarded by management as non-operating income and expense in 2016 mainly refers to the net profit from Puhui Business's restructuring.

(3) Numbers may not add up to totals due to rounding.

## ROEV

| (%) | 2017 | 2016 | Change (pps) |
|---|---|---|---|
| Operating ROEV of the Group | **26.7** | 21.0 | 5.7 |
| Operating ROEV of the life and health insurance business | **35.5** | 27.0 | 8.5 |

## IMPLEMENTATION OF NEW ACCOUNTING STANDARDS FOR FINANCIAL INSTRUMENTS

In March 2017, the Ministry of Finance of the People's Republic of China released the amended Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, No. 23 – Transfer of Financial Assets, No. 24 – Hedge Accounting, and No. 37 – Presentation and Reporting of Financial Instruments (hereinafter referred to as "new accounting standards concerning financial instruments" or "new standards"). Companies dual-listed in China and abroad should implement the new standards from January 1, 2018. The new standards maintain convergence with "IFRS 9 Financial Instruments". On June 22, 2017, the Ministry of Finance promulgated the Circular on Transitional Measures for Implementation of New Accounting Standards for Financial Instruments by Insurers (Cai Kuai [2017] No. 20), under which for an insurer that meets specific criteria, the implementation of the new standards may be postponed until January 1, 2021.

The new standards retain but simplify the mixed measurement model, and establish three primary measurement categories for financial assets: (1) amortized cost; (2) fair value through other comprehensive income; and (3) fair value through profit or loss. The basis of classification depends on an entity's business model and the contractual cash flow characteristics of financial assets. Generally, investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to be measured at fair value through other comprehensive income (profit or loss at disposal may not be recycled; however, dividends are included in profit/loss). The incurred loss impairment model under the old standards is replaced by the expected credit losses model under the new standards. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities measured at fair value through profit or loss. The new accounting standards on hedge accounting raise the principle-oriented philosophy, and relax the requirements for hedge effectiveness. Contemporaneous documentation is still required but is different from that currently prepared under the old standards. Entities are not required to restate previous comparable data according to the new standards; differences between the new standards and the old ones as at the first date of implementation will be included in opening retained earnings or other comprehensive income.

The Group will adopt the new standards from January 1, 2018 as it does not qualify for a temporary exemption granted by Cai Kuai [2017] No. 20.

Ping An Life, Ping An Property & Casualty, Ping An Annuity, Ping An Health, and Ping An Asset Management will continue to follow the old standards for financial instruments when preparing statutory financial statements because they qualify for a temporary exemption granted by Cai Kuai [2017] No. 20. However, according to accounting policies of the Group, these subsidiaries should separately prepare financial statements and notes under the new standards for consolidation by the Group from January 1, 2018. Other non-insurance subsidiaries of the Group will implement the new standards from January 1, 2018.

For the new accounting standards for financial instruments and the impacts of accounting policy changes, please refer to Note 2. "Issued but not yet effective international financial reporting standards" to the consolidated financial statements.

# Business Analysis
# Life and Health Insurance Business

- The value of new business (NBEV) and written premium registered rapid and sustained growth. The NBEV rose by 32.6% year on year, and the written premium increased by 27.3% year on year. ROEV of life and health insurance business stood at 35.5%, up 8.5 pps year on year.
- Net profit rose 44.4% year on year to RMB36,143 million; operating profit increased 30.4% year on year to RMB52,824 million. As of the end of 2017, residual margin grew by 35.5% from the start of 2017 to RMB616,319 million.
- Ping An Life boosted the number and productivity of its sales agents. The number of sales agents increased by 24.8% to 1.3860 million; first year written premium per agent grew by 7.1% year on year.



## BUSINESS OVERVIEW

The Company conducts life and health insurance business through Ping An Life, Ping An Annuity and Ping An Health.

In 2017, China's economy picked up steadily, with improving economic structures, effective control of financial risks, and increasing support for the real economy. Moreover, the protection-oriented insurance industry ushered in the key stage for transformation and upgrade in 2017. The Company's life and health insurance business was powered by the "finance + technology" strategy of the Group. On the basis of compliance and risk prevention, the Company entered the new era of platform operations. With improving core competitive advantages in products and technology, the Company maintained stable, healthy development of its embedded value and business scale. In 2017, the NBEV of the life and health insurance business grew by 32.6% year on year to RMB67,357 million. The NBEV of the agent channel rose 31.0% year on year to RMB60,786 million, to which long-term protection-oriented business contributed RMB46,933 million or 77.2%.

The written premium and premium income of the Company's life and health insurance business are as follows:

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| **Written premium**(1) | | | |
| Ping An Life | **453,557** | 355,274 | 27.7 |
| Ping An Annuity | **19,956** | 17,578 | 13.5 |
| Ping An Health | **2,382** | 929 | 156.4 |
| Total | **475,895** | 373,781 | 27.3 |
| **Premium income**(2) | | | |
| Ping An Life | **368,934** | 275,182 | 34.1 |
| Ping An Annuity | **17,561** | 15,294 | 14.8 |
| Ping An Health | **2,147** | 788 | 172.5 |
| Total | **388,642** | 291,264 | 33.4 |
| **Value of new business (NBEV)** | **67,357** | 50,805 | 32.6 |
| The agent channel | **60,786** | 46,413 | 31.0 |
| Including: Long-term protection business | **46,933** | 37,848 | 24.0 |
| **Market share of premium income (%)** | | | |
| Ping An Life | **14.2** | 12.7 | 1.5 pps |

(1) Written premium means all premiums received from the policies underwritten by the Company, which are prior to the significant insurance risk testing and separating of hybrid contracts.

(2) 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 separating of hybrid contracts.

# Business Analysis
# Life and Health Insurance Business

Ping An Life provides individuals and groups with life insurance products through its nationwide service network of 42 branches (including 7 telemarketing centers) and over 3,300 business outlets. In 2017, Ping An Life realized net profit of RMB34,732 million, up 42.1% year on year, mainly attributed to rapid growth in the release of residual margin.

**Ping An Life's agents, bancassurance, telemarketing and internet channels flourished hand-in-hand, achieving synergy.** The agent channel enjoyed stable growth of headcount, capacity and income. Significant breakthroughs were made in the transformation for regular premium of the bancassurance channel. The written premium of new regular premium business represented 65.4%, up 38.5 pps year on year. The telemarketing channel extended its lead in the market. With the "O2O + external" platforms, Ping An Life adopted new technologies, such as big data, to conduct precision customer sourcing and intelligent marketing. This enabled Ping An Life to grow written premium of its new business quickly.

**On the basis of the philosophy that "insurance should be protection-oriented", Ping An Life employed the "Product+" strategy to extend the life insurance product line.** In 2017, Ping An Life upgraded its flagship protection product Ping An Fu to increase the benefit limits. Moreover, it developed protection products with multiple reimbursements for cancer, long-term disability care and high-end whole-life insurance, for different segments to establish a comprehensive benefit system. Leveraging resources of the Group, Ping An Life launched the "360 healthcare services", providing customers with the "diagnosis – treatment – recovery" whole-process solution and services. With the Ping An RUN Vitality program, Ping An Life developed the closed health care loop of "disease prevention in the upstream, compensation for the midstream and health care services for the downstream" to satisfy comprehensive demand of customers for health risk management.

**Ping An Life regards its "Jin Guan Jia" app as a core mobile financial services platform to integrate online and offline customer development in various scenarios.** As at December 31, 2017, the app provided 136 million registered users with comprehensive financial services relating to policies, wealth increase, activities and health management. In 2017, Ping An Life launched the "new lifestyle campaign" and promoted healthy lifestyles through activities such as fitness walking and book donations. Over 22 million users took part in the campaign.

**Ping An Life adopted cutting-edge technologies to develop a new engine for future development. Artificial intelligence (AI) technology is applied to customer development and development of the new model based on precision marketing.** Focusing on customer needs, Ping An Life has sourced a large number of customers at various scenarios. Through frequent interaction with customers, it conducts 360-degree customer profiling and customer classification based on multiple dimensions. Products, services, channels and contact timing were created in a smart way, and product information was pushed to customers and agents. **Artificial intelligence (AI) technology is applied to team management to improve agent retention rate and productivity.** Ping An Life adopted AI-based technologies, such as neural networks, facial recognition and voiceprint recognition, to conduct agent profiling and full-process online management of new agents, and accurately identify agents with a high possibility of being retained. By setting the best growth path for agents and giving real-time online guidance, Ping An Life increased retention rate and productivity of agents. **Artificial intelligence (AI) technology is applied to customer services to provide premium customer experience.** It pioneered "Smart Customer Services". Leveraging customer data and AI technology from the Group, Ping An Life has developed capabilities on four fronts, including business type identification, risk identification, online self-service function and online stores, to enhance efficiency in policy administration, claim settlement and underwriting. Seventy percent of claims can be paid within 30 minutes, and 96% of insurance applications can be processed in real time. In the two months following the launch of the "Smart Customer Services", Ping An Life handled over 28,000 cases online, with a daily average of around 400 cases and a quickest turnaround time of 3 minutes.

Business data of Ping An Life are as follows:

| | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| **Number of customers (in thousand)** | | | |
| Individuals[(1)] | **52,004** | 46,141 | 12.7 |
| Corporate | **2,062** | 1,825 | 13.0 |
| Total | **54,066** | 47,966 | 12.7 |
| **Distribution network** | | | |
| Number of individual life insurance sales agents | **1,385,987** | 1,110,805 | 24.8 |
| Number of group insurance sales representatives | **4,916** | 4,768 | 3.1 |
| Number of bancassurance relation managers | **3,159** | 3,094 | 2.1 |
| Number of telemarketing agents | **29,837** | 29,626 | 0.7 |

| | 2017 | 2016 | Change (%) |
|---|---|---|---|
| **Agent productivity and income** | | | |
| First-year written premium per agent (RMB per agent per month) | **8,373** | 7,821 | 7.1 |
| New individual life insurance policies per agent (policies per agent per month) | **1.2** | 1.2 | - |
| Agent income (RMB per agent per month) | **6,250** | 6,016 | 3.9 |
| **Persistency ratio (%)** | | | |
| 13 months | **91.8** | 91.4 | 0.4 pps |
| 25 months | **88.0** | 86.5 | 1.5 pps |

(1) The number of individual customers is counted on the basis of the number of holders of in-force policies. As at December 31, 2017, individual applicants and insureds totaled 87.59 million.

### Operations of insurance products

In 2017, among all the insurance products offered by Ping An Life, the top five contributors to premium income were Yingyue Rensheng Annuity, Zunhong Rensheng Endowment Insurance, Ping An Fu Whole Life Insurance, Zunyu Rensheng Endowment Insurance, and Xinli Endowment Insurance, which together generated 28.0% of Ping An Life's premium income for 2017.

| (in RMB million) | Distribution channel | Premium income | Annualized new premium income[(1)] |
|---|---|---|---|
| Yingyue Rensheng Annuity (participating) | Sales agents, Bancassurance | 39,734 | 12,402 |
| Zunhong Rensheng Endowment Insurance (participating) | Sales agents, Bancassurance | 20,317 | 3 |
| Ping An Fu Whole Life Insurance | Sales agents, Bancassurance | 17,797 | 11 |
| Zunyu Rensheng Endowment Insurance (participating) | Sales agents, Bancassurance | 12,976 | - |
| Xinli Endowment Insurance (participating) | Sales agents, Bancassurance | 12,613 | 660 |

(1) Calculated by the CIRC's rules.

## FINANCIAL ANALYSIS

In 2017, the Company reviewed and redefined its business segments according to business operations. The life and health insurance business represents business results of Ping An Life, Ping An Annuity, and Ping An Health. To be comparable, figures in 2016 have been restated accordingly.

### Analysis of operating profit and profit sources

Due to the long-term feature of the majority insurance business of the life and health insurance business, the measure of operating profit has been introduced to more appropriately evaluate business performance. Operating profit after tax is based on net profit from financial statements, excluding items that are of short-term, volatile or one-off nature, including:

- Short-term investment variance, which is the variance between actual investment return of life and health insurance business and the EV ultimate investment return assumption, net of associated relevant impact on insurance and investment contract liability. The investment return of life and health insurance business is locked at 5% after excluding the short-term investment variance;

- Impact of discount rate change is the effect on insurance contract liability of life and health insurance business due to changes in discount rate;
- Impact of one-off non-operating items are material items that management considered to be non-operating incomes and expenses.

It is believed that the operating profit after tax which excludes fluctuations of above non-operating related items could provide a clearer and more objective representation of business performance and trend. The operating profit of the life and health insurance business is analyzed below.

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Release of residual margin (A) | **49,811** | 38,202 | 30.4 |
| Return on net worth (B)[1] | **7,357** | 5,648 | 30.3 |
| Spread income (C)[2] | **5,637** | 3,715 | 51.7 |
| Operating variance and others (D) | **10,108** | 6,317 | 60.0 |
| **Operating profit before tax (E=A+B+C+D)** | **72,912** | 53,882 | 35.3 |
| Income tax (F) | **(20,088)** | (13,365) | 50.3 |
| **Operating profit after tax (G)** | **52,824** | 40,518 | 30.4 |
| Short-term investment variance (H)[3] | **4,532** | 2,168 | 109.0 |
| Impact of discount rate change (I) | **(21,213)** | (17,652) | 20.2 |
| **Net profit (J=G+H+I)** | **36,143** | 25,033 | 44.4 |

Note: (1) Return on net worth is the investment return on shareholder equity based on EV ultimate investment return assumption (5%).

(2) Spread income is the expected investment return from assets backing contract liability based on EV ultimate investment return assumption (5%) exceeding the interest required on contract liability.

(3) Short-term investment variance is the variance between actual investment return and the EV ultimate investment return assumption (5%), net of associated relevant impact on insurance and investment contract liability.

(4) Figures may not match totals due to rounding.

As at December 31, 2017, the residual margin of the life and health insurance business reached RMB616,319 million, which rose by 35.5% from the end of 2016 due to strong growth of new business.

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| **Beginning residual margin** | **454,705** | 330,846 | 37.4 |
| Contribution from new business | **168,426** | 129,860 | 29.7 |
| Expected interest growth | **22,642** | 17,391 | 30.2 |
| Release of residual margin | **(49,811)** | (38,202) | 30.4 |
| Operating variance and others | **20,357** | 14,811 | 37.4 |
| **Ending residual margin** | **616,319** | 454,705 | 35.5 |

Note: Figures may not match totals due to rounding.

### Results of Operation

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Written premium | **475,895** | 373,781 | 27.3 |
| Less: Premium deposits of policies without significant insurance risk transfer | **(5,886)** | (5,311) | 10.8 |
| Less: Premium deposits separated out from universal life and investment-linked products | **(81,367)** | (77,206) | 5.4 |
| Premium income | **388,642** | 291,264 | 33.4 |
| Earned premium | **384,567** | 288,064 | 33.5 |
| Claims and policyholders' benefits | **(320,957)** | (241,283) | 33.0 |
| Commission expenses on insurance operations | **(77,754)** | (56,249) | 38.2 |
| Administrative expenses | **(47,569)** | (40,349) | 17.9 |
| Total investment income[1] | **113,811** | 84,867 | 34.1 |
| Other net revenue and expenses | **(1,427)** | (1,814) | (21.3) |
| Profit before tax | **50,671** | 33,236 | 52.5 |
| Income tax | **(14,528)** | (8,203) | 77.1 |
| Net profit | **36,143** | 25,033 | 44.4 |

(1) Total investment income includes investment income and share of profits and losses of associates and jointly controlled entities under the segmented income statement.

## Written premium

The written premium of the life and health insurance business is analyzed below by policyholder type and channel:

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| **Retail business** | **455,611** | 353,494 | 28.9 |
| **New Business** | **160,446** | 121,822 | 31.7 |
| The agent channel | **136,657** | 101,634 | 34.5 |
| Including: regular premium | **128,437** | 94,276 | 36.2 |
| Bancassurance channel | **8,109** | 11,319 | (28.4) |
| Including: regular premium | **4,803** | 3,041 | 57.9 |
| Telemarketing, internet and others | **15,680** | 8,869 | 76.8 |
| Including: regular premium | **12,063** | 8,751 | 37.8 |
| **Renewed business** | **295,165** | 231,672 | 27.4 |
| The agent channel | **268,259** | 213,017 | 25.9 |
| Bancassurance channel | **6,741** | 5,217 | 29.2 |
| Telemarketing, internet and others | **20,165** | 13,438 | 50.1 |
| **Group business** | **20,284** | 20,287 | – |
| New business | **20,252** | 20,260 | – |
| Renewed business | **32** | 27 | 18.5 |
| Total | **475,895** | 373,781 | 27.3 |

The written premium of the life and health insurance business is analyzed below by product type:

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Participating insurance | **187,374** | 144,419 | 29.7 |
| Universal insurance | **98,790** | 92,860 | 6.4 |
| Traditional life insurance | **79,218** | 51,089 | 55.1 |
| Long-term health insurance | **66,205** | 44,237 | 49.7 |
| Casualty & short-term health insurance | **34,537** | 26,819 | 28.8 |
| Annuity | **8,189** | 12,605 | (35.0) |
| Investment-linked insurance | **1,582** | 1,752 | (9.7) |
| Total | **475,895** | 373,781 | 27.3 |

The written premium of the life and health insurance business is analyzed below by region:

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Guangdong | **84,870** | 64,537 | 31.5 |
| Shandong | **29,149** | 22,912 | 27.2 |
| Jiangsu | **27,201** | 21,891 | 24.3 |
| Beijing | **26,431** | 22,178 | 19.2 |
| Zhejiang | **26,179** | 20,782 | 26.0 |
| Sub-total | **193,830** | 152,300 | 27.3 |
| Total | **475,895** | 373,781 | 27.3 |

## Claims and policyholders' benefits

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Surrenders | **20,519** | 16,050 | 27.8 |
| Claim expenses of insurance contracts | | | |
| Claims paid | **13,032** | 10,915 | 19.4 |
| Annuities | **7,371** | 5,907 | 24.8 |
| Maturity and survival benefits | **27,709** | 24,520 | 13.0 |
| Death, injury and medical care benefits | **18,897** | 14,372 | 31.5 |
| Reinsurer' s share of claim expenses of insurance contracts | **(2,001)** | (2,286) | (12.5) |
| Policyholder dividends | **13,129** | 11,236 | 16.8 |
| Net increase in insurance reserves | **198,428** | 143,204 | 38.6 |
| Interest credited to policyholder contract deposits | **23,873** | 17,365 | 37.5 |
| Total | **320,957** | 241,283 | 33.0 |

Claims paid grew by 19.4% year on year, primarily due to continued growth in casualty & short-term health insurance business.

Annuities increased 24.8% year on year, primarily thanks to growth in business size.

Maturity and survival benefits grew by 13.0% year on year because survival benefits of some insurance products reached its peak in 2017.

Death, injury and medical care benefits were 31.5% higher year on year, driven by growth in long-term health insurance and universal insurance business.

Policyholder dividends climbed 16.8% year on year as a result of growth in the participating insurance business.

Net increase in insurance reserves increased by 38.6% compared with the prior year, mostly due to business growth, business structure changes, together with movement of the benchmarking yield curve for measuring reserves for insurance contracts.

Interest credited to policyholder contract deposits was up 37.5% year on year as higher investment income increased interest payment on universal insurance accounts.

### Commission expenses on insurance operations

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Health insurance | **26,159** | 17,420 | 50.2 |
| Accident insurance | **7,130** | 5,681 | 25.5 |
| Life insurance and others | **44,465** | 33,148 | 34.1 |
| Total | **77,754** | 56,249 | 38.2 |

In 2017, the commission expense of the insurance business (mainly paid to the Company's sales agents) increased by 38.2% year on year due to expansion of the insurance business.

### Administrative expenses

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Tax and surcharges | **742** | 791 | (6.2) |
| Operating expenses | **46,766** | 39,516 | 18.3 |
| Impairment losses on receivables and others | **61** | 42 | 45.2 |
| Total | **47,569** | 40,349 | 17.9 |

In 2017, the taxes and surcharges dropped by 6.2% year on year as a result of the reform of replacing business tax with value-added tax. The operating expenses increased by 18.3% year on year mainly due to expansion of the insurance business and higher operating costs such as labor and office expenses.

### Total investment income

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Net investment income(1) | **107,827** | 94,542 | 14.1 |
| Realized gains(2) | **5,248** | (11,713) | N/A |
| Profit or loss from fair value changes | **640** | 2,655 | (75.9) |
| Impairment losses on investment assets | **96** | (617) | N/A |
| **Total** | **113,811** | 84,867 | 34.1 |
| Net investment yield (%)(3) | **5.8** | 6.0 | -0.2 pps |
| Total investment yield (%)(3) | **6.1** | 5.3 | 0.8 pps |

(1) Net investment income includes interest from deposits and bonds, dividends from equity investments, and rents from investment properties and the share of profits and losses of associates and jointly controlled entities.

(2) Realized gains include realized capital gains from securities investments.

(3) Net exchange gains or losses on investment assets denominated in foreign currencies are excluded from computing of the above yields. Average investment assets used as the denominator are computed in line with principles of the Modified Dietz method.

In 2017, the net investment yield of the life and health insurance business was 5.8%, down 0.2 pps, largely due to a decrease in interest rates of bonds and lower dividend income from fund investment. Amid improved capital markets, the total investment income of the life and health insurance business grew 34.1% year on year, and the total investment yield was 6.1%, up 0.8 pps year on year.

### Income tax

The income tax increased sharply year on year, driven by an increase in taxable income caused by business growth and commission increases.

## Solvency Margin

| (in RMB million) | Ping An Life December 31 2017 | Ping An Life December 31 2016 | Ping An Life Change (%) | Ping An Annuity December 31 2017 | Ping An Annuity December 31 2016 | Ping An Annuity Change (%) | Ping An Health December 31 2017 | Ping An Health December 31 2016 | Ping An Health Change (%) |
|---|---|---|---|---|---|---|---|---|---|
| Core capital | **680,450** | 501,710 | 35.6 | **7,895** | 6,306 | 25.2 | **1,254** | 251 | 399.6 |
| Actual capital | **703,450** | 533,710 | 31.8 | **7,895** | 6,306 | 25.2 | **1,254** | 251 | 399.6 |
| Minimum capital | **300,453** | 236,304 | 27.1 | **2,978** | 2,529 | 17.8 | **383** | 170 | 125.3 |
| Core solvency margin ratio (%) (regulatory requirement ≥50%) | **226.5** | 212.3 | 14.2 pps | **265.1** | 249.3 | 15.8 pps | **327.2** | 147.4 | 179.8 pps |
| Comprehensive solvency margin ratio (%) (regulatory requirement ≥100%) | **234.1** | 225.9 | 8.2 pps | **265.1** | 249.3 | 15.8 pps | **327.2** | 147.4 | 179.8 pps |

(1) Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.

(2) For details of subsidiaries' solvency margin, please visit the Company's website (www.pingan.cn).

(3) Figures may not match the calculation due to the rounding.

# Business Analysis
# Property and Casualty Insurance Business

- Ping An Property & Casualty recorded premium income of over RMB200 billion, with its market share up 1.3 pps. Business quality and profitability remained sound, with a combined ratio of 96.2% and ROE of 20.0%.
- Ping An Property & Casualty facilitated application of cutting-edge technology and gained differentiation advantages. The image-based loss assessment technology has covered 100% of appearance damage cases, with an identification accuracy rate of 92.6%. We pioneered the "510 City Superfast Onsite Investigation" service, through which 92.9% of on-site auto insurance cases were handled within 10 minutes.
- The "Ping An Auto Owner" app had over 44 million registered users, including 9.53 million active users in December 2017. The app stably topped the list of auto service apps.

## BUSINESS OVERVIEW

The Company conducts property and casualty insurance business mainly through Ping An Property & Casualty. The business scope of Ping An Property & Casualty covers all lawful property and casualty insurance businesses such as auto insurance, corporate property and casualty insurance, engineering insurance, cargo insurance, liability insurance, credit insurance, home contents insurance, accident and health insurance, as well as international reinsurance business.

In 2017, the macro-economy was stabilizing with an upturn in the upstream sectors of property and casualty insurance, bringing many growth opportunities to the industry. The on-going reform of commercial auto insurance premium rates and implementation of the China Risk Oriented Solvency System (C-ROSS) imposed more requirements on the operations of property and casualty insurers. Ping An Property & Casualty recorded rapid business growth through proactive market strategies, improved its cost competitiveness and maintained sound profitability based on its long-term application of risk screening technologies. Meanwhile, Ping An Property & Casualty continued efforts to implement its technology strategy. Based on its "Ping An Auto Owner" app, Ping An Property & Casualty provides customers with a variety of auto aftermarket services and one-stop auto use services. As at December 31, 2017, 26.94 million out of 44.24 million registered users linked their auto use with the app and the number of active users in December reached 9.53 million. These achievements enabled the app to stably top the list of auto service apps.

In 2017, Ping An Property & Casualty facilitated application of cutting-edge technology. Through technology innovation and application, it improved customer service efficiency and experience, thus gaining differentiation advantages.

For auto insurance service, Ping An Property & Casualty launched the Auto Insurance Cloud Claim model, the 510 City Superfast Onsite Investigation service, and the Smart Quick Claim product, through which customer satisfaction was enhanced vastly with an NPS of 78.0% for auto claims in December 2017. As a brand-new claim service model, the Auto Insurance Cloud Claim provides optimum tailor-made claim services comprising online self-service claims, claims after accident reporting and on-site investigation, and claims with remote-assistance investigation. Powered by the self-developed “smart management engine” and “smart grid model”, the 510 City Superfast Onsite Investigation service completes fast onsite handling of reported auto insurance cases within 5-10 minutes in the city proper in daytime. Since its launch in May 2017, this service has covered 334 prefecture-level cities nationwide. In December 2017, 92.9% of on-site cases were handled within 10 minutes. Ping An Property & Casualty developed the Smart Quick Claim product jointly with OneConnect, leveraging AI to achieve image-based loss assessment. This technology has covered 100% of appearance damage cases, with an identification accuracy rate of 92.6%. While reinforcing risk management of small cases, Ping An Property & Casualty has achieved loss assessment within seconds and superfast claim services.

For property and casualty insurance, Ping An Property & Casualty updated its Digital Risk System (DRS). Through such core functions as risk rating, disaster early warning and customer map, DRS provides customized services for government departments and major clients. By the end of 2017, Ping An Property & Casualty had provided disaster prevention services for over 10,000 businesses, including 360,000 early warnings and seven typhoon-resistance campaigns. The estimated loss reduced for the clients was about RMB620 million.

Adhering to a customer-centric model, Ping An Property & Casualty has been honored as China’s “No.1 Brand” of auto insurance and property and casualty insurance for seven consecutive years and outpaced peers by customer satisfaction.

### Premium and Market Share

The premium income and market share of Ping An Property & Casualty are as follows. Ping An Property & Casualty is the second largest property and casualty insurance company in China by premium income.

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Premium income | **215,984** | 177,908 | 21.4 |
| Including: auto insurance | **170,508** | 148,501 | 14.8 |
| Market share (%)(1) | **20.5** | 19.2 | 1.3 pps |
| Including: market share of auto insurance (%) | **22.7** | 21.7 | 1.0 pps |

(1) The market share was calculated in accordance with the PRC insurance industry data published by the CIRC.

### Number of Customers and Distribution Network

| | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| **Number of customers (in thousand)** | | | |
| Retail | **52,063** | 40.571 | 28.3 |
| Corporate(1) | **1,683** | 1,502 | 12.1 |
| Total | **53,746** | 42,073 | 27.7 |
| **Distribution network** | | | |
| Number of direct sales representatives | **7.768** | 7.658 | 1.4 |

(1) In 2017, Ping An Property & Casualty optimized the standards for defining corporate customers and restated the data for 2016. The new standards reflect the number of corporate customers more objectively.

Ping An Property & Casualty distributed its products mainly through its network of 42 branches and over 2,510 tier-3 and tier-4 branches across China. Main distribution channels included in-house sales representatives, sales agents, insurance brokers, telemarketing, online marketing and cross-selling.

# Business Analysis
# Property and Casualty Insurance Business

## Reinsurance Arrangement

Ping An Property & Casualty maintained a proactive and prudent approach to reinsurance, which strengthened its underwriting capabilities, diversified operating risks and ensured long-term healthy and steady growth. It deepened cooperation with reinsurers to increase ceding channels. The reinsurance business of Ping An Property & Casualty received strong support in key reinsurance markets in Europe, the U.S., Bermuda and Asia. Ping An Property & Casualty has been in close cooperation with nearly 100 reinsurance companies and reinsurance brokers worldwide, including China Property & Casualty Re, Swiss Re, Munich Re and Hannover Re.

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Ceded premium | **14,294** | 15,715 | (9.0) |
| Auto insurance | **7,524** | 9,971 | (24.5) |
| Non-auto insurance | **6,712** | 5,709 | 17.6 |
| Accident and health insurance | **58** | 35 | 65.7 |
| Inward reinsurance premium | **106** | 88 | 20.5 |
| Non-auto insurance | **106** | 88 | 20.5 |

## FINANCIAL ANALYSIS

In 2017, the Company redefined business segments according to its operations and management. The property and casualty insurance business represents only business results of Ping An Property & Casualty, while Ping An Hong Kong has been placed under another business segment named "other businesses and elimination". To be comparable, figures in 2016 have been restated accordingly.

## Results of Operation

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Premium income | **215,984** | 177,908 | 21.4 |
| Reinsurance premium income | **106** | 88 | 20.5 |
| Premium income | **216,090** | 177,996 | 21.4 |
| Net earned premiums | **188,219** | 153,345 | 22.7 |
| Claim expenses | **(106,474)** | (83,398) | 27.7 |
| Commission expenses of insurance operations | **(38,973)** | (25,414) | 53.4 |
| Administrative expenses | **(41,886)** | (44,358) | (5.6) |
| Reinsurance commission revenue | **6,226** | 6,059 | 2.8 |
| Underwriting profit | **7,112** | 6,234 | 14.1 |
| Combined ratio (%) | **96.2** | 95.9 | 0.3 pps |
| Including: Combined ratio of catastrophes (%) | **0.18** | 0.40 | -0.22 pps |
| Total investment income[1] | **11,667** | 9,175 | 27.2 |
| Average investment assets | **219,006** | 190,192 | 15.1 |
| Total investment yield (%) | **5.3** | 4.8 | 0.5 pps |
| Other net revenue and expenses | **120** | (95) | N/A |
| Profit before tax | **18,899** | 15,314 | 23.4 |
| Income tax | **(5,527)** | (2,614) | 111.4 |
| Net profit | **13,372** | 12,700 | 5.3 |

(1) Total investment income includes investment income and share of profits or losses of associates and jointly controlled entities in the segmented income statement.

## Premium Income

Below is a breakdown of premium income for our property and casualty insurance business by product type:

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Auto insurance | **170,508** | 148,501 | 14.8 |
| Non-auto insurance | **38,929** | 24,452 | 59.2 |
| Accident and health insurance | **6,547** | 4,955 | 32.1 |
| Premium income in total | **215,984** | 177,908 | 21.4 |

Auto insurance: The premium income grew by 14.8% year on year, mainly due to our efforts to provide good customer services in a favorable market environment with innovative technologies, and the continuous and steady growth in premium income from cross-selling and car dealers.

Non-auto insurance: The premium income delivered a year-on-year increase of 59.2%. In 2017, the premium income of guarantee insurance jumped from RMB8,136 million in 2016 to RMB19,880 million, mainly boosted by adjustments to product structures and business activities, and quick development of the online business model. The premium income of special risk insurance, liability insurance and home contents insurance grew by 45.6%, 21.3% and 50.0% year on year respectively.

Accident and health insurance: The accident and health insurance business developed steadily, with a year-on-year increase of 32.1% in premium income.

Below is a breakdown of premium income for our property and casualty insurance business by channel:

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Telemarketing and online channels | **58,915** | 63,223 | (6.8) |
| Cross-selling | **39,192** | 29,671 | 32.1 |
| Car dealers | **50,488** | 41,485 | 21.7 |
| Agencies | **32,047** | 17,011 | 88.4 |
| Direct selling | **22,843** | 17,071 | 33.8 |
| Others | **12,499** | 9,447 | 32.3 |
| Premium income in total | **215,984** | 177,908 | 21.4 |

Below is a breakdown of premium income for our property and casualty insurance business by region:

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Guangdong | **34,799** | 27,771 | 25.3 |
| Jiangsu | **14,960** | 12,155 | 23.1 |
| Shanghai | **13,568** | 10,403 | 30.4 |
| Sichuan | **13,395** | 11,432 | 17.2 |
| Zhejiang | **12,705** | 10,842 | 17.2 |
| Subtotal | **89,427** | 72,603 | 23.2 |
| Premium income in total | **215,984** | 177,908 | 21.4 |

## Combined Ratio

| | 2017 | 2016 | Change |
|---|---|---|---|
| Expense ratio (%)(1) | **39.6** | 41.5 | -1.9 pps |
| Loss ratio (%)(2) | **56.6** | 54.4 | 2.2 pps |
| Combined ratio (%) | **96.2** | 95.9 | 0.3 pps |

(1) Expense ratio = (commission expenses of insurance business + administrative expenses – reinsurance commission revenue)/net earned premiums.

(2) Loss ratio = claim expenses/net earned premiums.

# Business Analysis
# Property and Casualty Insurance Business

Ping An Property & Casualty persisted in innovation and development, and continued to improve its professional and technical expertise while maintaining sound profitability.

### Operating Data by Product Type

Among all insurance products offered by Ping An Property & Casualty, the top five sources of premium income were auto insurance, guarantee insurance, liability insurance, accidental injury insurance, and corporate property and casualty insurance. Premium income of these five insurance segments accounted for 96.1% of Ping An Property & Casualty's total premium income in 2017.

| (in RMB million) | Insured amount | Premium income | Earned premium | Claim expenses | Underwriting profit | Combined ratio | Insurance contract liabilities |
|---|---|---|---|---|---|---|---|
| Auto insurance | 42,957,205 | 170,508 | 159,019 | 89,563 | 4,032 | 97.5% | 128,080 |
| Guarantee insurance | 264,214 | 19,880 | 12,066 | 8,130 | 1,379 | 88.6% | 31,830 |
| Liability insurance | 57,539,191 | 6,289 | 4,805 | 2,651 | 425 | 91.2% | 6,506 |
| Accidental injury insurance | 436,784,747 | 5,633 | 4,851 | 1,447 | 1,059 | 78.2% | 4,034 |
| Corporate property and casualty insurance | 12,952,881 | 5,236 | 2,675 | 1,393 | 459 | 82.8% | 5,795 |
| Others[1] | – | 8,438 | 4,803 | 3,290 | (242) | 105.0% | 12,160 |
| Total | N/A | 215,984 | 188,219 | 106,474 | 7,112 | 96.2% | 188,405 |

(1) Others include health insurance, agricultural insurance, and credit insurance.

### Claim expenses

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Auto insurance | **89,563** | 72,486 | 23.6 |
| Non-auto insurance | **14,842** | 8,936 | 66.1 |
| Accident and health insurance | **2,069** | 1,976 | 4.7 |
| Total claim expenses | **106,474** | 83,398 | 27.7 |

In 2017, claim expenses rose by 27.7% year on year due to continued growth in insurance business size.

### Commission Expenses of Insurance Operations

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Auto insurance | **34,596** | 21,019 | 64.6 |
| Non-auto insurance | **2,904** | 3,359 | (13.5) |
| Accident and health insurance | **1,473** | 1,036 | 42.2 |
| Total commission expenses | **38,973** | 25,414 | 53.4 |
| Commission expenses as a percentage of premium income (%) | **18.0** | 14.3 | 3.7 pps |

In 2017, commission expenses of insurance operations grew by 53.4% year on year, while their proportion in premium income climbed by 3.7 pps, mainly due to premium income growth and intensified competition.

### Administrative expenses

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Operating expenses | **39,794** | 39,694 | 0.3 |
| Tax and surcharges | **1,349** | 4,006 | (66.3) |
| Impairment losses on receivables and others | **743** | 658 | 12.9 |
| Total | **41,886** | 44,358 | (5.6) |

In 2017, administrative expenses dropped by 5.6% year on year, driven by reductions in tax and surcharges as a result of the reform of replacing business tax with value-added tax.

### Total Investment Income

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Net investment income[(1)] | **12,810** | 12,836 | (0.2) |
| Realized gains[(2)] | **(1,136)** | (3,685) | (69.2) |
| Profit or losses from fair value changes | **44** | (80) | N/A |
| Impairment losses on investment assets | **(51)** | 104 | N/A |
| Total investment income | **11,667** | 9,175 | 27.2 |
| Net investment yield (%)[(3)] | **5.8** | 6.8 | -1.0 pps |
| Total investment yield (%)[(3)] | **5.3** | 4.8 | 0.5 pps |

(1) Net investment income includes interest income from deposits and bonds, dividend income from equity investments, rents from investment properties, and the share of profits and losses of associates and jointly controlled entities.

(2) Realized gains include capital gains from securities investments.

(3) Net exchange gains or losses on investment assets denominated in foreign currencies are excluded from computing of the above yields. Average investment assets used as the denominator are computed in line with principles of the Modified Dietz method.

In 2017, the net investment income fell by 0.2% year on year, mainly due to the declined income from fixed-income assets and the deceased dividend from equity investments. The net investment yield was 5.8%. Benefiting from a capital market recovery, gains from stock and fund trading increased. In 2017, the total investment income of the property and casualty insurance business gained a growth of 27.2% year on year, with a total investment yield of 5.3%.

### Income Tax

In 2017, Ping An Property & Casualty's income tax grew by 111.4% year on year, largely due to limited tax-free revenue in this reporting period and an increase in the commission for business growth.

### Solvency Margin of Ping An Property & Casualty

| (in RMB million) | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| Core capital | **70,095** | 63,439 | 10.5 |
| Actual capital | **78,595** | 71,439 | 10.0 |
| Minimum capital | **36,141** | 26,725 | 35.2 |
| Core solvency margin ratio (%) (regulatory requirement ≥50%) | **194.0** | 237.4 | -43.4 pps |
| Comprehensive solvency margin ratio (%) (regulatory requirement ≥100%) | **217.5** | 267.3 | -49.8 pps |

(1) Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.

(2) For details of Ping An Property & Casualty's solvency margin, please visit the Company's website (www.pingan.cn).

(3) Figures may not match the calculation due to rounding.

MANAGEMENT DISCUSSION AND ANALYSIS

# Business Analysis
# Investment Portfolio of Insurance Funds

- The total investment yield and net investment yield on insurance funds for 2017 were 6.0% and 5.8% respectively, higher than industry averages and Ping An's ultimate investment return assumption.
- Ping An constantly improved risk management to ensure overall investment risks are controllable.

The insurance funds are formed by the funds available for investment from the Company and its subsidiaries engaged in the insurance business.

In 2017, amid recoveries of the world's major economies, China's economy picked up steadily while financial regulation strengthened. A-shares diverged and bond yields soared due to tighter liquidity and financial regulation. We properly adjusted asset allocation to protect and increase the value of insurance assets via robust asset-liability management on the basis of in-depth research on capital markets. Firstly, when bonds adjusted, we lengthened asset durations to improve asset-liability matching. Secondly, we increased the proportion of equity assets in the portfolio, effectively seized opportunities in equity markets, and expanded our exposure to blue chips to gain excess returns. Thirdly, we increased holdings of Hong Kong stocks via the Hong Kong Stock Connect to profit from lower valuations of Hong Kong stocks.

With risk prevention as a precondition, we constantly improved investment risk management. Firstly, we constantly enhanced risk management in accordance with Solvency Aligned Risk Management Requirement and Assessment (SARMRA). We proactively improved organization structures, policies, procedures and reports, and systems and data to strengthen abilities to manage market and credit risks. Secondly, we built a robust platform for quantitative asset and liability management to enhance the management system, strengthen the management capability, and prevent asset-liability mismatch risks. Thirdly, we developed the framework for managing and monitoring insurance fund operations, enhanced rules for credit rating and counterparty management, and strengthened procedures for risk management before, during, and after investment deals. Fourthly, we closely monitored and promptly addressed risks in the portfolio of insurance funds via risk management efforts such as five-category asset classification, audits of internal controls over insurance fund operations, internal risk reserves, and the public opinion warning system. Meanwhile, we constantly built the credit risk rating and risk management teams to manage credit risks. We have evaded many widely recognized credit events thanks to abundant experience and strict credit rating criteria.

Strategic asset allocation (SAA) is a key part of Ping An's insurance investment management. We use robust quantitative models to select optimal allocation plans in line with our risk appetites to boost efficiency of fund operations. We use specialized statistical model-based stochastic simulation and multi-dimensional stress testing to test allocation plans, effectively control volatility risks and tail risks in the portfolio, and ensure security of investment funds.

## INVESTMENT PORTFOLIO

| (in RMB million) | December 31 2017 Carrying value | % | December 31 2016 Carrying value | % |
|---|---|---|---|---|
| **By category** | | | | |
| Fixed-income investments | **1,680,071** | **68.5** | 1,470,798 | 73.4 |
| Term deposits | **163,074** | **6.6** | 206,548 | 10.3 |
| Bond investments | **1,071,688** | **43.7** | 910,968 | 45.4 |
| Debt plan investments | **140,292** | **5.7** | 135,781 | 6.8 |
| Wealth management products(1) | **195,633** | **8.0** | 124,004 | 6.2 |
| Other fixed-income investments(2) | **109,384** | **4.5** | 93,497 | 4.7 |
| Equity investments | **580,305** | **23.7** | 366,876 | 18.2 |
| Stocks | **272,474** | **11.1** | 136,350 | 6.8 |
| Equity funds | **33,226** | **1.4** | 30,096 | 1.5 |
| Equity stakes(3) | **97,198** | **4.0** | 71,051 | 3.5 |
| Bond funds | **11,973** | **0.5** | 12,544 | 0.6 |
| Preferred stocks | **78,546** | **3.2** | 74,721 | 3.7 |
| Wealth management products(1) | **86,888** | **3.5** | 42,114 | 2.1 |
| Investment properties | **47,769** | **2.0** | 43,442 | 2.2 |
| Cash, cash equivalents and others | **141,329** | **5.8** | 123,664 | 6.2 |
| Total investments | **2,449,474** | **100.0** | 2,004,780 | 100.0 |
| **By purpose** | | | | |
| Financial assets carried at fair value through profit or loss | **45,771** | **1.9** | 64,461 | 3.2 |
| Available-for-sale financial assets | **675,148** | **27.6** | 471,914 | 23.6 |
| Held-to-maturity investment | **881,657** | **36.0** | 721,527 | 36.0 |
| Loans and receivables | **740,695** | **30.2** | 662,058 | 33.0 |
| Others | **106,203** | **4.3** | 84,820 | 4.2 |
| Total investments | **2,449,474** | **100.0** | 2,004,780 | 100.0 |

(1) Wealth management products include trust plans from trust companies and wealth management products from commercial banks.

(2) Other fixed-income investments include financial assets purchased under agreements to resell, policy loans, and statutory deposits for insurance operations.

(3) According to the current asset classification, equity stakes include investments in associates and jointly controlled entities, unlisted equities, and private equity funds. Comparable data have been retrospectively restated.

# Business Analysis
# Investment Portfolio of Insurance Funds

## INVESTMENT INCOME

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Net investment income[1] | **121,340** | 108,069 | 12.3 |
| Realized gains[2] | **4,118** | (15,332) | N/A |
| Profits/losses from fair value changes | **648** | 2,612 | (75.2) |
| Impairment losses | **44** | (495) | N/A |
| Total investment income | **126,150** | 94,854 | 33.0 |
| Changes in fair value of available-for-sale financial assets | **37,675** | (15,860) | N/A |
| Comprehensive investment income | **163,825** | 78,994 | 107.4 |
| Net investment yield (%)[3] | **5.8** | 6.0 | -0.2pps |
| Total investment yield (%)[3] | **6.0** | 5.3 | 0.7pps |
| Comprehensive investment yield (%)[3] | **7.7** | 4.4 | 3.3pps |

(1) Net investment income includes interest income from deposits and bonds, dividend income from equity investments, rents from investment properties and the share of profits and losses of associates and jointly controlled entities.

(2) Realized gains include capital gains from security investments.

(3) Net exchange gains or losses on investment assets denominated in foreign currencies are excluded from computing of the above yields. Average investment assets used as the denominator are computed in line with principles of the Modified Dietz method.

(4) Comparable data of investment income have been restated.

In 2017, the net investment income of our investment portfolio of insurance funds rose by 12.3% year on year. The net investment yield dropped by 0.2pps to 5.8% as a result of a larger investment portfolio and lower interest rates of debt-related investments.

As realized capital gains from stocks and funds increased due to domestic capital market recoveries, the total investment income grew by 33.0% year on year, and the total investment yield increased by 0.7 pps year on year to 6.0%.

In 2017, we effectively seized opportunities in equity markets and lower valuations of Hong Kong stocks, and increased holdings of blue chips and Hong Kong stocks. As a result, the comprehensive investment yield increased significantly by 3.3pps to 7.7%.

### Non-standard Debt Assets

As at December 31, 2017, our non-standard debt assets totaled RMB335,925 million, accounting for 13.7% of the investable assets. Please refer to the following table for the structure of our non-standard debt portfolio. We manage risks in non-standard debt assets from three aspects. The first is asset allocation. We have developed a set of effective, robust asset allocation models. While observing the risk appetite of insurance funds and keeping the overall risk within the risk appetite, we formulated a strategic asset allocation plan for each account, and set upper and lower limits on percentages of non-standard debt holdings. The second is asset selection. We prefer assets in developed areas and in industries aligned with the state's industry policies, especially those issued by industry leaders. The third is post-investment management. Our post-investment management team constantly tracks the assets. We have established a multi-dimensional risk warning framework covering investment areas, assets, and instruments to ensure that all investment risks are under control.

### Structure and yield distribution of the non-standard debt portfolio

| Industry | Investment proportion (%) | Nominal yield (%) | Maturity (year) | Remaining maturity (year) |
|---|---|---|---|---|
| **Infrastructure** | **37.05** | **5.81** | **8.56** | **5.25** |
| Expressway | 17.63 | 5.97 | 9.85 | 6.29 |
| Electric power | 6.72 | 5.56 | 7.38 | 3.31 |
| Infrastructure and development zones | 4.78 | 5.72 | 6.93 | 4.83 |
| Others (water supply, environmental protection, railway...) | 7.92 | 5.71 | 7.68 | 4.82 |
| **Non-banking financial services** | **31.57** | **6.20** | **7.26** | **4.73** |
| **Real estate** | **17.94** | **6.06** | **5.72** | **3.17** |
| **Coal mining** | **3.28** | **6.04** | **7.43** | **2.62** |
| **Others** | **10.16** | **5.93** | **7.25** | **4.49** |
| **Total** | **100.00** | **6.00** | **7.47** | **4.55** |

(1) The non-standard debt assets were reclassified by industry in line with Shenyin Wanguo's industry classification.

(2) Some industries have been grouped into "others" as they account for small proportions.

There has been no default on non-standard debt assets held by Ping An, and overall risks are controllable. In terms of credit status, such assets are of high credit quality. Over 95% of the debt plans and trust plans held by Ping An have AAA external ratings, and about 5% of them have AA+ or AA external ratings. While some high-credit entities do not need credit enhancement for their financing, most of the debts have guarantees or collateral. Over 80% of the debts have full-coverage cash flows. In terms of industry and geographic distribution, we avoid high-risk industries and regions, and our target assets are mainly in the non-banking financial services and expressway industries in developed and coastal areas such as Beijing, Shanghai and Jiangsu. In terms of investment timing and return, Ping An seized time windows of large supplies of high-quality debts to boost overall yields.

# Business Analysis
# Banking Business

- Ping An Bank maintained steady growth and realized a net profit of RMB23,189 million, up 2.6% year on year.
- Ping An Bank's strategic transformation towards retail banking generated significant effects. Retail banking accounted for 44.1% of the Bank's revenue and 67.6% of its net profit. Ping An Bank continued to improve the structure of its corporate business, and adopted "C+SIE+R" and "commercial banking + investment banking + investment" industry-specific financial service models to support the real economy. The Bank launched technology-powered smart services and topped the list of joint-stock banks with 14.82 million monthly active app users.
- Ping An Bank has kept asset quality risks under control. The non-performing loan ratio and proportion of special mention loans decreased by 0.04 pps and 0.41 pps to 1.70% and 3.70% respectively.

## BUSINESS OVERVIEW

The Company engages in banking business through Ping An Bank (the "Bank"), which is a national joint-stock commercial bank headquartered in Shenzhen and listed on the Shenzhen Stock Exchange (stock code: 000001). Ping An Bank provides corporate, retail, and government customers with diverse financial services through 1,079 outlets across the country.

In 2017, China maintained stable growth thanks to the "Belt and Road Initiative" and the supply-side reform. Ping An Bank sought "technology-driven breakthroughs in retail banking and enhancement of corporate banking" in line with national strategies and economic conditions. The Bank promoted technological innovations and applications to transform into a smart retail bank, and shifted its corporate banking business from scale-driven inorganic growth to value- and quality-powered organic growth. Ping An Bank strictly managed various financial risks and strengthened its ability to serve the real economy. The strategic transformation has shown positive effects.

**Ping An Bank maintained stable, healthy business growth.** Ping An Bank's net profit and total assets rose steadily. The revenue for 2017 was RMB105,786 million, down 1.8% year on year. (The revenue before impacts of the value-added tax reform grew by 1.7% year on year.)

| (in RMB million) | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| **Deposits and Loans** | | | |
| Loans and advances | **1,704,230** | 1,475,801 | 15.5 |
| Including: | | | |
| Retail loans (including credit card loans) | **849,035** | 540,944 | 57.0 |
| Corporate loans | **855,195** | 934,857 | (8.5) |
| Deposits | **2,000,420** | 1,921,835 | 4.1 |
| Including: | | | |
| Personal deposits | **340,999** | 269,022 | 26.8 |

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| **Operating results** | | | |
| Net profit | **23,189** | 22,599 | 2.6 |
| Net interest revenue[(1)] | **74,009** | 76,411 | (3.1) |
| Net non-interest revenue | **31,777** | 31,304 | 1.5 |
| **Operating efficiency** | | | |
| Cost-to-income ratio (%) | **29.89** | 25.97 | 3.92 pps |
| Net interest margin (%) | **2.37** | 2.75 | -0.38 pps |

(1) The net interest margin declined and the net interest revenue reduced by 3.1% due to the value-added tax reform and higher interbank interest rates.

**Transformation towards a smart retail bank generated significant effects.** Ping An Bank continued to transform into a smart retail bank centering on "SAT" (social media + app + tele). The Bank integrated apps, enhanced online functionalities, and realized one-stop management of credit cards and debit cards. The new "Ping An Pocket Bank" app combines advanced biometrics with AI to improve customer services and experience. The Bank opened new offline retail outlets which show new images, offer upgraded services, and represent a new model. The Bank built agile mechanisms and a vertical management framework to increase efficiency of retail operations. The Bank's retail customer base, retail assets under management (AUM), and retail loans (including credit card loans) continued to grow rapidly due to the transformation into a smart retail bank. For 2017, retail banking accounted for RMB46,692 million or 44.1% of the Bank's revenue, up 13.5 pps year on year, and RMB15,679 million or 67.6% of the Bank's net profit, up 26.4 pps year on year.

| | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| **Customer structure** | | | |
| Number of retail customers[1] (million) | **69.91** | 52.39 | 33.4 |
| Contribution to the number of the Group's retail customers (%) | **42.2** | 40.0 | 2.2 pps |
| Number of customers holding products from other subsidiaries of the Group (million) | **30.49** | 20.15 | 51.3 |
| Number of customers holding Ping An Life's products (million) | **16.29** | 11.56 | 40.9 |
| **Retail assets under management (AUM, in RMB million)** | **1,086,688** | 797,600 | 36.2 |
| **Retail loans (including credit card loans, in RMB million)** | **849,035** | 540,944 | 57.0 |
| **Number of credit cards in circulation (million)** | **38.34** | 25.61 | 49.7 |

(1) Retail customers include debit card holders and credit card holders, with duplication removed; the number of retail customers as at the end of 2016 has been restated accordingly.

**Operating results of retail banking**

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Revenue from retail banking | **46,692** | 32,947 | 41.7 |
| % of revenue from retail banking | **44.1** | 30.6 | 13.5 pps |
| Net profit from retail banking | **15,679** | 9,315 | 68.3 |
| % of net profit from retail banking | **67.6** | 41.2 | 26.4 pps |

**Ping An Bank developed its corporate banking business under the philosophy of being asset-light, capital-light, and industry-oriented.** Ping An Bank built expertise in selected sectors, and adopted "C+SIE+R" (core customers + supply chains, industry chains, ecosystem customers + retail customers) and "commercial banking + investment banking + investment" industry-specific financial service models to support the real economy. As at the end of 2017, the industry-specific business units had RMB165,490 million of total deposits and RMB490,490 million of assets under management. As to asset-light, capital-light products, the Bank promoted low-risk-weight, low/zero-capital-requirement businesses and exploited the Group's integrated finance resources and platforms to expand channels and boost revenues. In 2017, Ping An Bank strengthened cooperation with Ping An Securities, and fulfilled 76 investment banking projects worth RMB32,900 million. The Bank underwrote RMB105,105 million worth of bonds in 2017, increasing the market share from 1.9% to 2.7%. The Bank had RMB6.13 trillion in net assets under custody at the end of December 2017, and realized RMB3,046 million in asset custody fee revenue for 2017. As at the end of 2017, the number of gold accounts rose by 1,504,200 or 41.8% from the beginning of 2017 to 5,104,200.

**Ping An Bank launched technology-powered smart services and expanded business application scenarios.** To ensure successful transformation towards smart retail banking, Ping An Bank benchmarked itself against internet finance companies, and established an IT team of over 2,100 members dedicated to retail banking. **Ping An Bank integrated three apps into one, i.e. Pocket Bank 4.0**, boosting customer experience with fingerprint, voiceprint and face recognition technologies. The number of monthly active app customers reached 14.82 million, dwarfing most other joint-stock banks. **Ping An Bank has applied AI+ innovations**

**to marketing, risk management and other activities.** The "AI+ robot Xiao An" has gone live on the Pocket Bank app. Offline robots have engaged in interactive marketing at outlets. In AI+ investment advisory services, Ping An Bank provides customized advice to different customers. On the Pocket Bank app, new functionalities such as Recommended Portfolio, Insurance Zone, Investment Advisory Livecast, and Financial News have gone live. The Pocket Bank app allows customers to purchase a package of products with one click. In "AI+ risk management", risk models were deployed to monitor and evaluate risks across the Bank. **For small and medium-sized enterprises (SMEs), Ping An Bank pursued product and service innovation.** On the one hand, it is developing a specialized platform for SMEs, and building a mobile integrated service system to provide SMEs with payment, settlement and wealth management services. On the other hand, it is forging a credit service system for SMEs. Under the newly developed KYB model, SMEs are provided with diverse online smart financing services. Moreover, Ping An Bank leverages technologies to promote the influence of Orange E Platform, Cross-border E, Factoring Cloud and ET-Bank by offering better products and services.

**Ping An Bank had strong, orderly risk management in place, and achieved significant results in collection.** The Bank actively managed external risks and restructured its business portfolio by lending to higher-quality retail customers and enhancing corporate banking to maintain stable asset quality. In 2017, the non-performing loan ratio and the proportion of special mention loans decreased, while the provision coverage ratio for loans more than 90 days overdue increased. Ping An Bank maintained strict risk control over new loans, and effectively identified and mitigated risks in existing ones. The Special Asset Management Business Unit has achieved strong results since it was established in late 2016. In 2017, the department significantly enhanced its debt collection capability by strengthening expertise and promoting a shift towards an asset-light, capital-light business model. In 2017, the Bank recovered RMB 9,528 million of non-performing assets (NPAs), up 81.6% year on year; 83% of the recovered amount was collected in cash, while the rest in kind.

### Loan Quality

| (in RMB million) | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| Pass | **1,612,249** | 1,389,396 | 16.0 |
| Special mention | **62,984** | 60,703 | 3.8 |
| Sub-standard | **12,510** | 13,833 | (9.6) |
| Doubtful | **3,343** | 4,494 | (25.6) |
| Loss | **13,144** | 7,375 | 78.2 |
| Total loans and advances | **1,704,230** | 1,475,801 | 15.5 |
| Total non-performing loans | **28,997** | 25,702 | 12.8 |
| Non-performing loan ratio (%) | **1.70** | 1.74 | -0.04 pps |
| Percentage of special mention (%) | **3.70** | 4.11 | -0.41 pps |
| Impairment provision balance | **(43,810)** | (39,932) | 9.7 |
| Loan loss provision ratio (%) | **2.57** | 2.71 | -0.14 pps |
| Provision coverage ratio (%) | **151.08** | 155.37 | -4.29 pps |
| Provision coverage ratio for loans more than 90 days overdue (%) | **105.67** | 98.51 | 7.16 pps |

Ping An Bank strengthened management of its organizational structure, made its outlets smarter, and improved geographic distribution of its outlets. As at the end of 2017, Ping An Bank had 70 branches and 1,079 business outlets.

### Capital Adequacy Ratio

| (in RMB million) | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| Net core tier 1 capital | **184,340** | 170,088 | 8.4 |
| Net tier 1 capital | **204,293** | 190,041 | 7.5 |
| Net capital | **249,227** | 234,387 | 6.3 |
| Total risk weighted assets | **2,226,112** | 2,033,715 | 9.5 |
| Core tier 1 capital adequacy ratio (%) (regulatory requirement >=7.5%) | **8.28** | 8.36 | -0.08 pps |
| Tier 1 capital adequacy ratio (%) (regulatory requirement >=8.5%) | **9.18** | 9.34 | -0.16 pps |
| Capital adequacy ratio (%) (regulatory requirement >=10.5%) | **11.20** | 11.53 | -0.33 pps |

Note: Capital requirements regarding credit risk, market risk and operational risk are measured by the weighted method, standard method, and basic indicator method respectively.

## FINANCIAL ANALYSIS

### Operating Results

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Net interest revenue | **74,009** | 76,411 | (3.1) |
| Average balance of interest-earning assets | **3,120,038** | 2,774,577 | 12.5 |
| Net interest margin (%)[1] | **2.37** | 2.75 | -0.38 pps |
| Net non-interest revenue | **31,777** | 31,304 | 1.5 |
| Including: | | | |
| Net fee and commission revenue | **30,674** | 27,859 | 10.1 |
| Other net non-interest revenue | **1,103** | 3,445 | (68.0) |
| Revenue | **105,786** | 107,715 | (1.8) |
| General and administrative expenses | **(31,616)** | (27,973) | 13.0 |
| Cost-to-income ratio (%)[2] | **29.89** | 25.97 | 3.92 pps |
| Loan impairment loss | **(40,803)** | (45,435) | (10.2) |
| Average balance of loans (including bill discount) | **1,602,503** | 1,348,543 | 18.8 |
| Credit cost (%)[3] | **2.55** | 3.37 | -0.82 pps |
| Other expenses | **(3,210)** | (4,372) | (26.6) |
| Profit before tax | **30,157** | 29,935 | 0.7 |
| Income tax | **(6,968)** | (7,336) | (5.0) |
| Net profit | **23,189** | 22,599 | 2.6 |

(1) Net interest margin = net interest revenue/average balance of interest-earning assets.

(2) Cost-to-income ratio = general and administrative expenses/total revenue.

(3) Credit cost = loan impairment losses/average balance of loans (including bill discount).

### Net interest revenue

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| **Interest revenue** | | | |
| Due from the PBOC | **4,232** | 4,240 | (0.2) |
| Due from financial institutions | **10,726** | 8,787 | 22.1 |
| Loans and advances | **94,976** | 84,904 | 11.9 |
| Interest revenue from investment | **34,078** | 29,665 | 14.9 |
| Others | **4,056** | 3,523 | 15.1 |
| Total interest revenue | **148,068** | 131,119 | 12.9 |
| **Interest expenses** | | | |
| Due to the PBOC | **(2,671)** | (948) | 181.8 |
| Due to financial institutions | **(19,155)** | (8,531) | 124.5 |
| Deposits | **(37,875)** | (35,895) | 5.5 |
| Bonds payable | **(14,358)** | (9,334) | 53.8 |
| Total interest expenses | **(74,059)** | (54,708) | 35.4 |
| Net interest revenue | **74,009** | 76,411 | (3.1) |

### Net fee and commission revenue

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| **Fee and commission revenue** | | | |
| Settlement fee revenue | **2,392** | 2,216 | 7.9 |
| Wealth management fee revenue | **3,411** | 4,835 | (29.5) |
| Agency commission revenue | **3,350** | 3,005 | 11.5 |
| Bank card fee revenue | **18,511** | 12,401 | 49.3 |
| Advisory fee revenue | **2,659** | 3,963 | (32.9) |
| Account management fee revenue | **156** | 166 | (6.0) |
| Asset custody fee revenue | **3,046** | 2,745 | 11.0 |
| Others | **2,200** | 1,978 | 11.2 |
| Total fee and commission revenue | **35,725** | 31,309 | 14.1 |
| **Fee and commission expense** | | | |
| Agency commission expense | **(493)** | (350) | 40.9 |
| Bank card fee expense | **(4,213)** | (2,801) | 50.4 |
| Others | **(345)** | (299) | 15.4 |
| Total fee and commission expense | **(5,051)** | (3,450) | 46.4 |
| Net fee and commission revenue | **30,674** | 27,859 | 10.1 |

### Other net non-interest revenue

Other net non-interest revenue is comprised of investment income, gains and losses from fair value changes, foreign exchange gains and losses, other business revenue, other incomes and asset disposal gains and losses. For 2017, other net non-interest revenue was RMB1,103 million, down 68.0% year on year, mainly due to the reduced profit from bill trading.

### Cost-to-income ratio

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| General and administrative expenses | **31,616** | 27,973 | 13.0 |
| Cost-to-income ratio (%) | **29.89** | 25.97 | 3.92 pps |

In 2017, as Ping An Bank increased investment in its strategic transformation, the cost-to-income ratio rose by 3.92 pps year on year.

### Loan impairment losses

In 2017, loan impairment losses decreased by 10.2% year on year.

### Income tax

| | 2017 | 2016 | Change |
|---|---|---|---|
| Effective tax rate (%)[1] | **23.11** | 24.51 | -1.4 pps |

(1) Effective tax rate = income tax/profit before tax.

# Business Analysis
# Asset Management Business

- Ping An Trust strengthened its risk management, and furthered the "wealth + fund" transformation.
- Ping An Securities pursued tech-powered transformation, built up its competitive advantage and continued to outperform the industry.
- Ping An Asset Management maintained steady business growth. The assets under management (AUM) totaled RMB2.67 trillion, up 18.1% from the beginning of the year.



## TRUST BUSINESS

### Business Overview

The Company offers investment and financing services through Ping An Trust and Ping An New Capital to high-net-worth individuals (HNWIs), institutional clients, and other subsidiaries of the Company.

In 2017, Ping An Trust furthered its "wealth + fund" transformation to become an industry leader in funds and assets under the models of "wealth management, asset management, and investment and investment banking." In the area of funds, Ping An Trust provides individuals with wealth management and institutional customers with asset management to help them achieve optimal asset allocation, value preservation, and capital appreciation. Ping An Trust builds industry-leading wealth management and asset management platforms to become a benchmark in China's wealth and asset management market. In the area of assets, Ping An Trust provides comprehensive financial services for the economy and channels social capital into responsible investments by promoting fund-based investment and investment banking businesses and offering diverse financial instruments.

In personal wealth management, backed by the Group's advantages in technology and integrated finance, Ping An Trust provides HNW clients with wealth management services via smart platforms. Its differentiation advantage comes from the variety of quality products and convenient and considerate customer service. As of the end of 2017, Ping An Trust served 74.7 thousand active wealth customers, 42.2% higher from the year beginning. Leveraging its strong brand, Ping An Trust launched four series of family trust plans and integrated services of wealth inheritance, asset allocation and insurance coverage. The insurance trust plans launched through cooperation with Ping An Life registered an industry-leading AUM.

In institutional asset management, Ping An Trust strengthened its integrated financial service capabilities to cater for asset allocation needs of institutional investors. As at the end of 2017, Ping An Trust provided one-stop asset management services for nearly 50 pension annuities and over 100 banks.

In investment and investment banking, Ping An Trust serves outstanding companies in infrastructure, new energy, mixed ownership reform of state-owned enterprises, bio-medicine and high-end manufacturing sectors by various means of direct finance such as equity, debts, mezzanine financing and fund services. Besides, it is efficiently channeling capital into the real economy, and playing an active role in government-backed areas such as urbanization, the supply-side reform, the industry upgrade and the Belt and Road Initiative.

In strict accordance with the Group's "finance + technology" strategy, Ping An Trust fully leveraged its technology advantage to apply AI, big data and cloud to its operations and management. For AI application, it carried out customer profiling to provide customers with tailor-made asset allocation advice. For big data application, the risk management platform of Ping An Trust was connected with the Group's enterprise credit reference platform, while asset big data analysis results were used to provide the investment risk assessment department with risk information about projects and counterparties and strengthen Ping An Trust's active management capability. For cloud services, by making use of the Group's cloud services, Ping An Trust bettered system processes and architecture design to lower operating cost and improve business management and customer experience.

Ping An Trust continued to upgrade the risk management framework featured by full participation, full-process control and full coverage of business. According to market movements and regulatory policies, Ping An Trust proactively adjusted and improved its risk appetites and limits, and managed to ensure adequate net capital, tight control over asset quality, tolerable market risks and real-time liquidity monitoring. As at December 31, 2017, it had RMB19,420 million in net capital, while the ratio of net capital to the total of all risk capital was 229.3%, the ratio of net capital to net assets 81.2%, meeting regulatory requirements.

### Results of Operation

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Fees and commission revenue | 4,292 | 3,600 | 19.2 |
| Monthly average assets held in trust | 651,302 | 622,506 | 4.6 |
| Fee rate of assets held in trust (%)[1] | 0.66 | 0.58 | 0.08 pps |
| Fees and commission expenses | (276) | (615) | (55.1) |
| Net fees and commission revenue | 4,016 | 2,985 | 34.5 |
| Administrative expenses | (1,319) | (1,704) | (22.6) |
| Total investment income[2] | 2,236 | 1,872 | 19.4 |
| Other net revenue and expenses | 42 | (402) | N/A |
| Profit before tax | 4,975 | 2,751 | 80.8 |
| Income tax | (1,018) | (429) | 137.3 |
| Net profit | 3,957 | 2,322 | 70.4 |

(1) Fee rate of assets held in trust = fees and commission revenue/monthly average assets held in trust.

(2) Total investment income includes investment income and share of profits and losses of associates and jointly controlled entities under the segmented income statement.

In 2017, the net profit of the trust business rose by 70.4% year on year, driven by year-on-year growth in the net fees and commission revenue and investment income, and tightened reins on expenses.

### Assets held in trust

| (in RMB million) | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| **Investment category** | **133,353** | 141,311 | (5.6) |
| Capital market investment | 23,341 | 30,129 | (22.5) |
| Financial institutions' investment | 49,966 | 48,824 | 2.3 |
| Other investments[1] | 60,046 | 62,358 | (3.7) |
| **Financing category** | **167,081** | 144,815 | 15.4 |
| Infrastructure industry financing | 18,016 | 18,257 | (1.3) |
| Real estate financing | 47,028 | 27,163 | 73.1 |
| Corporate loans | 96,661 | 86,334 | 12.0 |
| Pledge and other financing[2] | 5,376 | 13,061 | (58.8) |
| **Administrative category[3]** | **352,322** | 391,095 | (9.9) |
| Total | 652,756 | 677,221 | (3.6) |

(1) Other investments refer to investments other than the above, including structured equity investment, industrial investment, and other investment businesses.

(2) Pledge and other financing refers to financing other than the above, including financing by pledging or acquiring securities, financial assets and other debts.

(3) An administrative trust refers to a trust scheme under which a trust company, acting as the trustee, provides the trustor (beneficiary) with administrative and executive services for specified purposes.

As at the end of 2017, Ping An Trust had RMB652,756 million of assets under management, 3.6% lower than that at the end of 2016.

#### Fees and commission revenue

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Fees and commission revenue | **4,292** | 3,600 | 19.2 |
| Investment category | **2,163** | 1,456 | 48.6 |
| Financing category | **1,499** | 1,741 | (13.9) |
| Administrative category | **630** | 403 | 56.3 |
| Fee rate of assets held in trust (%) | **0.66** | 0.58 | 0.08 pps |
| Investment category (%) | **1.60** | 0.95 | 0.65 pps |
| Financing category (%) | **0.97** | 1.14 | -0.17 pps |
| Administrative category (%) | **0.17** | 0.13 | 0.04 pps |

In 2017, the fees and commission revenue from the trust business amounted to RMB4,292 million, 19.2% higher year on year, mainly due to the increased floating management fee.

#### Total investment income

In 2017, the total investment income of the trust business grew 19.4% year on year, mainly due to the exit from investment projects.

## SECURITIES BUSINESS

### Business Overview

The Company provides securities brokerage, futures brokerage, investment banking, asset management, and financial advisory services through Ping An Securities and its subsidiaries, i.e. Ping An Futures, Ping An Caizhi, Ping An Securities (Hong Kong), and Ping An Pioneer Capital.

In 2017, the capital market recorded mixed performance. The ROE of Ping An Securities was 30% higher than the industry average.

In online brokerage, with the Group's huge customer base, Ping An Securities deepened cooperation with internal and external platforms. The number of its customers rose by 28.9% from the beginning of 2017 to 13.01 million, which enables Ping An Securities to stably rank first among peers. Besides, customer activity, the market share in brokerage volumes and the balance of margin trading further increased. The number of daily active users rose by 64.4% from the start of 2017, while the market share in brokerage volumes gained 0.53 pps and advanced by 4 places in the rankings from the beginning of 2017. The market share of margin trading rose to 1.5%, up 0.3 pps from the beginning of 2017.

| | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| **Online brokerage** | | | |
| Number of customers (in million) | **13.01** | 10.09 | 28.9 |
| Number of daily active users (in million) | **1.43** | 0.87 | 64.4 |
| Market share in brokerage volumes (%) | **2.57** | 2.04 | 0.53 pps |

In institutional business, Ping An Securities carried on transformation amid deep-going corrections of the bond market, embarked on innovative business and strove to make breakthroughs. On the primary market, Ping An Securities maintained its leading role in bond underwriting and ranked 4th as a lead underwriter. Meanwhile, it spared no effort to develop asset securitization, and ranked 3rd among peers by completing 38 asset-backed securitization issuances. For equity business, Ping An Securities proactively explored ways of partnering with Ping An Bank to provide comprehensive tailor-made solutions for clients, made breakthroughs in implementing major projects and scaled up the project pipeline. For secondary trading, Ping An Securities is developing a new fixed-income business model that is "asset-light, high-return and low-risk", with the focus being shifted to market making, strategy trading and trading services. Ping An Securities saw steady growth in the trading volume of interest rate swap (IRS) market making, and ranked among the top by IRS market making. The yields of strategy and market making grew by 300% year on year. Besides, Ping An Securities launched bond ETF indexes in cooperation with China Securities Index Co., Ltd. and China Central Depository & Clearing Co., Ltd. to develop an ecosystem for passive investment in bond ETFs.

# Business Analysis
# Asset Management Business

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| **Fixed-income business** | | | |
| Market making of interest rate swaps | **959,308** | 575,639 | 66.7 |

Ping An Securities invested heavily in technology application. Ping An Securities improved customer experience and customer development through the "Ping An Securities" app. In 2017, Ping An Securities launched the "AI Smart Stock Investment" service based on big data, machine learning and artificial neural networks. By combining professional investment advisory services with AI, AI Smart Stock Investment has effectively boosted customer activity, increased the market share in trading volumes and the margin trading balance. Moreover, Ping An Securities launched the smart asset allocation service on its app to provide customers with customized product investment plans, which boosted product sales. As at the end of 2017, sales of products based on the app reached RMB84,018 million, up 43.0% from the start of 2017. Ping An Securities' app was honored by Securities Times as one of the "Top 10 Apps of Securities Companies for 2017" (by comprehensive measure).

Ping An Securities has leveraged technologies to improve its information systems, and established its proprietary real-time Pilot system. Based on message middleware, the Pilot system provides distributed real-time technology services for transaction management, and one-stop solutions to satisfy business needs of the front office, the middle office and the back office. China Computer Users Association awarded Ping An Securities the Eagle Prize for 2017. Based on the Pilot platform, Ping An Securities increased R&D investments in innovative areas, such as market making and risk management. It has developed systems based on plug-ins, including the electronic marketing making system, the operations process monitoring system, the fund research management system and the credit risk management system, greatly improving efficiency, reducing operational risks and enhancing market competitiveness.

### Results of Operation

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Fees and commission revenue | **4,255** | 4,966 | (14.3) |
| Fees and commission expenses | **(811)** | (818) | (0.9) |
| Net fees and commission revenue | **3,444** | 4,148 | (17.0) |
| Total investment income(1) | **3,321** | 2,591 | 28.2 |
| Other revenue(2) | **2,196** | 1,131 | 94.2 |
| Revenue | **8,961** | 7,870 | 13.9 |
| Administrative expenses | **(3,632)** | (3,675) | (1.2) |
| Cost-to-income ratio (%) | **40.5** | 46.7 | -6.2 pps |
| Finance costs | **(580)** | (514) | 12.8 |
| Other expenses | **(2,170)** | (969) | 123.9 |
| Profit before tax | **2,579** | 2,712 | (4.9) |
| Income tax | **(456)** | (497) | (8.2) |
| Net profit | **2,123** | 2,215 | (4.2) |

(1) Total investment income includes investment income and share of profits and losses of associates and jointly controlled entities under the segmented income statement. Investment income excludes impairment loss of investment assets and rents from investment properties.

(2) Other revenue includes other revenues and other gains and foreign exchange gains or losses under the segmented income statement. Other revenue and other gains exclude non-operating income.

In 2017, Ping An Securities pursued tech-powered transformation, seized market opportunities, and built up its competitive advantages. Its net profit dropped 4.2%, stronger than the market average.

### Fees and commission revenue

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Brokerage business revenue | 2,364 | 2,303 | 2.6 |
| Brokerage volumes | 5,449,417 | 4,984,455 | 9.3 |
| Brokerage commission rate (%) | 0.04 | 0.05 | -0.01 pps |
| Underwriting business revenue | 794 | 1,178 | (32.6) |
| Underwriting business size | 103,488 | 143,003 | (27.6) |
| Underwriting commission rate (%) | 0.77 | 0.82 | -0.05 pps |
| Assets management revenue | 445 | 457 | (2.6) |
| Monthly average AUM | 246,254 | 188,941 | 30.3 |
| Assets management business fee rate (%) | 0.18 | 0.24 | -0.06 pps |
| Other fees and commission revenue | 652 | 1,028 | (36.6) |
| Total | 4,255 | 4,966 | (14.3) |

Affected by the declining bond issuance in the market, the bond underwriting volume of Ping An Securities dropped from 2016, resulting in a year-on-year decline of 32.6% in the commission revenue of underwriting business in 2017. Other fees and commission revenue dropped by 36.6% mainly due to a year-on-year decline of revenue from investment advisory business amid market weakness.

### Total investment income

In 2017, total investment income increased by 28.2% year-on-year due to the increase in returns from Ping An Caizhi's PE projects at exit as well as good performance in strategy trading.

### Cost-to-income ratio

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Administrative expenses | 3,632 | 3,675 | (1.2) |
| Cost-to-income ratio (%)(1) | 40.5 | 46.7 | -6.2 pps |

(1) Cost-to-income ratio = general and administrative expenses/revenue.

Ping An Securities' cost-control initiatives started to take effect as the cost-to-income ratio dropped by 6.2 pps year on year.

## OTHER ASSET MANAGEMENT BUSINESSES

### Ping An Asset Management

Ping An Asset Management is responsible for domestic investment management business of the Company. Entrusted with the insurance funds of the Company, Ping An Asset Management also provides investment products and third-party asset management services to other investors through various channels.

In 2017, China witnessed stable economic growth, growing corporate profit, ongoing industry upgrade, new momentum and the brisk economy. The stock market rose amid volatile trading and mixed performance. Yields in the bond market rose on monetary policies, financial regulations and other factors. Adhering to the philosophies of value investing and prudent investment, Ping An Asset Management identifies and creates value for investors, and maximizes investment returns with controlled risks. In the new era, Ping An Asset Management will fully leverage its core capabilities in asset allocation and long-duration fund management. On the back of its platform advantages, Ping An Asset Management will provide investors with more comprehensive and professional asset management services. As always, Ping An will follow national strategies and support the real economy.

In 2017, Ping An Asset Management grew steadily. It posted net profit of RMB2,581 million, up 16.2% year on year; its AUM rose by 18.1% from the start of 2017 to nearly RMB2.67 trillion.

# Business Analysis
# Asset Management Business

## Operating Data:

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Net profit | **2,581** | 2,221 | 16.2 |
| Revenue from third party business | **1,888** | 2,054 | (8.1) |

| (in RMB million) | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| Assets under management | **2,668,805** | 2,259,435 | 18.1 |
| Including: AUM of third-party asset management | **305,881** | 280,035 | 9.2 |

Ping An Asset Management has always been leveraging technology to enhance its core competitiveness. It has adopted information technology, data technology and smart technology to boost its asset management business. With the efficient information platform, Ping An Asset Management's entire business process enables smart risk management and efficient trading management. The sophisticated data platform facilitates investment and risk analysis. Moreover, the smart platform based on big data and artificial intelligence (AI) helps to enhance efficiency in research and investment decision-making.

Ping An Asset Management has continuously improved its investment risk management system, and developed the liquidity emergency mechanism to effectively mitigate liquidity risk. It enhanced its risk response capability, and specified the response process and contingency mechanisms. The smart system for investment risk and performance management has greatly enhanced analysis in terms of scope and depth. Moreover, the system has realized timely sharing of data, improved risk management ability, and facilitated stable business development.

## Ping An Financial Leasing

Ping An Financial Leasing was founded in September 2012. Thanks to synergy within the Group, Ping An Financial Leasing strives to become a leader with commercial vitality and resilience to provide small- and medium-sized enterprise (SME) customers and professional institutions with more diversified fund products and more comprehensive value-added services. At present, it has 19 business lines and 20 offices across the country.

Ping An Financial Leasing pioneered the "Innovative Leasing 2.0" concept. It focuses on individual consumer leasing, operating leasing, leasing+internet and industry leasing. Through innovations, it has developed seven innovative business lines, including micro leasing and health (check). Adopting the online and offline model, Ping An Financial Leasing has realized fast-track approvals (within 1.5 hours) for micro leasing. Following national policies and the Group's pan health care strategy, Ping An Financial Leasing established the Ping An Health (Check) Center, pioneered the "3-in-1" health check model combining image-based diagnosis, medical examination and precision physical examination. The first center has opened in Nanchang. In addition, Ping An Financial Leasing has strengthened its presence in the internet field through three apps, "Online Customers", "Online Employees" and "Online Resources", taking the lead in entering the mobile internet age.

As at the end of December 2017, Ping An Financial Leasing's total assets reached RMB177,024 million, up 55.2% from the start of 2017. In 2017, its revenue reached RMB9,827 million, up 44.2% year on year; and its net profit reached RMB1,990 million, up 47.2% year on year. Meanwhile, Ping An Financial Leasing maintained stable asset quality with a non-performing asset ratio of 0.91%, down 0.13 pps from the start of 2017.

# Business Analysis
# Fintech & Healthtech Business

- Lufax Holding maintained rapid growth in such business segments as wealth management, consumer finance and institutional trading. As at the end of 2017, Lufax had RMB461,699 million in assets under management (AUM), up 5.3% from the beginning of 2017. Loans under management soared by 96.7% from the beginning of 2017 to RMB288,434 million. In 2017, Lufax Holding became profitable for the first time.
- In its pre-IPO financing, Ping An Good Doctor raised USD400 million at a post-money valuation of USD5,400 million, and has filed an application with HKEx for IPO. It runs China's largest online healthcare platform, and has provided health management services for over 190 million users.
- OneConnect raised USD650 million by completing its first round of financing at a post-money valuation of USD7,400 million. Ping An Healthcare Technology raised USD1,150 million by completing its first round of financing at a post-money valuation of USD8,800 million. Autohome registered significant growth in media services, leads generation business and traffic by building an auto ecosystem.



The Company conducts fintech & healthtech business via companies such as Lufax Holding, Ping An Good Doctor, OneConnect, Ping An Healthcare Technology and Autohome.

## LUFAX HOLDING

As China's leading fintech company, Lufax Holding utilizes its technology-powered financial DNA to provide personalized financial services and make personal wealth and asset management more convenient, secure and efficient. Lufax Holding is China's leading online wealth management and personal lending technology platform, which serves the growing middle class and is a leader in providing financial institutions and local governments with financial solutions. In 2017, Lufax Holding maintained rapid growth in such major business segments as wealth management, consumer finance and institutional trading, and became profitable for the first time.

In wealth management, Lufax Holding provides simple and convenient wealth management services through its online platforms, achieving product diversification and coverage of all customer segments. Leveraging robust KYP/KYR/KYC[(1)] tools and massive data, Lufax Holding can identify customer requirements more quickly and accurately, and improve its wealth management services. As at the end of 2017, Lufax had over 33 million registered users on its platform, up 19.2% from the beginning of 2017. AUM hit RMB461,699 million, up 5.3% from the beginning of 2017.

In consumer finance, Lufax Holding provides diverse financing solutions to salary earners and micro and small business owners, thanks to its quicker information processing and precise risk pricing models. As at the end of 2017, loans granted via Lufax's platform totaled RMB615,833 million, including unsecured loans of RMB398,764 million and secured loans of RMB217,069 million. Loans under management grew by 96.7% from the beginning of 2017 to RMB288,434 million.

In institutional trading, Lufax Holding provides excellent matching services to facilitate asset transfers among financial institutions. In 2017, the institutional trading volume via Lufax's platform rose by 28.1% year on year to RMB5.38 trillion. Lufax Holding proactively explored ways of applying fintech to fiscal management. In June 2017, Lufax Holding launched the Smart Cloud Platform for Public Asset and Liability Management in cooperation with Nanning Government. By the end of 2017, the platform had saved the local government RMB37 million, effectively assisting the government in fiscal management and cost saving.

(1) : KYP/KYR/KYC refers to Know Your Product/Risk/Customer.

| Lufax Holding | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| **Number of users (in million)** | | | |
| Lufax' s registered users | **33.83** | 28.38 | 19.2 |
| Active investor users[(1)] | **9.61** | 8.31 | 15.6 |
| Accumulated borrowers | **7.49** | 3.77 | 98.7 |
| **Assets under management (in RMB million)** | | | |
| Assets under management | **461,699** | 438,379 | 5.3 |
| Balance of loans under management | **288,434** | 146,640 | 96.7 |

| | 2017 | 2016 | Change (%) |
|---|---|---|---|
| **Trading volume (in RMB million)** | | | |
| Wealth management | **2,117,485** | 1,535,163 | 37.9 |
| New loans | **343,792** | 172,919 | 98.8 |
| Institutional trading | **5,382,081** | 4,199,925 | 28.1 |

(1) Active investor users refer to users who made an investment or had a positive account balance in the past 12 months.

## PING AN GOOD DOCTOR

Ping An Good Doctor is committed to building the world's largest health care ecosystem and using technologies to make people healthier. Focusing on users' medical demands and health management demands, Ping An Good Doctor provides online family doctor services via its in-house medical team and AI Assistant. Besides, Ping An Good Doctor provides various offline services via a health partnership network. To help users embrace healthy lifestyles, Ping An Good Doctor provides extensive health management products and services as well as personalized health management plans. In its pre-IPO financing, Ping An Good Doctor raised USD400 million at a post-money valuation of USD5,400 million. It has filed an IPO application with the HKEx.

Ping An Good Doctor has built a nationwide health partnership network comprised of doctors, hospitals, third-party health managers, and pharmacies. As at December 31, 2017, Ping An Good Doctor had a team of 888 in-house medical staff members and about 2,100 contracted external doctors who provide online medical consultation services. All the external doctors are associate chief physicians or high-level medical professionals at 3A hospitals. Ping An Good Doctor's Health Mall offers 24/7 1-hour drug delivery in 14 Chinese cities including Beijing, Shanghai, Guangzhou, and Shenzhen.

To improve customer experience, Ping An Good Doctor constantly develops key technologies such as AI. AI Assistant has been applied to online advisory services to effectively increase efficiency and accuracy of the in-house medical team.

As at December 31, 2017, Ping An Good Doctor had over 190 million registered users.

| | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| Registered users (in million) | **192.84** | 131.50 | 46.6 |

## ONECONNECT

OneConnect is committed to building a world-leading, strategically-empowering fintech platform to help small- and medium-sized financial institutions to address five pain points: customer acquisition, products, risk management, operations, and technology. OneConnect charges fees on the basis of performance to achieve win-win results. OneConnect completed its first round of financing to raise USD650 million at a post-money valuation of USD7,400 million in early 2018.

So far, OneConnect has launched leading technologies such as Smart Banking Cloud, Smart Insurance Cloud, and Smart Investment Cloud. Smart Banking Cloud helps banks to develop customers and transform retail banking in areas of lending, daily-life scenarios, payment integration, and wealth management products. Smart Insurance Cloud exports leading technological solutions in areas of claims and operations to help small- and medium-sized insurers to improve efficiency and services. In September 2017, Smart Insurance Cloud launched "Smart Certification" and "Smart Quick Claim". Smart Insurance Cloud has signed the cooperation agreements with 14 insurers. Smart Investment Cloud provides trust companies, private equity investors, fund managers, and securities firms with corporate risk profiling in different industries.

As of the end of 2017, OneConnect provided one-stop fintech solutions for 468 banks and 1,890 non-bank financial institutions. In 2017, over 900 million credit inquiries and an interbank trading volume of over RMB10 trillion were processed via OneConnect. In May 2017, the open platform Fintech Space Station launched 21 products relating to app self-service plug-ins, big data application and smart financial services. Besides, OneConnect established the Internet Finance Alliance for Small and Medium-size Banks, which now has 230 plus members with total assets of over RMB35 trillion.

| | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Interbank trading volume (in RMB trillion) | **10.64** | 1.07 | 894.4 |
| Number of credit inquiries (million) | **931** | 360 | 158.6 |

| | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| Number of partner banks | **468** | 318 | 47.2 |
| Number of partner non-bank financial institutions | **1,890** | 1,135 | 66.5 |

## PING AN HEALTHCARE TECHNOLOGY

Ping An Healthcare Technology is committed to building China's best tech-powered managed care service platform. Through efficient connection and effective collaboration with healthcare service participants, Ping An Healthcare Technology provides comprehensive smart solutions for upstream and downstream service providers of social health insurance, private insurance and healthcare, and even for consumers of such services. Ping An Healthcare Technology raised USD1,150 million by completing its first round of financing at a post-money valuation of USD8,800 million in early 2018.

In social health insurance, the smart expense control and handling services of Ping An Healthcare Technology have covered a population of 800 million in over 200 cities across China. In private insurance, Ping An Healthcare Technology provides private insurers with automated operation services such as online underwriting, loss assessment, payment/settlement, and data channels. Over 2,000 hospitals have connected with the service platform. Ping An Healthcare Technology has built a personal health risk profiling model by combining its pioneering Ping An Grouper, a tool for grouping diseases, with advanced neural network algorithms. The model has a world-leading accuracy rate of 99.7% in forecasting overall medical costs. For consumers, the "City OneConnect" app developed by Ping An Healthcare Technology has covered 26 cities. By integrating social health insurance, private insurers, hospitals and pharmacies, "City OneConnect" app is developing a closed loop of life scenarios centering on health. Ping An Healthcare Technology launched innovative online social security services in Shenzhen, such as "facial recognition for survival certification of pension withdrawal," "mobile payment of social health insurance" and "personal account activation."

## AUTOHOME

Autohome, a leading internet auto service platform in China, has forged an auto ecosystem under the strategy of "auto media, auto e-commerce, auto finance and auto lifestyle". Autohome provides auto consumers with diverse products and services via autohome.com.cn, che168.com, mobile websites and mobile applications.

In 2017, thanks to development of the auto ecosystem, media services and leads generation services as the core business of Autohome grew markedly, with total revenue rising 33.7% year on year. While upgrading and optimizing user experience, Autohome recorded steady growth in traffic. By the end of 2017, Autohome had over 58 million registered users. In the fourth quarter of 2017, the daily average visits of unique users on mobiles increased 25.0% year on year. These achievements have further solidified Autohome's leading role among auto service apps in China. Autohome improved user engagement and loyalty by providing customized contents and recommendations to users. Applications of new technologies such as Virtual Reality (VR) and Augmented Reality (AR) increased users' interaction with automobile manufacturers and dealers.

Autohome has also developed other competitive business. At the end of October 2017, Autohome launched big data products to optimize the auto ecosystem by creating highly differentiated value for customers. Meanwhile, Autohome's financial business progressed well, as its diverse products and services have covered consumer and dealer finance, financial leasing and insurance.

# Analysis of Embedded Value and Operating Profit

- As at December 31, 2017, the embedded value of the Company was RMB825,173 million, and the operating ROEV of the Group was 26.7%.
- NBEV of life and health insurance business of 2017 was RMB67,357 million, up by 32.6%.
- Operating profit after tax attributable to shareholders of the parent company of 2017 was RMB94,708 million, up by 38.8%.

## INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON THE ANALYSIS OF EMBEDDED VALUE AND OPERATING PROFIT DISCLOSURES

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

We have reviewed the Analysis of Embedded Value and Operating Profit of Ping An Insurance (Group) Company of China, Ltd. ("The Company") as at December 31, 2017. The EV and Operating Profit results include embedded value, value of one year's new business after cost of capital ("NBEV"), valuation methodology and assumptions, first year premium of new business, profit margin of new business, interest margin, embedded value movement, sensitivity analysis, operating profit, source of earning and residual margin related data.

The Company prepared the embedded value and NBEV results in accordance with the *Standards for Actuarial Practice: Valuation Standard for Embedded Value of Life Insurance* (the "Standards") which was promulgated by the China Association of Actuaries in November, 2016. Our responsibility, as independent actuaries, is to perform certain review procedures set out in our letter of engagement and, based on these procedures, conclude whether the embedded value methodology and assumptions are consistent with the Standards and available market information.

We have reviewed the methodology and assumptions used in preparing the EV and Operating Profit results, including:

- Review the embedded value, value of new business and interest margin of the Company as at December 31, 2017;
- Review the sensitivity analysis of the embedded value and NBEV;
- Review the embedded value movement analysis, and
- Review the operating profit of the Company, source of earning and residual margin related data of the life and health insurance business (L&H).

Our review procedures included, but were not limited to, considering whether the methodology and assumptions of the EV results are consistent with the Standards and available market information, considering whether the methodology of the operating profit results is consistent with the disclosed methodology in the 2017 annual report, validating actuarial models on the basis of sample testing, and inspecting related documentation. In forming our conclusion, we have relied on the audited and unaudited data and information provided by the Company.

The preparation of the EV results requires assumptions and projections about future economic and financial situations, many of which are outside the control of the Company. Therefore, actual experience may differ from these assumptions and projections.

**OPINION:**

- Based on our review procedures, we have concluded that the methodology and assumptions used in preparing the EV results are in compliance with the Standards and consistent with available market information;

- The EV and Operating Profit results, in all material aspects, are consistent with the methodology and assumptions stated in the Analysis of Embedded Value and Operating Profit chapter in the 2017 annual report.

We also confirm that the EV and Operating Profit results disclosed in the Analysis of Embedded Value and Operating Profit chapter in the 2017 annual report are consistent with the results we reviewed.



**Jin Peng, Actuary**
**PricewaterhouseCoopers Consultants (Shenzhen) Limited** March 20, 2018

## KEY DATA SUMMARY

| (in RMB million) | 2017 /December 31 2017 | 2016 /December 31 2016 | Change (%) |
|---|---|---|---|
| EV of the Group | **825,173** | 637,703 | 29.4 |
| Operating Return on EV (Operating ROEV) of the Group | **26.7%** | 21.0% | 5.7 pps |
| Group operating profit after tax attributable to shareholders of the parent company | **94,708** | 68,252 | 38.8 |
| EV of L&H | **496,381** | 360,312 | 37.8 |
| Operating ROEV of L&H | **35.5%** | 27.0% | 8.5 pps |
| Value of one year's new business after cost of capital (NBEV) | **67,357** | 50,805 | 32.6 |
| L&H operating profit after tax attributable to shareholders of the parent company | **52,128** | 40,206 | 29.7 |
| Residual margin of L&H | **616,319** | 454,705 | 35.5 |
| Ultimate investment return rate | **5.0%** | 5.0% | – |
| Risk discount rate | **11.0%** | 11.0% | – |

## ANALYSIS OF EMBEDDED VALUE

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("EV") in this section. The embedded value represents the shareholders' adjusted net asset value ("ANA") plus the value of the Company's in-force life and health insurance business adjusted for the cost of holding the required capital. The embedded value excludes the value of future new business.

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 PricewaterhouseCoopers Consultants (Shenzhen) Limited to review the reasonableness of the methodology, the assumptions and the calculation results of the Company's analysis of embedded value as at December 31, 2017.

The calculation of the analysis of embedded value relies on a number of assumptions with respect to future experience. 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.

# Analysis of Embedded Value and Operating Profit

The "*Standards for Actuarial Practice: Valuation Standard for Embedded Value of Life Insurance*"(the "Standards") issued by the China Association of Actuaries became effective in November 2016. The Company has disclosed the embedded value for 2017 in accordance with the Standards.

### Components of Economic Value

| (in RMB million) | December 31 2017 | December 31 2016 |
|---|---|---|
| Adjusted net asset value | **512,713** | 407,340 |
| Including: Adjusted net asset value of L&H | **183,920** | 129,949 |
| Value of in-force insurance business written prior to June 1999 | **16,758** | 16,515 |
| Value of in-force insurance business written since June 1999 | **335,610** | 249,382 |
| Cost of capital | **(39,909)** | (35,535) |
| **EV of the Group** | **825,173** | 637,703 |
| Including: EV of L&H | **496,381** | 360,312 |

| (in RMB million) | December 31 2017 | December 31 2016 |
|---|---|---|
| Value of one year's new business | **85,512** | 66,321 |
| Cost of capital | **(18,156)** | (15,516) |
| **Value of one year's new business after cost of capital** | **67,357** | 50,805 |

Note: Figures may not match totals due to rounding.

The adjusted net asset value of life and health insurance business is based on the unaudited shareholders' net asset value of the relevant life and health insurance business of the Company as measured in compliance with the Standards. This unaudited shareholders' net asset value is 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 is based on the audited shareholders' net asset value of the relevant business of the Company in accordance with CAS. The relevant life and health 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.

### Key Assumptions

The assumptions used in the embedded value calculation in 2017 have been made on a "going concern" basis, assuming continuation of the economic and legal environment currently prevailing in China. The calculation is in line with the Standards and capital requirement under C-ROSS. 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 calculating the value of in-force and the value of new business of life and health insurance business is assumed to be 11.0%.

2. **Investment return**
   For non-investment-linked insurance funds, the future investment return is assumed to be 4.75% in the first year and remains at 5.0% from the second year. 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 conditions, 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. The percentage of investment returns that can be exempted from income tax has been assumed to be 12% in the next year and to be increased by 2% annually up to 16%.

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 for the grant period have been based on 60% and 50% of China Life Annuity (2000-2003) table for male and female respectively.

5. **Other incident rates**
Morbidity rate and accident rate assumptions have been based on the industry table or the Company's own pricing table. The trend of long-term morbidity deterioration has been taken into consideration. The loss ratios have been assumed to be within the range of 15% and 100% for short-term accident and health insurance business.

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

7. **Expense**
Expense assumptions have been based on the Company's most recent expenses investigation. Expense assumptions mainly consist of acquisition expense and maintenance expenses assumptions. The unit maintenance expense was assumed to increase by 2% per annum.

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

# Analysis of Embedded Value and Operating Profit

**Value of New Business**

First year premium (FYP) and new business value by segment are as follows:

| (in RMB million) | FYP used to calculate value of new business 2017 | 2016 | Change (%) | Value of new business 2017 | 2016 | Change (%) |
|---|---|---|---|---|---|---|
| **Retail business** | **142,361** | 110,506 | 28.8 | **67,027** | 50,527 | 32.7 |
| **Agency** | **121,798** | 90,357 | 34.8 | **60,786** | 46,413 | 31.0 |
| Long-term protection | **53,588** | 45,637 | 17.4 | **46,933** | 37,848 | 24.0 |
| Saving (short-PPP) | **51,842** | 32,158 | 61.2 | **8,113** | 4,905 | 65.4 |
| Saving (long-PPP) | **9,204** | 6,370 | 44.5 | **3,431** | 1,977 | 73.6 |
| Short-term | **7,163** | 6,193 | 15.7 | **2,309** | 1,683 | 37.2 |
| **Tele, internet and others** | **13,071** | 8,837 | 47.9 | **5,524** | 3,800 | 45.4 |
| **Bancassurance** | **7,492** | 11,311 | (33.8) | **716** | 314 | 128.4 |
| **Group business** | **29,186** | 25,216 | 15.7 | **330** | 278 | 18.6 |
| **Total for L&H** | **171,547** | 135,722 | 26.4 | **67,357** | 50,805 | 32.6 |

Note: (1) Figures may not match totals due to rounding.

(2) "PPP" stands for Premium Payment Period.

(3) Long-term protection products cover whole-life, term life, critical illness and long term accident insurance. Saving products (short-PPP) cover endowment and annuity products with PPP below 10 years. Saving products (long-PPP) cover endowment and annuity products with PPP of 10 years and above.

(4) Tele, internet and others includes telemarketing, internet marketing and Ping An Health's retail business.

(5) The differences between FYP used to calculate value of new business and FYP disclosed in MD&A are explained in the appendix

The profit margin of new business by segment:

| | By FYP 2017 | 2016 | By ANP 2017 | 2016 |
|---|---|---|---|---|
| **Retail business** | **47.1%** | 45.7% | **49.4%** | 50.7% |
| **Agency** | **49.9%** | 51.4% | **51.9%** | 53.8% |
| Long-term protection | **87.6%** | 82.9% | **87.9%** | 83.2% |
| Saving (short-PPP) | **15.6%** | 15.3% | **16.9%** | 17.1% |
| Saving (long-PPP) | **37.3%** | 31.0% | **39.4%** | 33.5% |
| Short-term | **32.2%** | 27.2% | **32.4%** | 27.3% |
| **Tele, internet and others** | **42.3%** | 43.0% | **41.7%** | 40.8% |
| **Bancassurance** | **9.6%** | 2.8% | **13.8%** | 8.1% |
| **Group business** | **1.1%** | 1.1% | **1.6%** | 1.6% |
| **Total for L&H** | **39.3%** | 37.4% | **43.3%** | 43.5% |

Note: ANP (Annualised new premium) is calculated as the sum of 100 per cent of annualised first year premiums and 10 per cent of single premiums.

The interest margin and other margins (include mortality margin and expense margin) as percentages of value of one year's new business after cost of capital are shown below:

| | Interest margin as % of NBEV | Other margins as % of NBEV |
|---|---|---|
| **Life and Health Insurance Business** | 36.2% | 63.8% |
| Including: Long-term protection | 25.1% | 74.9% |

Note: Interest margin of traditional and participating products is defined to be the contribution of investment return exceeding minimum guaranteed return for customers and attributable to the Company, while interest margin of universal and unit-linked products is defined to be the present value of investment spread and management charges.

### Embedded Value Movement

The table below shows how the Company's embedded value changes from the opening balance of RMB637,703 million to RMB825,173 million as at December 31, 2017.

| (in RMB million) | | 2017 | Note |
|---|---|---|---|
| **Opening EV of L&H** | [1] | **360,312** | |
| Expected return on opening EV | [2] | 31,745 | Expected embedded value growth |
| NBEV post-risk diversified | [3] | 88,117 | |
| Including: NBEV pre-risk diversified | | 67,357 | Business written in the year of 2017 Cost of capital calculated at policy level |
| Diversification effects within new business | | 9,345 | Diversification effects within NB lower cost of capital |
| Diversification effects with in-force | | 11,416 | Diversification effects between NB and in-force lower cost of capital |
| Operating assumptions and model changes | [4] | (758) | |
| Operating variance and others | [5] | 8,886 | Favoured operating experience |
| **EV operating profit of L&H** | [6]=[2]+...+[5] | **127,989** | |
| Economic assumptions changes | [7] | – | |
| Market value adjustment | [8] | (5,415) | Change in market value during reporting period |
| Investment return variance | [9] | 30,212 | Actual investment return calculated on the basis of comprehensive income is higher than the assumed return |
| **EV profit of L&H** | [10]=[6]+...+[9] | **152,787** | |
| Capital injection | | 638 | Capital injection to Ping An Health |
| Shareholder dividends | | (17,356) | Dividends paid by Ping An Life to the Company |
| **Closing EV of L&H** | | **496,381** | |
| **Opening ANA of other business** | [11] | **277,391** | |
| Operating profit of other business | [12] | 42,580 | |
| Non-Operating profit of other business | | 10,850 | Restructuring of Ping An Good Doctor resulted in RMB10,850 million increase in net profit |
| Market value adjustment and other variances | | 447 | |
| **Closing ANA of other business before capital changes** | | **331,268** | |
| Dividends received | | 17,356 | Dividends paid by Ping An Life to the Company |
| Capital injection | | (638) | Capital injection to Ping An Health |
| Dividends payout | | (19,194) | Dividends paid by the Company to shareholders |
| **Closing ANA of other business** | | **328,792** | |
| **Closing EV** | | **825,173** | |
| **EV per share (in RMB)** | | **45.14** | |

Note: Figures may not match totals due to rounding.

# Analysis of Embedded Value and Operating Profit

EV operating profit of the Group of 2017 is RMB170,569 million, which is comprised of RMB127,989 million of EV operating profit of L&H and RMB42,580 million of net profit of other business. The main source of EV operating profit of L&H is NBEV and expected return on opening EV.

| (in RMB million) | | 2017 | 2016 |
|---|---|---|---|
| EV operating profit of the Group | [13]=[6]+[12] | **170,569** | 115,848 |
| EV operating profit of L&H | [6] | **127,989** | 87,795 |
| Operating ROEV of the Group | [14]=[13]/([1]+[11]) | **26.7%** | 21.0% |
| Operating ROEV of L&H | [15]=[6]/[1] | **35.5%** | 27.0% |

### Sensitivity Analysis

The Company has investigated the effect, on the embedded value of the Group, embedded value of life and health insurance 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:

- Investment return and risk discount rate
- Assumptions and model used in 2016
- A 10% increase in mortality, morbidity, and accident rates.
- A 10% increase in policy discontinuance rates
- A 10% increase in maintenance expenses
- A 5% increase in the policyholders' dividend payout ratio
- A 10% decrease in fair value of equity assets

### Sensitivity of EV of the Group to investment return and risk discount rate

| | Risk discount rate | | |
|---|---|---|---|
| (in RMB million) | 10.5% | 11.0% | 11.5% |
| Investment return increased by 50bps per annum | 878,560 | 863,596 | 849,805 |
| Central case | 838,039 | 825,173 | 813,303 |
| Investment return decreased by 50bps per annum | 797,356 | 786,592 | 776,649 |

### Sensitivity of EV of L&H to investment return and risk discount rate

| | Risk discount rate | | |
|---|---|---|---|
| (in RMB million) | 10.5% | 11.0% | 11.5% |
| Investment return increased by 50bps per annum | 549,768 | 534,804 | 521,012 |
| Central case | 509,247 | 496,381 | 484,511 |
| Investment return decreased by 50bps per annum | 468,563 | 457,800 | 447,857 |

### Sensitivity of NBEV to investment return and risk discount rate

| (in RMB million) | Risk discount rate 10.5% | 11.0% | 11.5% |
|---|---|---|---|
| Investment return increased by 50bps per annum | 78,011 | 73,840 | 69,971 |
| Central case | 71,117 | 67,357 | 63,861 |
| Investment return decreased by 50bps per annum | 64,195 | 60,845 | 57,724 |

| Sensitivity to other assumptions (in RMB million) | EV of the Group | EV of L&H | NBEV |
|---|---|---|---|
| Central case | 825,173 | 496,381 | 67,357 |
| Assumptions and model used in 2016 | 826,378 | 497,585 | 67,190 |
| 10% increase in mortality, morbidity and accident rates | 809,593 | 480,801 | 62,016 |
| 10% increase in policy discontinuance rates | 817,309 | 488,516 | 64,469 |
| 10% increase in maintenance expenses | 822,419 | 493,626 | 66,739 |
| 5% increase in the policyholders' dividend payout ratio | 817,146 | 488,353 | 66,353 |
| 10% decrease in fair value of equity assets | 806,282 | 481,420 | N/A |

## ANALYSIS OF OPERATING PROFIT

Below section contains Group Operating Profit and Source of Earning and Residual Margin Analysis of L&H. The Company has engaged PricewaterhouseCoopers Consultants (Shenzhen) Limited to review the reasonableness of the methodology and the calculation results of the Analysis of Operating Profit as at December 31, 2017.

### Group Operating Profit

Due to the long-term feature of the majority insurance business of life and health, the measure of operating profit has been introduced to more appropriately evaluate business performance. Operating profit after tax is based on net profit from financial statements, excluding items that are of short-term, volatile or one-off nature, which include:

- Short-term investment variance, which is the variance between actual investment return of life and health insurance business and the EV ultimate investment return assumption, net of associated relevant impact on insurance and investment contract liability. The investment return of life and health insurance business is locked at 5% after excluding the short-term investment variance;

- Impact of discount rate change is the effect on insurance contract liability of life and health insurance business due to change in discount rate;

- Impact of one-off non-operating items are material items that management considered to be non-operating incomes and expenses.

It is believed that the operating profit after tax which excludes fluctuations of above non-operating related items could provide a clearer and more objective representation of business performance and trend.

The Group's operating profit after tax attributable to shareholders of the parent company in 2017 is RMB94,708 million, which is up by 38.8% from 2016.

# Analysis of Embedded Value and Operating Profit

| (In RMB million) | | Group 2017 | Group 2016 | L&H business 2017 | L&H business 2016 |
|---|---|---|---|---|---|
| **Net profit** | [1] | **99,978** | 72,368 | **36,143** | 25,033 |
| **Excluding:** | | | | | |
| Short-term investment variance of L&H | [2] | **4,532** | 2,168 | **4,532** | 2,168 |
| Impact of discount rate change of L&H | [3] | **(21,213)** | (17,652) | **(21,213)** | (17,652) |
| Impact of one-off material non-operating items | [4] | **10,850** | 9,497 | **-** | - |
| **Operating profit after tax** | [5]=[1-2-3-4] | **105,809** | 78,355 | **52,824** | 40,518 |
| **Attributable to:** | | | | | |
| - Owners of the parent | | **94,708** | 68,252 | **52,128** | 40,206 |
| - Non-controlling interests | | **11,101** | 10,104 | **696** | 312 |

Note: (1) Figures may not match totals due to rounding.

(2) The short-term investment variance and impact of discount rate change of life and health insurance business listed above are net of tax.

(3) The one-off material non-operating item in 2017 mainly referred to the restructuring of Ping An Good Doctor, while it mainly referred to the restructuring of Puhui Business in 2016.

## Source of Earning and Residual Margin Analysis of Life and Health Insurance Business

The breakdown by source of earning of life and health insurance business operating profit is shown below.

| (in RMB million) | | 2017 | 2016 | Note |
|---|---|---|---|---|
| Release of residual margin | [1] | **49,811** | 38,202 | |
| Return on net worth | [2] | **7,357** | 5,648 | Investment return on shareholder equity based on EV ultimate investment return assumption (5%) |
| Spread income | [3] | **5,637** | 3,715 | Investment return from assets backing liability based on EV ultimate investment return assumption (5%) higher than interest required on liability |
| Operating variance and others | [4] | **10,108** | 6,317 | Favored operating experiences |
| **Operating profit before tax** | [5]=[1+2+3+4] | **72,912** | 53,882 | |
| Income tax | [6] | **(20,088)** | (13,365) | |
| **Operating profit after tax** | [7]=[5]+[6] | **52,824** | 40,518 | |

Note: Figures may not match totals due to rounding.

Residual margin is the present value of future profits with release pattern locked in at the time of policy issuance, resulting in stable release and immunity to capital market volatility. As at December 31, 2017, residual margin of life and health insurance business was RMB616,319 million, up 35.5% from 2016 due to strong new business growth. The movement of L&H residual margin has been illustrated below:

| (in RMB million) | | 2017 | 2016 | Note |
|---|---|---|---|---|
| **Opening residual margin** | [1] | **454,705** | 330,846 | |
| Contribution from new business | [2] | **168,426** | 129,860 | |
| Expected interest growth | [3] | **22,642** | 17,391 | |
| Release of residual margin | [4] | **(49,811)** | (38,202) | |
| Operating variance and others | [5] | **20,357** | 14,811 | Favored lapse experience |
| **Closing residual margin** | [6]=[1]+...+[5] | **616,319** | 454,705 | |

## Appendix:

The differences between FYP used to calculate value of new business and FYP disclosed in MD&A are explained below.

| (in RMB million) | FYP used to calculate value of new business | FYP disclosed in MD&A | Difference | Reasons |
|---|---|---|---|---|
| **Retail business** | **142,361** | **160,446** | (18,085) | Guaranteed renewal and other short term products' renewal premiums are included in FYP disclosed in MD&A but not included in FYP used to calculate value of new business |
| **Group business** | **29,186** | **20,252** | 8,934 | In compliance with current accounting standards, group investment contracts are not included in FYP disclosed in MD&A, but included in FYP used to calculate value of new business due to their contribution to value of new business |
| **Total for L&H** | **171,547** | **180,698** | (9,151) | |

# Liquidity and Capital Resources

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

As at December 31, 2017, 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 Company whenever needed. The aim of the Group's liquidity management is to meet the liquidity requirements of operations, investment and financing activities of the Group while properly refining its financial resources allocation and capital structure to maximize shareholder return with the best financial resources allocation and capital structure.

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

The liquidity management of the Group comprises capital management and cash flow management. The Group 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 plan for the Group, based on the overall situation of its subsidiaries' business development. The Group Executive Committee then determines a final capital plan based on the strategic plan of the entire group before allocating capital accordingly.

All operating, investing and financing activities should follow the requirements of liquidity management. Ping An Group and its insurance subsidiaries implement separate management of their operating cash inflows and outflows. Through the pooling of cash inflows and outflows, allocation and deployment of funds are centralized. The Company and its subsidiaries are therefore able to monitor cash flow status in a timely manner. In 2017, the Group maintained net cash inflows in its operating cash flows.

## CAPITAL STRUCTURE

The Group's long-term capital stability stems from the profit continuously generated by its various businesses. Further, based on the capital plan, the Group ensures capital adequacy by using capital market and debt market instruments, issuing equity securities, subordinated debts, hybrid capital bonds and tier-2 capital bonds to raise capital. Adjustments were made to surplus capital through dividend distribution. As at December 31, 2017, the Group's equity attributable to shareholders of the parent company was RMB473,351 million, an increase of 23.4% compared with the beginning of 2017. The parent company's capital mainly comprised contributions from shareholders as well as proceeds from issuance of A shares and H shares.

The following table indicates the balances of subordinated bonds, capital supplement bonds, hybrid capital bonds and tier-2 capital bonds issued by the Group and main subsidiaries as at the end of 2017:

| Issuer | Type | Par value (in RMB million) | Coupon rate | Issued year | Maturity |
|---|---|---|---|---|---|
| Ping An Life | Subordinated bonds | 8,000 | First 5 years: 5.90%<br>Next 5 years: 7.90%<br>(if not redeemed) | 2014 | 10 years |
| Ping An Life | Capital supplement bonds | 5,000 | First 5 years: 3.90%<br>Next 5 years: 4.90%<br>(if not redeemed) | 2015 | 10 years |
| Ping An Life | Capital supplement bonds | 10,000 | First 5 years: 3.82%<br>Next 5 years: 4.82%<br>(if not redeemed) | 2016 | 10 years |
| Ping An Property & Casualty | Capital supplement bonds | 5,000 | First 5 years: 4.79%<br>Next 5 years: 5.79%<br>(if not redeemed) | 2015 | 10 years |
| Ping An Property & Casualty | Capital supplement bonds | 3,500 | First 5 years: 5.10%<br>Next 5 years: 6.10%<br>(if not redeemed) | 2017 | 10 years |
| Ping An Bank | Hybrid capital debt instrument | 1,500 | First 10 years: 5.70%<br>Next 5 years: 8.70%<br>(if not redeemed) | 2009 | 15 years |
| Ping An Bank | Hybrid capital debt instrument | 3,650 | 7.50% | 2011 | 15 years |
| Ping An Bank | Tier-2 capital bonds | 6,000 | 6.50% | 2014 | 10 years |
| Ping An Bank | Tier-2 capital bonds | 9,000 | 6.80% | 2014 | 10 years |
| Ping An Bank | Tier-2 capital bonds | 10,000 | 3.85% | 2016 | 10 years |

## FREE CASH OF THE HOLDING COMPANY

The free cash of the Company include bonds, equity securities, bank deposits and cash equivalents that the Company holds. They can be invested in subsidiaries or used in daily operations or for dividend distribution. As at December 31, 2017, the Company's free cash amounted to RMB38,332 million, up by RMB2,762 million compared with the beginning of this year.

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Beginning balance of free cash | **35,570** | 27,291 | 30.3 |
| Dividend from subsidiaries | **25,711** | 28,474 | (9.7) |
| Dividend out to shareholders | **(19,194)** | (10,054) | 90.9 |
| Capital injection into subsidiaries | **(7,702)** | (14,142) | (45.5) |
| Others | **3,947** | 4,001 | (1.3) |
| Ending balance of free cash | **38,332** | 35,570 | 7.8 |

The major cash outflows were dividend to A and H shareholders of RMB19,194 million and capital injection into subsidiaries of RMB7,702 million. The major cash inflow was dividend from subsidiaries of RMB25,711 million which is illustrated below:

| (in RMB million) | 2017 |
|---|---|
| Ping An Life | **17,356** |
| Ping An Property & Casualty | **3,030** |
| Ping An Trust | **2,500** |
| Ping An Asset Management | **1,480** |
| Ping An Bank | **1,345** |
| Total | **25,711** |

## DIVIDEND DISTRIBUTION

According to Article 213 of the Articles of Association, the Company shall attach importance to the reasonable investment returns of investors in terms of its profit distribution. The profit distribution policy of the Company shall maintain its continuity and stability. The accumulated profit to be distributed in cash for any three consecutive years shall not be less than 30% of the average annual distributable profit realized in the three years, provided that the annual distributable profit of the Company (namely profit after tax of the Company after covering the losses and making contributions to the revenue reserve) are positive in value and such distributions is in compliance with the prevailing laws and regulations and the requirements of regulatory authorities for solvency ratio. In determining the specific ratio of distribution of cash dividend, the Company shall take into account its profit, cash flow, solvency and operation and business development requirements. The Board of Directors of the Company shall be responsible for formulating and implementing a distribution plan according to the provisions of the Articles of Association. The Board of Directors will ensure the stability and continuity of the profit distribution policy, so that the Group can seize opportunities for growth in the future while maintaining financial flexibility.

In view of the increasing performance and confidence in the Company's prospects, the Board of Directors suggested raising the cash dividend ratio to 30.8%, which drives the dividend per share for 2017 up by 100.0% year on year to RMB1.50.

| | Cash dividend paid per share (in RMB) | Growth of cash dividend per share (%) | Cash dividend amount (including tax) (in RMB million) | Net profit attributable to shareholders of the parent company (in RMB million) | The ratio of distribution of cash dividend (%) |
|---|---|---|---|---|---|
| 2017 | 1.50 | 100.0 | 27,420 | 89,088 | 30.8 |
| 2016 | 0.75 | 41.5 | 13,710 | 62,394 | 22.0 |
| 2015 | 0.53 | 41.3 | 9,688 | 54,203 | 17.9 |

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

(2) Cash dividend paid per share is based on the then share capital. For 2015, it is the number after the conversion of capital reserve to share capital.

(3) Except the 2017 final dividend pending approval at the 2017 Annual General Meeting, the profit distribution for other years has been completed during the relevant years.

## CAPITAL ALLOCATION

Under integrated finance, the Company's ultimate goals are to support the Group's strategies and maximize capital efficiency. The Company follows three core principles in capital allocation: 1) to ensure capital levels of the Group's subsidiaries meet their respective business development needs and regulatory requirements; 2) to support mature, high-return businesses, boost performance, and create value; and 3) explore new businesses, seize new growth drivers and opportunities, and realize sustainable growth in the future.

## LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk of the Company being unable to obtain sufficient cash in time, or being unable to obtain sufficient cash in time at a reasonable cost, to repay debts that have become due or fulfill other payment obligations.

In accordance with domestic and international regulatory requirements such as those for the Global Systemically Important Insurers (G-SIIs) and those under C-ROSS, the Group has developed and regularly updated the Liquidity Risk Management Plan of Ping An Insurance (Group) Company of China, Ltd. (LRMP), and established a robust liquidity risk management framework covering risk appetites and limits, risk strategies, risk monitoring, stress testing, emergency management, appraisal and accountability, and relevant policies. Ping An has constantly improved its management procedures and processes for better identification, evaluation, and management of the liquidity risk at the group and subsidiary levels.

Under the Group's principles and guidelines for liquidity risk management, the subsidiaries have developed their own liquidity risk appetites, risk indicators, and risk limits according to the applicable regulations, industry practices, and features of their business activities. The Group and its subsidiaries have established robust liquidity risk information systems and liquidity monitoring and reporting procedures for adequate identification, accurate measurement, continuous monitoring, and effective control of the liquidity risk in various business activities. The Group and its subsidiaries regularly evaluate liquid assets and maturing debts, conduct stress tests of cash flows, and carry out forward-looking analysis on the liquidity risk for a certain period in the future to identify the potential liquidity risk and take measures to control liquidity gaps.

The Group and its subsidiaries have established liquidity reserve policies and maintained stable, convenient, and diverse sources of financing to ensure that they have adequate liquidity to tackle possible impacts from adverse situations; meanwhile, the Group and its major subsidiaries have developed robust liquidity contingency plans for handling any significant liquidity events. In 2017, in order to keep improving the Company's liquidity risk management ability, the Group and its subsidiaries formulated the liquidity emergency mechanism for the money market. Moreover, the Group organized emergency response drills to check whether contingency plans of the Group and its subsidiaries are effective and efficient against a complicated and ever-changing backdrop. In addition, the Group has set up internal firewalls to prevent intra-group contagion of the liquidity risk.

### Cash Flow Analysis

| (in RMB million) | 2017 | 2016 | Change (%) |
|---|---|---|---|
| Net cash flows from operating activities | **121,283** | 227,821 | (46.8) |
| Net cash flows from investing activities | **(354,767)** | (330,616) | 7.3 |
| Net cash flows from financing activities | **178,588** | 133,004 | 34.3 |

Net cash inflows from operating activities decreased by 46.8% year on year mainly due to the decreases in cash inflows in Ping An Bank's deposit and interbank businesses.

Net cash outflows from investing activities increased by 7.3% year on year. This was mainly due to the expansion of investment scale caused by business development.

Net cash inflows from financing activities increased by 34.3% year on year. This was mainly due to the increase in cash inflows from financing activities of subsidiaries such as Ping An Life.

### Cash and Cash Equivalents

| (in RMB million) | December 31 2017 | December 31 2016 |
|---|---|---|
| Cash | **202,471** | 301,557 |
| Financial assets purchased under reverse repo agreements to mature within 3 months | **93,008** | 58,766 |
| Bonds to mature within 3 months | **13,185** | 7,229 |
| Total cash and cash equivalents | **308,664** | 367,552 |

The Company believes that the liquid assets currently held, together with net cash generated from future operations and the availability of short-term borrowings, will be sufficient to meet the foreseeable liquidity requirements of the Group.

## GROUP SOLVENCY MARGIN

The insurance group solvency margin represents the consolidated solvency margin calculated as if the parent company and its subsidiaries, jointly controlled entities and associates were a single reporting entity. The group solvency margin ratio is an important regulatory measure of an insurance group's capital adequacy.

The related solvency data under C-ROSS of the Group are as follows:

| (in RMB million) | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| Core capital | **1,115,365** | 889,883 | 25.3 |
| Actual capital | **1,146,865** | 929,883 | 23.3 |
| Minimum capital | **533,775** | 442,729 | 20.6 |
| Core solvency margin ratio (regulatory requirement >=50%) | **209.0%** | 201.0% | 8.0pps |
| Comprehensive solvency margin ratio (regulatory requirement>=100%) | **214.9%** | 210.0% | 4.9pps |

Note: Core solvency margin ratio =core capital/minimum capital; comprehensive solvency margin ratio =actual capital/minimum capital.

A stable solvency position ensures that the Company meets capital requirements specified by external institutions such as regulators and rating agencies, and supports the Company in developing business and creating value for shareholders.

Stress test results about impacts of declines in interest rates and equity assets on Ping An Group, Ping An Life and Ping An Property & Casualty's solvency margin ratios as at December 31, 2017 are disclosed below:

| | Comprehensive solvency margin ratio | | |
|---|---|---|---|
| | Ping An Group | Ping An Life | Ping An Property & Casualty |
| Central case | 214.9% | 234.1% | 217.5% |
| 50bps decline in interest rate | 207.9% | 222.2% | 217.8% |
| 30% decrease in fair value of equity assets | 206.9% | 223.8% | 213.4% |

MANAGEMENT DISCUSSION AND ANALYSIS

# Risk Management

We strive to develop Ping An into a "world-leading technology-powered personal financial services group". To achieve this goal, we continuously optimize the risk control system and facilitate development of the risk management platform. Through identification and evaluation of risks, along with mitigation measures, we achieve a balance between risk and return which ultimately contributes to the sustainable growth of the Group.

## RISK MANAGEMENT OBJECTIVES

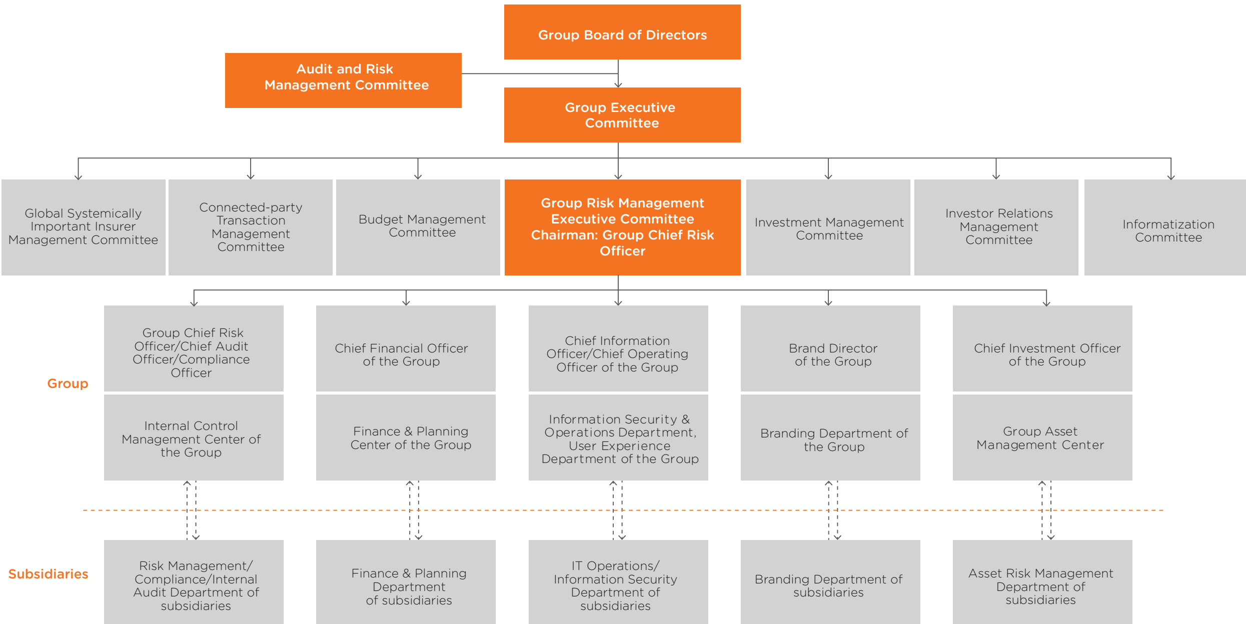
For nearly 30 years since its establishment, Ping An has regarded risk management as an integral part of its operations and business activities. We take steady steps to build an enterprise risk management system aligned with the Group's strategies and the nature of our business. We continuously optimize the risk management framework, standardize risk management procedures, and adopt qualitative and quantitative risk management methodologies to identify, evaluate and mitigate risks. Keeping risks under control, we promote sustainable business growth and build Ping An into a "world-leading technology-powered personal financial services group".

Ping An has been designated by the Financial Stability Board (FSB) and the International Association of Insurance Supervisors (IAIS) as one of the Global Systemically Important Insurers (G-SIIs) for many years. We have actively participated in development of international insurance regulations by keeping regulators informed of the realities in the Chinese insurance and financial markets, so as to create a more favorable international regulatory environment for developing countries and China's insurance industry. In 2017, as required by the FSB and the IAIS, Ping An reviewed and updated its Systemic Risk Management Plan (SRMP), and Recovery and Resolution Plan (RRP) including the Liquidity Risk Management Plan (LRMP). Based on the changes of the systemic risk assessment indicators, Ping An reviewed the changes in its business and risk profile. According to the comprehensive review and assessment, Ping An has effectively kept risks under control with its specialized enterprise risk management framework, and the Group's potential systemic impact on the financial market has been limited. The RRP including LRMP for 2017 has been approved by executive directors authorized by the Board of Directors, and has been approved by the CIRC. Ping An also cooperated with regulators in the Resolvability Assessment Process (RAP) for 2017 centering on feasibility and credibility, which proved that the potential systemic impact of the Group was extremely limited, and the Group was capable of managing internal and external risks and maintaining continuity of critical functions without harm to public interests. In addition to meeting the G-SII and the China Risk Oriented Solvency System (C-ROSS) regulatory requirements, Ping An takes the G-SII projects as an opportunity to incorporate global best practices into its risk management and business procedures, effectively prevents risks and risk contagion, provides its integrated financial business with strong risk protection, safeguards the rapid development of its innovative business, and acts as a stabilizer of financial markets to make greater contributions to China's financial innovation and development.

Amid evolving regulations in the changing domestic and global economic environments, Ping An has diversified its offerings under the "finance + technology" strategy. Based on robust compliance management and internal control, the group builds an effective enterprise risk management framework in line with international standards through risk quantification tools and risk performance appraisals, centering on capital management and being risk-appetite-oriented. By improving risk management and technology, and dynamically managing both individual and cumulative risks, the Company aims to achieve a balance between risk management and business development.

## RISK MANAGEMENT ORGANIZATIONAL STRUCTURE

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




The Board of Directors is the highest decision-making authority for the Company's risk management and takes responsibility for the effectiveness of the overall risk management function. The Audit and Risk Management Committee under the Board of Directors is responsible for having a thorough understanding of major risks and the Group's management situation, monitoring the effectiveness of the risk management framework, and making recommendations to the Board of Directors after deliberations on the following matters:

- Overall objectives of risk management, risk appetites and tolerance, and risk management policies and procedures;
- The organizational structure and responsibilities of risk management;
- Risk assessments for major decisions and solutions to significant risk;
- Annual risk assessment reports.

The Group Executive Committee leads all aspects of the Group's risk management, comprising nine committees, such as the Group Risk Management Executive Committee (RMEC), the Investment Management Committee, the Budget Management Committee, the Investor Relations Management Committee, the Connected-party Transaction Management Committee, the Global Systemically Important Insurer Management Committee and the Informatization Committee. The RMEC as a specialized committee reports to the Group Executive Committee and holds the supreme leadership in the Group's risk management. The RMEC makes major decisions on risk management and is fully responsible for the Group's risk management results. Main duties of the RMEC include deliberating on the overall risk management goal, risk appetites, risk limits, policies and operating procedures, giving instructions on developing risk management frameworks, monitoring the Company's risk exposure and risk capital, deliberating on risk management reports and financial management initiatives, overseeing establishment of risk management organizations in subsidiaries and monitoring their performance, supervising implementation of the risk management system in each subsidiary or business line, and promoting a culture of comprehensive risk management across the Group.

The Group's Chief Risk Officer acts as the RMEC's chairman, while the Group's President, Chief Financial Officer, Chief Information Officer/Chief Operating Officer, Brand Director and Chief Investment Officer as vice chairmans. Members of the RMEC are heads of the Group's risk management departments, each of whom has clearly-defined responsibilities of managing the asset quality risk, liquidity risk, information security risk, operational compliance risk, brand reputation risk and so on.

In 2017, the Group closely followed domestic and foreign regulatory trends such as G-SIIs, the New Basel Capital Accord and C-ROSS. It continued to strengthen its enterprise risk management framework, upgraded the risk governance and risk management policies of the Group and its subsidiaries, developed a Group-subsidiary risk management structure covering all risks and a centralized management platform to create synergy for enhanced risk management capabilities of the Group. The Group also improved its risk appetite system, developed risk management guidelines, evaluated risk management capabilities, standardized risk management requirements, reviewed business progress, and optimized capital utilization, to strike a balance between business development and risk management. The Group fulfilled risk management responsibilities and continued to optimize risk monitoring and reporting mechanisms. Through the Risk Dashboard, the Group and its subsidiaries have identified, classified and evaluated risks in a systematic manner, and applied big data and artificial intelligence to ensure that all risks are effectively controlled and managed on a timely basis.

To meet regulatory requirements and support the Company's strategy and business development in a healthy and effective manner, the Group implemented a top-down and performance-linked risk evaluation indication system. The evaluation criteria for personnel, entities and procedures were developed on the principle of "accountability at every level with evaluation at each stage". The Group aims to closely link risk compliance with performance appraisal, and raise the awareness of risk management.

## RISK MANAGEMENT CULTURE

As the risk governance system becomes more sophisticated, a risk culture has permeated the Group's ranks, from the Board of Directors to senior management and from committees to employees. This culture has facilitated an effective and efficient approach that is both top-down and bottom-up, which lays a solid foundation for the effective integration of risk management into the Group's daily operations. This in turn helps to protect shareholder equity, improves capital efficiency, supports management decisions and ultimately creates value for the Group.

## RISK APPETITE SYSTEM

A risk appetite system is central to Ping An's overall strategy and enterprise risk management. In line with the Group's overall strategy and in consideration of the subsidiaries' development needs, the Group has built a risk appetite system that matches its business strategies, and combined risk appetites with management decisions as well as business development to promote healthy growth of the Group and subsidiaries.

The Group's risk appetite system has four core dimensions: capital adequacy, liquidity adequacy, a good reputation, and compliance. The Group has used these dimensions to guide subsidiaries in specifying their unique risk appetite dimensions according to their business features and demand, broken down risk appetites and tolerance into risk limits under different categories, and applied the risk limits to routine risk monitoring and early warning, so as to support business decision-making and strike a balance between risk management and business development.

### MAJOR MEASURES OF RISK MANAGEMENT

The Group continues to strengthen its enterprise risk management system, improve its organizational structure, formulate risk management policy and guidelines, standardize procedures for risk management and implement risk management responsibility. The Group adopts qualitative and quantitative risk management approaches to identify, evaluate and mitigate risks, so as to effectively prevent systemic risks associated with integrated finance, as well as to enhance the overall risk management capabilities for the balanced development of core finance and fintech & healthtech businesses.

- The Group has established an optimal risk governance framework and risk management reporting mechanism, as well as promoted the inclusion of risk indicators in performance evaluation which integrates risk management culture into its corporate culture. This lays a foundation for the healthy, sustainable and steady development of the Group's business.

- The Group is actively exploring and formulating a risk appetite framework in line with its business development strategy. It also formulates risk management guidelines and standardizes risk management requirements of subsidiaries.

- The Group has established a risk management system on risk concentration, which strengthens its ability to manage concentrated risks, ranging from policy formulation to risk limit management, system building and risk reporting, so as to improve the Group's overall capability of risk management for its integrated financial service business.

- The Group has established an effective risk warning mechanism, providing timely and effective alerts on industry developments, regulatory information or risk events, effectively guarding against potential risks. The Group has also improved its risk emergency management mechanism.

- The Group utilized tools and methods such as the risk dashboard, scenario analysis, stress tests and risk limits to continuously develop and optimize quantitative techniques and models of risk management, analyze risk exposures and evaluate their quantitative and qualitative impacts on our risk bottom lines. Such measures enable us to plan ahead and take necessary precautions in a timely manner to prevent and mitigate risks.

- The Group has carried out studies and practice of asset-liability risk management, and consolidated risk monitoring. Big data and artificial intelligence were effectively applied to the entire risk management cycle to enhance risk management capabilities and support the Company's "finance + technology" strategy.

- The Group manages risks of its subsidiaries through integrated management, risk management capabilities evaluation and improved risk measurement. Subsidiaries were instructed to apply big data and artificial intelligence to build up their smart risk management. By improving the risk management platform of the Group, we have enhanced the efficiency of risk management.

# Risk Management

## RISK ANALYSIS

The Group has categorized all risks to ensure they are well defined and managed. Below are major risks and their definition.

| 1.General Risks | 2. Group-level Risks |
|---|---|
| 1.1. Insurance Risk | 2.1. Risk Contagion |
| 1.2. Market Risk | 2.2 Organizational Structure Non-transparency Risk |
| 1.3. Credit Risk | 2.3 Concentration Risk |
| 1.4. Operational Risk | 2.4 Non-insurance Risk |
| 1.5. Strategic Risk | |
| 1.6. Reputation Risk | |

### 1. General Risks

The Group attaches importance to effective management of subsidiaries' general risks. Following the requirements of internal management and external regulation, the Group has strengthened active management of the insurance risk, market risk, credit risk, operational risk, strategic risk and reputation risk.

#### 1.1 Insurance Risk

The insurance risk refers to the risk of adverse deviation of the actual mortality rate, morbidity rate, loss ratio, expense ratio or surrender rate from expectations, which may cause losses to the Group.

The Group assesses and monitors insurance risks with sensitivity analysis, stress testing and so on. It mainly evaluates the impacts of actuarial assumptions, such as the discount rate, investment yield, mortality rate, morbidity rate, surrender rate and expense ratio, on our insurance liability reserve, solvency and profit in different scenarios.

**Sensitivity analysis of long-term life insurance contracts' insurance liability reserve**

| December 31 2017 (in RMB million) | Change in assumptions | Impact on insurance liability reserve (after reinsurance) increase/ (decrease) |
|---|---|---|
| Discount rate/ investment yield | +10bps | (4,957) |
| Discount rate/ investment yield | -10bps | 5,093 |
| Mortality, morbidity, accident rates, etc[1] | +10% | 32,477 |
| Surrender rate | +10% | 10,391 |
| Policy maintenance expense ratio | +5% | 2,563 |

(1) Change in mortality, morbidity, and accident rates refers to a 10% increase in the morbidity rates, mortality rates, accident rate and other rates of life insurance policies (a 10% increase in mortality rate of annuity policies before the payment period, and a 10% decrease after the payment period).

(2) For long term life and health insurance contracts where future insurance benefits are not affected by the investment return of the underlying asset portfolio, with consideration of the Cai Kuai [2017] No.637 issued by the CIRC and other related regulatory requirements, the corresponding sensitivity results are prepared based on the benchmarking yield curve for the measurement of insurance contract reserve increased or decreased by 10 basis points.

**Sensitivity analysis of property and casualty insurance and short-term life insurance contracts' outstanding claims reserves**

| December 31 2017 (in RMB million) | Change in average claim cost | Impact on outstanding claims reserve (after reinsurance) increase/ (decrease) |
|---|---|---|
| Property and casualty insurance | +5% | 3,821 |
| Short-term life insurance | +5% | 268 |

The mechanism and procedures adopted by the Group to manage insurance risks are as follows:

- Develop insurance risk policies and a scientific and consistent insurance risk management framework within the Group;
- Develop a set of key insurance risk indicators, closely monitor them, analyze abnormal changes and take management measures;

- Establish model management policies, standardize actuarial models of the Group and strictly control model risks;
- Implement effective product development and management policies, develop products with proper insurance coverage and fair pricing, and control product pricing risks;
- Implement prudent underwriting policies, establish relevant guidelines for policy contracting and underwriting, effectively control and reduce adverse selection risks;
- With strict claim investigation and settlement procedures, identify and prevent questionable and fraudulent claims;
- With effective product management procedures, carry out experience and trend analysis with the latest and the most accurate and reliable data, well manage the product mix and control insurance risks;
- Evaluate unearned premium reserves and outstanding claims reserves using effective reserve assessment procedures and methods, and assess the reserve adequacy on a regular basis;
- With effective reinsurance management procedures, properly set self-retained risk limits, use reinsurance as an effective risk transfer tool to transfer the excess risks to reinsurers with a high level of solvency, and control insurance risks.

### 1.2 Market Risk

Market risk refers to the risk of unexpected losses arising from unfavorable movements in interest rates, equity prices, foreign exchange rates and real estate prices.

The Group has continuously strengthened its market risk management system, and reinforced its ability to identify, evaluate, measure, analyze and report on market risks at multiple levels. It further strengthened its investment risk management platform, which reinforced the foundation of risk management and enhanced risk management efficiency. Besides, it improved the risk management reporting mechanism, and consolidated risk monitoring and management. Stress testing was optimized to realize its decisional value in risk bottom line control. A risk limit management system was launched to monitor risks in the Group, subsidiaries and business lines. The Group also reinforced the risk early warning system, which led to more targeted, forward-looking and thorough risk management.

The Group adopts the following mechanism and procedures to manage market risks:

- Market risks are managed in a top-down manner by the RMEC, the Group's Investment Management Committee and the risk management committees of subsidiaries;
- Investment and asset risk management guidelines are developed to manage market risks in a forward-looking manner while ensuring safety, comprehensiveness and effectiveness, and matching up assets and liabilities;
- A multi-layered risk limit system was established on the basis of risk bottom lines and asset-liability management strategies to keep market risks under control. While setting risk limits, the Group takes risk management strategies and the impacts on financial strength into account;
- Methods such as value at risk (VaR), sensitivity analysis and stress tests are applied based on the characteristics of investment and market risk management, for scientific and effective assessment and management of market risks;
- The risk monitoring and reporting mechanism is standardized. Risk reports are issued regularly to provide suggestions on risk management and ensure market risks are within the Company's tolerance.

The main market risks to which the Group is exposed are interest rate risk, equity risk, foreign exchange risk and real estate price risk.

### *Market Risk – Interest Rate Risk*

Fixed maturity investments held by the Group are exposed to the interest rate risk. These investments are substantially represented by bond investments booked at fair value on the balance sheet. The Group uses various tools such as sensitivity analysis and stress tests to evaluate the interest rate risk of such investments.

The sensitivity of interest risk is assessed by assuming a 50 basis-point parallel shift of the government bond yield curve.

| December 31 2017 (in RMB million) | Change in interest rate | Decrease in profit | Decrease in equity |
|---|---|---|---|
| Bond investments classified as financial assets carried at fair value through profit or loss and available-for-sale financial assets | +50 bps | 101 | 4,026 |

The interest rate re-pricing and duration mismatch's impacts on yields in banking business are mainly assessed through a gap analysis. We analyze the re-pricing characteristics of assets and liabilities on a regular basis, and carry out a scenario-based analysis of the interest rate risk through the asset-liability management system. On the basis of the existing gap, we adjust the re-pricing frequency and set limits on the maturity of corporate deposits to reduce duration mismatch in re-pricing. Meanwhile, the Assets and Liabilities Management Committee holds regular meetings to make timely and appropriate adjustments to the asset-liability structure and manage the interest rate risk in response to macro-economic trends and the policies on benchmark interest rates of the PBOC.

### *Market Risk – Equity Risk*

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

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

As at December 31, 2017, the VaR for listed equity securities and securities investment funds is as follows:

| December 31 2017 (in RMB million) | Impact on equity |
|---|---|
| Listed equity securities and securities investment funds classified as financial assets carried at fair value through profit or loss and available-for-sale financial assets | 9,455 |

### *Market Risk – Foreign Exchange Risk*

Foreign currency-denominated assets held by the Group are exposed to foreign exchange 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 risks 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, as well as non-monetary liabilities measured at fair value.

The sensitivity to foreign exchange risk is calculated by assuming a simultaneous and uniform 5% rate of 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 2017<br>(in RMB million) | Decrease in equity |
|---|---|
| Net exposure to fluctuations in exchange rates assuming a simultaneous and uniform 5% depreciation rate of all foreign currency denominated monetary assets and liabilities and non-monetary assets and liabilities measured at fair value against the Renminbi | 2,956 |

In the case above, if the currencies appreciate by the same proportion, the appreciation will have an inverse effect of the same amount on equity in the table.

### *Market Risk – Real Estate Price Risk*

The Group is exposed to real estate price risk associated with its holding of investment properties. The Group tracks its exposure to property investment, monitors the movement of real estate prices in relevant regions, analyzes the impact of macro policies and regional economic development on real estate prices, and conducts stress tests on a regular basis. Moreover, the Group has engaged independent valuers to conduct the fair value assessment.

As at December 31, 2017, the fair value of the Group's holding of buildings under investment properties stood at RMB67,532 million.

## 1.3 Credit Risk

Credit risk is the risk of unexpected losses resulting from the default of any debtors or counterparties because of their failure of timely performance or adverse changes in their credit profiles. The Group is exposed to credit risk primarily associated with its deposit arrangements with other commercial banks, loans and advances to third parties, bond investments, reinsurance arrangements with reinsurance companies, policy loans, margin trading and off-balance-sheet related activities.

The Group manages credit risk through various measures, including:

- Establishing a credit risk management mechanism with credit risk rating as its core methodology;
- Developing standardized policies, systems and procedures for credit risk management;
- Defining credit risk limits in multiple dimensions for investment and credit portfolios;
- Monitoring credit risk through a risk management system.

The Group is in strict compliance with the credit risk management guidelines. Under the guidance of the Board of Directors and the management, the Group carries out consolidated analysis, monitoring and management of the credit exposures of lending and investment businesses at the group level. The Group specifies and refines credit risk limits for different accounts and products to manage high risk exposures and the concentration of risk after consolidating the Group's financial statements. It also provides forward-looking insights and analysis of potential credit risks and their impacts on the Group.

On the basis of 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 concentration risks. In order to manage credit risks associated with the banking business, the Group adopted advanced capital management methods and continuously improved credit structure in line with changes in the economic and financial situation, macroeconomic policies and the requirements of regulatory authorities. Credit risk limits were set on portfolios in multiple dimensions. The Group conducts thorough and stringent credit assessments to potential borrowers before granting credit facilities and reviews outstanding loans on a regular basis. Risk mitigations were strengthened in key areas to prevent the accumulation of credit risk from large exposures. Credit risk management measures also include obtaining collateral and guarantees. In the case of off-balance sheet credit related commitments, the Group refers to the principles and methods applied to on-balance sheet credit asset management to set up standard approval and management procedures, and usually receive performance deposits to mitigate credit risk. The credit quality of the off-balance sheet business is good. The Group continued to step up its efforts in credit risk monitoring and precautions, enhancing its capability to provide early warning of risks and make prompt responses. It also actively dealt with changes in the market environment and conducted regular analysis of trends and changes of credit risk, taking precautionary measures to control risk. Furthermore, for credit risk associated with the investment business, the Group makes credit assessments on potential investments in line with internal risk control policies and procedures, chooses a counterparty that has a relatively high credit standing and adopts a multi-dimensional approach on setting risk limits on investment portfolios in order to manage credit risks. For reinsurance credit risk associated with insurance business, i.e. credit risk which occurs when a reinsurance company is unable to fulfill its obligations, the Group would evaluate the credit of the reinsurer before entering into a reinsurance contract, and seek to reinsure with companies that have higher credit standing to mitigate such risks.

| December 31 2017 | The ratio to total corporate debts/ financial debts |
|---|---|
| Corporate bonds held by the Group with the domestic credit rating of AA and A-1 or above | 99.34% |
| Financial bonds held by the Group with the domestic credit rating of A or above | 99.98% |

### 1.4 Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or flawed internal procedures, employees, information technology systems and external events.

The Group strictly follows applicable regulations and its operational risk management strategies. It uses existing compliance management and internal control systems as the basis to integrate the advanced standards, methods and tools of operational risk management of domestic and foreign regulators, optimizes the operational risk management structure and the operational risk management policies, strengthens collaboration and cooperation between departments, established daily monitoring and reporting mechanisms, provides regular reports to the management on the overall operational risk situation, developed a set of professional rules and standards for operational risk management, strengthens the system platform, and constantly raises the effectiveness of operational risk management.

The Group manages operational risk primarily through the following mechanisms and measures:

- Establishing a robust and comprehensive management system covering the whole Group which identifies, evaluates, monitors, controls/mitigates, and reports operational risks;
- Constantly optimizing the operational risk policy, framework, workflow, system and tools, enhancing overall operational risk management;
- Stepping up the implementation of operational risk management tools among subsidiaries, such as the Risk and Control Self-Assessment (RCSA), Key Risk Indicator (KRI) and Loss Data Collection (LDC);
- Conducting research and planning on operational risk capital provision measurement according to regulatory requirements and management requirements;
- Promoting a culture of operational risk management through operational risk management training.

### 1.5 Strategic Risk

Strategic risk refers to the risk of the Company's strategy not matching the market environments and the Company's capabilities due to ineffective development and implementation of the strategy or changes in the business environments.

The Group has established a sound strategic risk management framework and procedures. By closely watching macroeconomic conditions both at home and abroad, regulatory landscape and market movement, the Group developed high-level plans and strategies to ensure consistency between the strategic goals of subsidiaries and the strategic plans of the Group and synergies between strategic goals of subsidiaries. The Group formulated medium-term and long-term strategic plans and annual business plans, clarifying strategic focuses of the Group and its subsidiaries to ensure further implementation of the strategic plans. Moreover, the Group oversaw and evaluated subsidiaries' implementation of strategic plans, and reviewed and adjusted strategic plans of subsidiaries to ensure successful implementation of the Group's high-level strategic plans.

### 1.6 Reputation Risk

Reputation risk is the risk of the Company's brand or reputation being damaged and other relevant losses caused by negative comments from stakeholders on the Company due to a defect in the Company's operation or an external event.

The Group constantly improves its reputation risk management approach as per regulations, has built and improved the pre-warning, monitoring, review and remediation procedures for reputation risk management, closely monitors the business lines with potential risks and external factors to identify risk events and give warnings, follows up on the risk warnings, and minimizes the risk and chance of reputation crisis through effective control and remediation.

## 2. Group-level Risk

The Group proactively strengthens risk control of its subsidiaries, implements relevant regulatory requirements, and constantly enhances management of group-level risks such as risk contagion, the risk due to an opaque organization structure, the concentration risk, and risks in non-insurance areas.

### 2.1 Risk Contagion

Risk contagion refers to a situation where the risk created by a member of the Group spreads to another member of the Group by means of intercompany transactions or other activities, causing losses to such other member.

As the Group promotes synergies in integrated finance, in order to prevent intra-group risk contagion, the Group has strengthened management and coordination across the Group by building firewalls, managing connected-party transactions ("CPTs"), outsourcing and cross-selling, and coordinating the Group's branding, communication, and information security functions.

The Group has built robust risk firewalls. The Group has built robust firewalls between the Group and its subsidiaries and among its subsidiaries, including legal-entity firewalls, finance firewalls, and information firewalls, and personnel management firewalls to prevent risk contagion. First, the legal-entity firewalls. The Group and its subsidiaries have complete governance structures. The Group itself engages in no specific business activity. It manages the subsidiaries through shareholding, but neither participates in nor intervenes in the subsidiaries' routine business. The subsidiaries carry out business activities independently, and are supervised by their respective regulators. Second, the finance firewalls. The Group and its subsidiaries have finance functions respectively; senior finance managers may not take concurrent offices at different entities within the Group. Each entity has clear accounts, with independent accounting, assets, and liabilities. Third, the information firewalls. The Group has established the governance structure with three lines of defense for information security. Subsidiaries have established information security departments to strictly implement the Group's information security management rules for effective information segregation. Attaching great importance to customer information management and security of products and businesses on the internet, the Group has set up the mechanism for comprehensive in-the-process monitoring since the Cybersecurity Law of the People's Republic of China was promulgated in 2017. Moreover, the Group adopted cutting-edge technologies, such as big data and artificial intelligence (AI), and security measures in terms of infrastructures, terminals, business and people to effectively protect customer information security. Meanwhile, the Group has been increasing awareness of information security and building a culture where everyone is responsible for information security. The Group's information security system boasts ongoing improvement and effective operations. Fourth, the personnel management firewalls. The Group and its subsidiaries have separate management structures, with clear roles and responsibilities so that personnel do not perform roles with potential conflict of interests. Meanwhile, an insurance subsidiary's senior management may not serve as the senior management of non-insurance subsidiaries (unless otherwise stipulated by laws, administrative regulations and the CIRC).

The Group has constantly improved the management of CPTs. In 2017, domestic regulators further tightened regulation of CPTs by promulgating stricter regulatory standards. The Group and its subsidiaries such as the insurance companies, bank, trust company, securities company, fund management company, and asset management company constantly enhanced management of CPTs in strict accordance with laws and regulations. The Group's Connected-Party Transaction Committee functioned effectively, coordinated Group-wide CPT management, constantly optimized management policies and procedures, and enhanced CPT identification, review and fair value-based pricing to ensure fair pricing for CPTs and prevent improper transfer of benefits. The Group continued to increase transparency by disclosing and reporting CPTs in strict accordance with rules. The Group has developed a culture of strong compliance awareness for CPTs. The Group's CPT management systems and mechanisms have been improved and effectively operated.

The Group has improved its approach to outsourcing. Currently, the Group's four centres (Administration, Internal Control, HR, and Finance) outsource IT services to Ping An Technology, including IT advisory services, development, application system operations, call centre services, office support, and information security. The four centers outsource financial operations to Ping An Financial Services, including financial review and accounting, financial system configuration, cash collection and payment, financial voucher filing, tax processing, sale/purchase and payment of foreign exchanges, and personal income tax declaration.

The Group has enhanced the management of cross-selling. Retail cross-selling businesses are mainly distribution of insurance products by sideline agents. Such agents distribute products in an orderly manner under sideline agency agreements with Ping An in accordance with laws and regulations. If customers need products beyond agents' offerings, customers may use specific applications or visit platforms of other Ping An subsidiaries for information and purchase. The Group Integrated Finance Committee coordinates and promotes cross-selling of group products within Ping An Group. The business is done through distribution by insurance agents and business recommendation. Distribution by agents is subject to the rules on sales agents; business recommendation only involves matching both parties' intentions of cooperation in strict accordance with market rules. All businesses are reviewed independently by each subsidiary's risk function in line with the firewall policies.

The Group has centralized the management of branding, communication, and information disclosure. The Group has implemented central management of branding, communication, and information disclosure. The Group has developed robust rules and procedures for brand asset management and information disclosure, and strictly implemented them to ensure central management and consistency of branding.

### 2.2 Organizational Structure Non-transparency Risk

The organizational structure non-transparency risk refers to the risk of losses in the Group caused by the complexity or opaqueness of the Group's shareholding structure, management structure, operational processes, and business types.

The Group has a clear shareholding structure. The shareholding structure of the Group is clear, balanced, and scattered. There is no controlling shareholder, nor de facto controller. The Group's subsidiaries engage in businesses such as insurance, banking, investment, and internet. All the subsidiaries have clear shareholding structures; none of them have cross-shareholding or illegal subscription for capital instruments.

The Group has a transparent governance structure. The Group has established a clear corporate governance structure in accordance with laws and regulations such as the Company Law of the PRC and the Securities Law of the PRC, with the Group's situations taken into account. The General Meeting of Shareholders, the Board of Directors, the Supervisory Committee, and the senior management have exercised their rights and performed their obligations in accordance with the Articles of Association. The Group engages in no specific business activity. The Group manages the subsidiaries through shareholding, but neither participates in nor intervenes in the subsidiaries' routine business. The Company and its subsidiaries have clearly defined roles and responsibilities of their respective functions, which are independently operated and well coordinated subject to checks and balances. There is no overlap, absence, or over-concentration of powers and responsibilities.

### 2.3 Concentration Risk

The concentration risk refers to the risk that members' single or combined risks, when aggregated at the Group level, may be enough to directly or indirectly threaten the Group's solvency position. The Group manages the concentration risk through business counterparty management, investment management, insurance business management, and non-insurance business management.

In order to control the concentration risk from the perspective of business counterparties, the Group has specified a set of single risk limits for major counterparties based on the counterparties' risk tolerance as well as the Group's risk appetite and risk tolerance. The Group's set of single risk limits covers major non-retail, non-trading counterparties in its investment and financing businesses.

In order to manage the concentration risk in investment assets, the Group has classified investment assets and specified a set of concentration risk limits for asset classes according to their respective risk-return profiles. Moreover, the Group has regularly reviewed the concentration risk posed by investment assets at the subsidiary level to prevent any solvency risk and liquidity risk arising from over-concentration of the Group's investment assets in a certain asset class, counterparty, or sector.

The Group also manages the concentration risk in insurance and non-insurance businesses. The Group evaluates, analyzes, monitors and reports the concentration of its businesses in accordance with the CIRC's rules for concentration risk management of the Group's insurance and non-insurance businesses. Regarding the concentration of insurance business, the Group has enhanced the framework of concentration risk limits for reinsurance counterparties, risk monitoring, risk analysis, and risk warning by implementing the reinsurer credit and concentration management procedures. Regarding the concentration of non-insurance businesses, the Group has analyzed the structures and risk profiles of non-insurance businesses, specified the concentration risk indicators to be monitored, and included such indicators in the routine risk management framework. The Group has effectively prevented the concentration risk through regular evaluation, monitoring, and warning of the concentration risk in insurance and non-insurance businesses.

### 2.4 Non-insurance Risk

As an integrated financial service group authorized by the State Council to engage in separate operations under a listed holding group subject to separate regulation, the Group has established independent legal entities that engage in insurance, banking, investment, and fintech & healthtech businesses respectively. Regarding corporate governance, all the subsidiaries in non-insurance areas carry out specialized operations independently, and are supervised by their respective regulators; the Group ensures that all the non-insurance subsidiaries are effectively segregated from the insurance subsidiaries in terms of assets and liquidity.

For equity investments in non-insurance areas, the Group has developed rules, standards and limits, established processes for investment decision making, risk management, investment review, evaluation and reporting, and specified mechanisms for management before, during and after investment deals. Moreover, the non-insurance subsidiaries strictly follow the Company's strategic planning process to analyze the feasibility of business strategies, regularly review the ROICs, investment payback periods, business and financial performance as well as valuations, and evaluate the risk-return profiles of various businesses.

## SOLVENCY MANAGEMENT

Solvency refers to the Group's ability to settle its liabilities. An insurance group's solvency is the consolidated solvency calculated by taking the parent company, subsidiaries, joint ventures, and associates as a single reporting entity. An insurance group's solvency margin ratio is a key regulatory indicator for evaluating an insurance group's capital adequacy. The key objective of solvency management is to meet statutory capital requirements and maintain a healthy capital ratio to support business growth and maximize shareholder value. A stable solvency margin ratio can ensure that the Company meets capital requirements specified by external institutions such as regulators and rating agencies, and support the Company's business development and shareholder value creation.

Since the CIRC began to implement the China Risk Oriented Solvency System (C-ROSS) two years ago, China's insurance industry has realized a smooth, substantive transition towards comprehensive risk management. C-ROSS has significantly helped to modernize insurance regulation, strengthen the industry's risk management, promote the industry's transformation and upgrading, and increase the global influence of China's insurance market. C-ROSS consists of three pillars, which are quantitative capital requirements, qualitative regulatory requirements, and market disciplinary mechanisms. C-ROSS enables insurers to strike a balance between risk prevention and value growth by embedding the philosophy of risk management in all dimensions of business development.

Qualitative supervisory requirements, as the second pillar of C-ROSS, are mainly based on the CIRC's Solvency Aligned Risk Management Requirements and Assessment (SARMRA). The SARMRA results are linked with an insurer's minimum capital for risk control, so as to adjust the minimum capital requirement based on the first pillar. As per the SARMRA results for 2017 unveiled by the CIRC, Ping An Life scored 85.58. The score allowed Ping An Life's minimum capital requirement under C-ROSS to reduce by RMB8,623 million as at December 31, 2017. Ping An Property & Casualty scored 84.10. Because of the score, Ping An Property & Casualty's minimum capital requirement under C-ROSS reduced by RMB756 million as at December 31, 2017.

The Group manages its solvency through the following mechanisms and processes:

- The impacts on solvency must be evaluated when we develop key initiatives such as strategies, business plans, investment decisions, and dividend distribution plans;
- The solvency target is a key indicator for the Company's risk management, and an emergency reporting and response mechanism is in place for significant changes in the solvency to ensure the solvency is maintained at an appropriate level;
- The solvency indicator has been included as a KPI in performance appraisal at the Company level to be implemented in a top-down manner;

- We adopt a prudent asset and liability management policy, constantly enhance asset quality and business operations, strengthen capital management, and focus on capital requirements arising from rapid business growth;
- We conduct solvency assessments and dynamic solvency tests on a regular basis, and closely monitor changes in solvency;
- We conduct sensitivity and scenario stress testing to generate warnings about potential changes in solvency.

As at December 31, 2017, the Group's solvency margin ratio met regulatory requirements under C-ROSS. Below are the details:

| (in RMB million) | December 31 2017 | December 31 2016 | Change (%) |
|---|---|---|---|
| Core capital | **1,115,365** | 889,883 | 25.3 |
| Actual capital | **1,146,865** | 929,883 | 23.3 |
| Minimum capital | **533,775** | 442,729 | 20.6 |
| Core solvency margin ratio (regulatory requirement >=50%) | **209.0%** | 201.0% | +8.0 pps |
| Comprehensive solvency margin ratio (regulatory requirement >=100%) | **214.9%** | 210.0% | +4.9 pps |

Note: Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital

We have estimated the impacts of declines in interest rates and equity value on the solvency margin ratios of Ping An Group, Ping An Life, and Ping An Property & Casualty as at December 31, 2017. Below are the results:

| | Comprehensive solvency margin ratio | | |
|---|---|---|---|
| | Ping An Group | Ping An Life | Ping An P&C |
| Central case | 214.9% | 234.1% | 217.5% |
| A decline of 50 bps in interest rates | 207.9% | 222.2% | 217.8% |
| A decrease of 30% in fair value of equity asset | 206.9% | 223.8% | 213.4% |

As one of the G-SIIs, Ping An is required to follow a series of international solvency regulations in addition to C-ROSS. These regulations are being developed by the IAIS and will come into force in 2024. With the encouragement and support from the CIRC, Ping An has actively worked with the IAIS to develop solvency regulations for G-SIIs. With better understanding of China's insurance industry and Ping An's situations, the IAIS is able to reflect such understanding in the regulations. Positive progress has been made with Ping An's participation.

# Corporate Social Responsibility

We are dedicated to honoring our social commitment, fulfilling our duty to shareholders, living up to the trust of our customers, supporting our employees, and contributing to society with gratitude.

As Ping An turns 30, we continue to fulfill our social responsibility and commitment to poverty alleviation by supporting rural finance, education and industries in targeted areas. As we continue to create value for shareholders, employees and customers, we pursue fintech and healthtech innovations under a strategy of "finance + technology" to strengthen our traditional financial businesses. We have carried out a service campaign called "Ping An by Your Side" to improve customer experience. Through technological innovations, we have made our offerings more convenient. We have brought financial services and health care to underdeveloped areas to help local people become wealthier and healthier. For years, we have engaged in charitable causes such as education support, environmental protection, disaster relief, and poverty alleviation. We have established an Educational Charity Board, used online platforms to upgrade education support initiatives, and called on our employees, agents, customers and the public to participate. In recognition of such efforts, Ping An has been honored as the "Most Respected Enterprise in China" for 16 consecutive years, won the "International Carbon-Value Award" for five consecutive year, and received the "Award for Best Contribution to Poverty Alleviation", the "Best Campus Talent Strategy Award" and the "Award for Best Employer of the Year in China".

Going forward, we will continue to answer the CPC Central Committee's call to engage in targeted poverty alleviation. From 2018, Ping An will implement an RMB10 billion "Three-village Project" to help village officers, doctors and teachers strengthen industries, health care and education in rural areas for a better future.

### Poverty alleviation

Annual input to targeted poverty alleviation
over RMB 40 million

### Investor relations

4 online and offline result releases

55 domestic and overseas roadshows

### Customer experience

*Net Promoter Score (NPS) based on better customer experience*
36%

Ping An Life's overall customer satisfaction degree
94.2%

Ping An P&C's auto claims payment ratio
99.6%

### Partners

OneConnect's partners
2,358 institutions

Annual central procurement amount
RMB 7,323 million

Vendors
1,397 suppliers

### Employee development

Employee headcount
342.6 thousand persons

Training budget
RMB854 million

Total corporate annuity
RMB553 million

Total remuneration
RMB48,271 million

Face-to-face and online training per employee
8.11 hours/year

### Society and environment

Books collected under the Mu Tian Book Donation program
1,150,000 books

Annual tech-based reduction in carbon emission
51,871 tons

Carbon emission by own properties
172,981 tons

Total green lines of credit
RMB 80,839 million

Ping An Bank's proportion of micro business loans:
14.1%

Puhui Business's proportion of micro business loans:
44.2%

Scope 1 carbon emissions:
3,774 $tCO_2e$

Scope 2 carbon emissions:
123,860 $tCO_2e$

Scope 3 carbon emissions:
45,347 $tCO_2e$

Volunteer teaching at Ping An Hope Primary Schools 40,432 hours

Scholarships/stipends for Ping An Hope Primary Schools
RMB 4,343,000

Migrant workers sent home in the Reunion with Love program during Spring Festival
Over 6,000 persons

Cities that have signed contracts with Ping An's Social Health Insurance business: over 200 cities

Note: Above is a summary. For complete date, refer to the Corporate Social Responsibility Report for 2017.

# Prospects of Future Development



**BUSINESS PLAN FOR 2018**

Our operations remain consistent and stable as no major changes have been made to our long-term operating objectives compared with those announced last year.

In 2017, the Company was committed to propelling its business plans, enhancing development of retail customers and improving the value of retail business. We implemented the strategy of "finance + technology" to achieve technology-driven reform. The four pillar businesses – insurance, banking, asset management and fintech & healthtech maintained sound operations and sustainable growth. The Company's profitability improved steadily, and the performance targets of all business plans set out last year were achieved.

In 2018, the Company will resolutely forge ahead with the plans formulated by the Board of Directors. With expertise, we strive to create greater value for customers and lift the Group's value. We will pursue "finance + technology" and explore "finance + ecosystem". Our goal is to become a world-leading technology-powered personal financial services group. Focusing on two major industries of pan financial assets and pan health care, we will create new growth drivers by applying innovative technologies to traditional finance and five ecosystems: financial services, health care, auto services, real estate services, and smart city services.

- In insurance business, the Company will enhance technology application for better performance. Keeping customer development as a focus, Ping An Life will leverage "product +" and "technology +" platform operations to create optimum customer experience, unleash new growth momentum, and achieve sustained, healthy and steady growth in its embedded value and business size. Ping An Property & Casualty will speed up its transformation into a business driven by technology innovation, strengthen its differentiation advantage and provide customers with better products and experience. Committed to becoming a "professional pension asset manager" and a "professional provider of livelihood benefits", Ping An Annuity is vigorously developing pension asset management business centering on corporate annuities, and group insurance business centering on health care, accident coverage and old-age care. Through these efforts Ping An Annuity aims to contribute to the vision that "elders have access to good care, patients have access to medical treatment, and the poor have access to assistance". Ping An Health will strengthen the integration of health insurance and health management, and apply cutting-edge technologies to expedite product innovation and upgrade, so as to forge the No.1 brand of health insurance and services in China.

- In banking business, the Company will continue to pursue the strategic transformation, namely, making technology-driven breakthroughs in retail banking and enhancement of corporate banking. Ping An Bank will facilitate strategy implementation to become "China's best and a world-leading retail bank". In technology innovation and application, Ping An Bank will keep track of cutting-edge technologies like AI and biotechnology, and scale up technological input to optimize customer experience. In retail banking, more resources will be allocated to such key business segments as Ping An Pocket Bank app, wealth management, credit cards, consumer finance and auto finance to build a smart retail bank. In corporate banking, Ping An Bank will promote capital-light and asset-light operations to forge a boutique corporate bank. Meanwhile, it will keep operating risks under strict control, intensify recovery and disposal of non-performing assets, and enhance compliance in operations and management to sustain healthy development.

- In asset management business, the Company will continue its efforts to develop a leading investment management platform providing comprehensive services like wealth management, securities brokerage, equity and debt financing, financial consulting and asset management for better customer experience. Besides, the Company will facilitate product innovation and strengthen the capability of serving the real economy to promote co-prosperity of social capital and the real economy. In investment with insurance funds, we will continue to prioritize risk prevention and improve investment risk management mechanisms.

# Prospects of Future Development

- To meet customer requirements in fintech & healthtech business, the Company will develop the ecosystems of financial services, health care, auto services, real estate services and smart city by leveraging technologies such as AI, blockchains, cloud computing, big data, and security. Customers will be provided with more diverse, convenient and customized financial products and services.

- Remaining customer-centric, the Company will enhance retail customer development and identify more customer requirements through technology innovation. To increase the value of retail customers steadily, we will diversify financial products and services, optimize experience and promote migration, conversion and cross-selling.

We expect the Company to maintain stable, healthy business growth in 2018, including stable, healthy growth of insurance business, continued strategic transformation of banking business, more diverse incomes in asset management business and rapid growth of fintech & healthtech business. The Company will adapt to changes in the macro environment, the competition landscape and the investment market by adjusting its business targets in a timely manner, thus reinforcing its competitive edge.

## MAJOR INDUSTRY TRENDS AND THE MARKET LANDSCAPE

In 2017, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the insurance industry conscientiously implemented the spirit of the 19th CPC National Congress and the National Financial Work Conference. Enabled by the CIRC's "1+4" documents, insurers strove to prevent and control risks and retrieve their original aspiration. The C-ROSS Phase II project was launched while the reform of commercial auto insurance premium rates was deepened, indicating improved insurance market rules in China. Insurers facilitated poverty relief and participated in development of a multi-layered old-age care system, indicating their strengthened capability of serving the society and the economy. Meanwhile, cutting-edge technologies including AI and blockchains were widely used by insurers to improve business quality and efficiency. In 2017, China's insurance industry recorded total premium income of RMB3.66 trillion, up 18.2% year on year, consisting of RMB2,145,557 million from life insurance, RMB983,466 million from property and casualty insurance, and RMB438,946 million from health insurance. Assets of insurers totaled RMB16.75 trillion, up 10.8% from the beginning of 2017. By premium income, both Ping An Life and Ping An Property & Casualty ranked 2nd among peers in China. In 2018, along with tightening regulation and deepening reform, the insurance industry will play a better role in risk management and protection and achieve steady and healthy development.

In 2017, the Central Economic Work Conference called for more efforts in "major risk prevention and resolution, targeted poverty alleviation and pollution control". Preventing and resolving financial risks was regarded as a priority, covering such major areas as internet finance, local debts and shadow banking. In 2018, domestic economic restructuring, tightening regulation and financial deleveraging will bring new challenges to the banking industry. On one hand, we need to enhance risk prevention and control, resolving financial risks by tightening regulation, rectifying disorder and deleveraging, and ensure there is no systemic financial risk. On the other, financial institutions should retrieve their original aspiration of serving the real economy, prevent useless money circulation, and support SMEs' development, industry upgrade and strategic transformation. Meanwhile, banks will also need strategic transformation, and the market landscape is to change. Firstly, banks will speed up development of technology-powered finance and transformation. Secondly, attention should be paid to liability and liquidity management. Thirdly, banks should ensure compliance and act in strict accordance with regulatory policies and requirements. Internal training and promotion should be intensified to raise the staff's compliance awareness, while compliance and internal control mechanisms, rules and processes should be enhanced.

In 2017, due to tightened regulation China's asset management industry began to slow down and enter a stage of transformation and correction after rapid growth in recent years, and gradually retrieved its original mission of asset management. In 2018, through more efforts in risk management, deleveraging and centralized regulation, asset management industry will achieve more healthy and orderly development. This will improve the efficiency of financial resources allocation and boost the real economy. The Company will continue its active response to national policies and macro strategies. Adhering to value investing and prudent investment, the Company will make good use of its integrated financial advantages to enhance its investment capabilities and enterprise risk management framework, forge a leading asset management platform in China, spare no effort to bolster the real economy and create value for the society.

In 2017, new technologies represented by AI and blockchains were booming. AI + and cloud computing stayed in the spotlight of the society and were converted into business practices, having wide-ranging and deep-going impacts on business operations. On one hand, these technologies improved the operating efficiency of traditional finance, saved them resources and optimized user experience. On the other, the integration of technology and finance gave birth to new business segments to better meet needs and facilitate social development. Undoubtedly technologies will continue to influence business operations and development. Thus, the Company will scale up input in technology research and development to make technology a major driving force of business reform.

In 2018, China's economy will continue to stabilize with signs of recovery, while the society and the economy will steadily march towards a stage of high-quality development. Besides, fast-developing new technologies represented by AI will release new economic momentum continuously. Against this backdrop, Ping An will continue to pursue diversified development, pursue "finance + technology" and explore "finance + ecosystem". It will center on "one customer, multiple products and one-stop services" for integrated finance and life services, and make unremitting efforts to become a world-leading technology-powered personal financial services group. In 2018, Ping An will celebrate its 30th anniversary. Turning 30, Ping An understands customers better and provides excellent offerings. Moreover, we will continue to answer the Party Central Committee's call to alleviate poverty by launching the Three-village Project, to reward the nation and the society through practical actions.

# 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

There was no change in the total number of shares and shareholding structure of the Company during the 12 months ended December 31, 2017 (the "Reporting Period").

| Unit: Shares | January 1 2017 | | Changes during the Reporting Period | | | | | December 31 2017 | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 circulating shares | | | | | | | | | |
| 1. RMB ordinary shares | 10,832,664,498 | 59.26 | - | - | - | - | - | 10,832,664,498 | 59.26 |
| 2. Domestically listed foreign shares | - | - | - | - | - | - | - | - | - |
| 3. Overseas listed foreign shares | 7,447,576,912 | 40.74 | - | - | - | - | - | 7,447,576,912 | 40.74 |
| 4. Others | - | - | - | - | - | - | - | - | - |
| Subtotal | 18,280,241,410 | 100.00 | - | - | - | - | - | 18,280,241,410 | 100.00 |
| III. Total number of shares | 18,280,241,410 | 100.00 | - | - | - | - | - | 18,280,241,410 | 100.00 |

#### Security issuance and listing

*Security issuance of the Company*

There was no issuance of securities during the Reporting Period.

*Staff shares*

As at the end of the Reporting Period, the Company had no staff shares.

### Shareholders' Information

#### Number of shareholders and their shareholdings

*Number of shareholders*

| Unit: Shareholder | December 31 2017 | February 28 2018 |
|---|---|---|
| Total number of shareholders | 401,158 (including 396,674 domestic shareholders) | 461,043 (including 456,543 domestic shareholders) |

### Shareholdings of top ten shareholders as at the end of the Reporting Period

| Name of shareholder | Nature of shareholder[1] | Shareholding percentage (%) | Total number of shares held (Shares)[2] | Changes during the year | Type of shares | Number of selling-restricted shares held (Shares) | Number of pledged or frozen shares (Shares) |
|---|---|---|---|---|---|---|---|
| Hong Kong Securities Clearing Company Nominees Limited[3] | Overseas legal person | 32.72 | 5,980,847,492[4] | +114,150,820 | H Share | - | Unknown |
| Shenzhen Investment Holdings Co., Ltd. | State | 5.27 | 962,719,102 | - | A Share | - | 341,740,000 pledged shares |
| Business Fortune Holdings Limited | Overseas legal person | 3.99 | 728,569,130 | +466,987,402 | H Share | - | 525,729,565 pledged shares |
| New Orient Ventures Limited | Overseas legal person | 3.91 | 714,663,997 | +714,663,997 | H Share | - | 714,663,997 pledged shares |
| China Securities Finance Corporation Limited | Others | 3.80 | 694,834,562 | +2,562,763 | A Share | - | - |
| Central Huijin Asset Management Ltd. | Others | 2.65 | 483,801,600 | - | A Share | - | - |
| Huaxia Life Insurance Co., Ltd. - Universal Insurance Products | Others | 2.17 | 396,319,315 | -392,000,000 | A Share | - | - |
| Hong Kong Securities Clearing Company Limited[5] | Others | 2.16 | 394,910,458 | +173,883,872 | A Share | - | - |
| Shum Yip Group Limited | State-owned legal person | 1.41 | 257,728,008 | - | A Share | - | - |
| Dacheng Fund - Agriculture Bank of China - Dacheng CSI Financial Asset Management Plan | Others | 0.96 | 174,590,036 | +1,386,036 | A Share | - | - |

Notes: (1) Nature of the holders of A shares represents the nature of account held by the holders of A shares registered on the Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

(2) As the shares of the Company could be used as underlying securities for margin financing and securities lending, the shareholdings of the shareholders are the aggregate of all the shares and interests held in ordinary securities accounts and credit securities accounts.

(3) Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited") is the nominee holder of the shares held by non-registered H shareholders of the Company.

(4) Business Fortune Holdings Limited and New Orient Ventures Limited are the indirectly wholly-owned subsidiaries of CP Group Ltd., and the shares owned by these two companies have been registered under the name of HKSCC Nominees Limited. In order to avoid double counting, the shares owned by the above two companies have been deducted from the shares held by HKSCC Nominees Limited.

(5) The shares held by Hong Kong Securities Clearing Company Limited refer to the shares held by non-registered shareholders of the Northbound Trading of the Shanghai-Hong Kong Stock Connect Program.

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

Business Fortune Holdings Limited and New Orient Ventures Limited are the indirectly wholly-owned subsidiaries of CP Group Ltd., and they are of acting-in-concert relationship since they are under common control.

Save as the above, the Company is not aware of any connected relationship or acting-in-concert relationship among the above-mentioned shareholders.

### Particulars of controlling shareholder and de facto controller

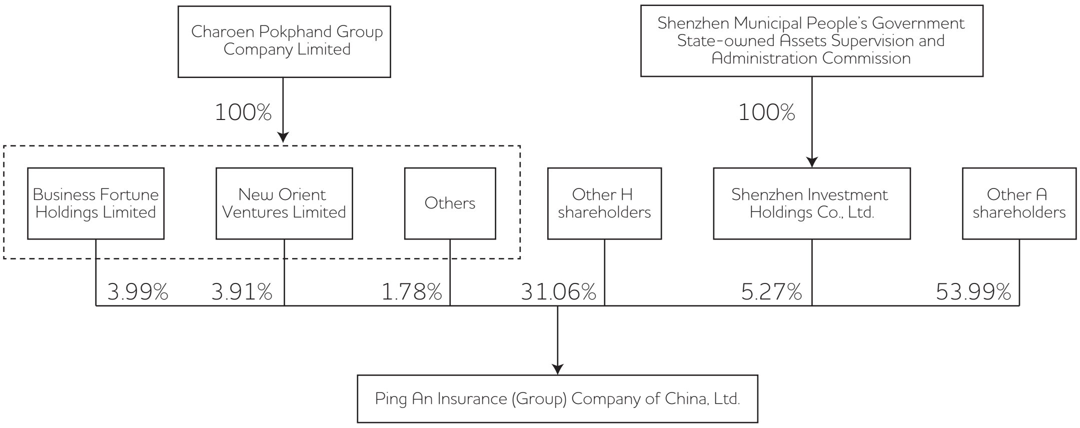
The shareholding structure of the Company is relatively scattered. There is no controlling shareholder, nor de facto controller.

# Changes in the Share Capital and Shareholders' Profile

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

As at December 31, 2017, CP Group Ltd. indirectly held 1,769,026,936 H shares of the Company in total, representing 9.68% of the total issued shares of the Company; Shenzhen Investment Holdings Co., Ltd. held 962,719,102 A Shares of the Company, representing 5.27% of the total issued shares of the Company.

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:




CP Group Ltd., the flagship company of CP Group, was established on September 23, 1976 in Thailand with Dhanin Chearavanont as its legal representative. Its principal businesses include agriculture and animal husbandry and food, commercial retail and telecommunication, and it also engages in pharmacy, motorcycle, real estate, international trade, finance, media and other businesses, by participating in various industries to realize mutual development and operations.

Shenzhen Investment Holdings Co., Ltd. is a wholly state-owned limited liability company founded on October 13, 2004, with Wang Yongjian as its legal representative. The business scope of Shenzhen Investment Holdings Co., Ltd. is as follows: investment, operation and management of state-owned equities in enterprises in which it has either the whole ownership, controlling stakes or non-controlling stakes through restructuring and mergers, capital operations, asset disposal and so on; real estate developments and operations with legal land usage permissions; policy-driven and strategic investments aligned with requirements from the Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission; guarantee provided for state-owned enterprises under Shenzhen municipality; other operations as authorized by the Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission.

## 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 Directors or Supervisors of the Company, as at December 31, 2017, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which shall be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

## 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 meetings of shareholders of the Company

| Name of substantial shareholder | H/A Shares | Capacity | Notes | Number of H/A Shares | Nature of interest | Percentage of total number of H/A shares in issue (%) | Percentage of total shares in issue (%) |
|---|---|---|---|---|---|---|---|
| Charoen Pokphand Group Company Limited | H | Interest of controlled corporations | | 2,256,649,529 | Long position | 30.30 | 12.34 |
| | | Party to s317 agreement | | 100,000,000 | Long position | 1.34 | 0.55 |
| | | Total: | (1),(2) | 2,356,649,529 | | 31.64 | 12.89 |
| | | Interest of controlled corporations | (1) | 487,622,593 | Short position | 6.55 | 2.67 |
| Dhanin Chearavanont | H | Party to s317 agreement | | 2,256,649,529 | Long position | 30.30 | 12.34 |
| | | Interest of controlled corporations | | 100,000,000 | Long position | 1.34 | 0.55 |
| | | Total: | (1),(2) | 2,356,649,529 | | 31.64 | 12.89 |
| | | Party to s317 agreement | (2) | 487,622,593 | Short position | 6.55 | 2.67 |
| King Ace International Limited | H | Party to s317 agreement | | 2,256,649,529 | Long position | 30.30 | 12.34 |
| | | Interest of controlled corporations | | 100,000,000 | Long position | 1.34 | 0.55 |
| | | Total: | (1),(2) | 2,356,649,529 | | 31.64 | 12.89 |
| | | Party to s317 agreement | (2) | 487,622,593 | Short position | 6.55 | 2.67 |

## Interests and short positions of other substantial shareholders

| Name of substantial shareholder | H/A Shares | Capacity | Notes | Number of H/A Shares | Nature of interest | Percentage of total number of H/A shares in issue (%) | Percentage of total shares in issue (%) |
|---|---|---|---|---|---|---|---|
| Business Fortune Holdings Limited | H | Beneficial owner | (1) | 728,569,130 | Long position | 9.78 | 3.99 |
| New Orient Ventures Limited | H | Beneficial owner | (1) | 714,663,997 | Long position | 9.60 | 3.91 |
| Easy Boom Developments Limited | H | Beneficial owner | (1) | 487,622,593 | Long position | 6.55 | 2.67 |
| | | | | 487,622,593 | Short position | 6.55 | 2.67 |
| JPMorgan Chase & Co. | H | Beneficial owner | | 715,752,100 | Long position | 9.61 | 3.92 |
| | | Investment manager | | 260,383,820 | Long position | 3.50 | 1.42 |
| | | Trustee | | 19,478 | Long position | 0.00 | 0.00 |
| | | Approved lending agent | | 186,573,336 | Lending pool | 2.51 | 1.02 |
| | | Total: | (3) | 1,162,728,734 | | 15.61 | 6.36 |
| | | Beneficial owner | (3) | 280,535,405 | Short position | 3.77 | 1.53 |

| Name of substantial shareholder | H/A Shares | Capacity | Notes | Number of H/A Shares | Nature of interest | Percentage of total number of H/A shares in issue (%) | Percentage of total shares in issue (%) |
|---|---|---|---|---|---|---|---|
| UBS AG | H | Beneficial owner | | 667,735,354 | Long position | 8.97 | 3.65 |
| | | Person having a security interest in shares | | 165,093,247 | Long position | 2.22 | 0.90 |
| | | Interest of controlled corporations | (4) | 101,096,520 | Long position | 1.36 | 0.55 |
| | | Total: | (4) | 933,925,121 | | 12.54 | 5.11 |
| | | Beneficial owner | (4) | 1,189,596,046 | Short position | 15.97 | 6.51 |
| UBS Group AG | H | Person having a security interest in shares | | 102,200,383 | Long position | 1.37 | 0.56 |
| | | Interest of controlled corporations | (5) | 1,701,786,128 | Long position | 22.85 | 9.31 |
| | | Total: | (5) | 1,803,986,511 | | 24.22 | 9.87 |
| | | Interest of controlled corporations | (5) | 2,009,378,851 | Short position | 26.98 | 10.99 |
| BlackRock, Inc. | H | Interest of controlled corporations | (6) | 401,879,058 | Long position | 5.40 | 2.20 |
| | | | (6) | 9,000 | Short position | 0.00 | 0.00 |
| Shenzhen Investment Holdings Co., Ltd. | A | Beneficial owner | | 962,719,102 | Long position | 8.89 | 5.27 |

Notes:

(1) CP Group Ltd. was deemed to be interested in a total of 2,256,649,529 H shares (Long position) and 487,622,593 H shares (Short position) in the Company by virtue of its control over several corporations.

According to the disclosure form filed by CP Group Ltd. on December 29, 2017, the following interests in H shares were held by CP Group Ltd. through its controlled corporations, the details of which are as follows:

| Name of controlled corporation | Name of controlling person | % control | Direct interest (Y/N) | Nature of interest | Number of shares |
|---|---|---|---|---|---|
| CPG Overseas Company Limited | Charoen Pokphand Group Company Limited | 100.00 | N | Long position | 2,256,649,529 |
| CT Bright Group Company Limited (Formerly known as Chia Tai Resources Holdings Limited) | CPG Overseas Company Limited | 100.00 | N | Long position | 2,256,649,529 |
| Chia Tai Giant Far Limited | CT Bright Group Company Limited (Formerly known as Chia Tai Resources Holdings Limited) | 100.00 | N | Long position | 2,256,649,529 |
| Chia Tai Primrose Holdings Limited | Chia Tai Giant Far Limited | 100.00 | Y | Long position | 5,068,600 |
| Chia Tai Primrose Holdings Limited | Chia Tai Giant Far Limited | 100.00 | N | Long position | 2,251,580,929 |
| Chia Tai Primrose Investment Limited | Chia Tai Primrose Holdings Limited | 100.00 | N | Long position | 2,251,580,929 |

| Name of controlled corporation | Name of controlling person | % control | Direct interest (Y/N) | Nature of interest | Number of shares |
|---|---|---|---|---|---|
| Easy Boom Developments Limited | Chia Tai Primrose Investment Limited | 100.00 | Y | Long position | 487,622,593 |
| | | | | Short position | 487,622,593 |
| Business Fortune Holdings Limited | Chia Tai Primrose Investment Limited | 100.00 | Y | Long position | 728,569,130 |
| Jubilee Success Holdings Limited | Chia Tai Primrose Investment Limited | 100.00 | Y | Long position | 47,352,072 |
| Majestic Jubilee Limited | Chia Tai Primrose Investment Limited | 100.00 | Y | Long position | 20,730,730 |
| Ewealth Global Limited | Chia Tai Primrose Investment Limited | 100.00 | Y | Long position | 76,858,634 |
| King Beyond Global Limited | Chia Tai Primrose Investment Limited | 100.00 | Y | Long position | 42,673,646 |
| Oriental Power Developments Limited | Chia Tai Primrose Investment Limited | 100.00 | Y | Long position | 4,893,000 |
| Excel Trade Developments Limited | Chia Tai Primrose Investment Limited | 100.00 | Y | Long position | 71,211,068 |
| Golden Magic Holdings Limited | Chia Tai Primrose Investment Limited | 100.00 | Y | Long position | 57,006,059 |
| New Orient Ventures Limited | Chia Tai Primrose Investment Limited | 100.00 | Y | Long position | 714,663,997 |

(1) The entire interests of CP Group Ltd. in the Company included 487,622,593 H shares (Short position) which were held through derivatives, the category of which was through physically settled unlisted derivatives. In addition, CP Group Ltd. was also deemed to be interested in 100,000,000 H shares (Long position) by virtue of section 317 of the SFO.

(2) Boom Dragon Limited and Long Growth Global Limited held 88,000,000 H shares (Long position) and 12,000,000 H shares (Long position) in the Company respectively; the two companies were wholly owned by King Ace International Limited, which was in turn wholly owned by Dhanin Chearavanont. In addition, King Ace International Limited and Dhanin Chearavanont were also deemed to be interested in 2,256,649,529 H shares (Long position) and 487,622,593 H shares (Short position) by virtue of section 317 of the SFO.

(3) JPMorgan Chase & Co. was deemed to be interested in a total of 1,162,728,734 H shares (Long position) and 280,535,405 H shares (Short position) in the Company by virtue of its control over several corporations.

According to the disclosure form filed by JPMorgan Chase & Co. on January 2, 2018, the following interests in H shares were held by JPMorgan Chase & Co. through its controlled corporations, the details of which are as follows:

| Name of controlled corporation | Name of controlling person | % control | Direct interest (Y/N) | Nature of interest | Number of shares |
|---|---|---|---|---|---|
| J.P. Morgan Securities LLC | J.P. Morgan Broker-Dealer Holdings Inc | 100.00 | Y | Long position | 23,559,878 |
| | | | | Short position | 0 |
| JF International Management Inc. | JPMorgan Asset Management (Asia) Inc. | 100.00 | Y | Long position | 277,000 |
| | | | | Short position | 0 |
| JF Asset Management Limited | JPMorgan Asset Management Holdings Inc | 0.01 | Y | Long position | 61,666,500 |
| | | | | Short position | 0 |
| JF Asset Management Limited | JPMorgan Asset Management (Asia) Inc. | 99.99 | Y | Long position | 61,666,500 |
| | | | | Short position | 0 |
| JPMorgan Asset Management (Japan) Limited | JPMorgan Asset Management (Asia) Inc. | 100.00 | Y | Long position | 1,972,000 |
| | | | | Short position | 0 |
| JPMorgan Asset Management (Taiwan) Limited | JPMorgan Asset Management (Asia) Inc. | 100.00 | Y | Long position | 3,009,000 |
| | | | | Short position | 0 |
| CIFM Asset Management (Hong Kong) Limited | China International Fund Management Co Ltd | 100.00 | Y | Long position | 6,000 |
| | | | | Short position | 0 |

| Name of controlled corporation | Name of controlling person | % control | Direct interest (Y/N) | Nature of interest | Number of shares |
|---|---|---|---|---|---|
| J.P. Morgan Investment Management Inc. | JPMorgan Asset Management Holdings Inc | 100.00 | Y | Long position | 120,611,490 |
| | | | | Short position | 0 |
| J.P. Morgan International Finance Limited | JPMorgan Chase Bank, N.A. | 100.00 | N | Long position | 692,192,222 |
| | | | | Short position | 280,535,405 |
| JPMorgan Asset Management (UK) Limited | JPMorgan Asset Management Holdings (UK) Limited | 100.00 | N | Long position | 4,605,500 |
| | | | | Short position | 0 |
| China International Fund Management Co Ltd | JPMorgan Asset Management (UK) Limited | 49.00 | N | Long position | 6,000 |
| | | | | Short position | 0 |
| J.P. Morgan Trust Company of Delaware | J.P. Morgan Equity Holdings, Inc. | 100.00 | Y | Long position | 15,882 |
| | | | | Short position | 0 |
| J.P. Morgan Whitefriars LLC | J.P. Morgan Overseas Capital LLC | 100.00 | Y | Long position | 0 |
| | | | | Short position | 5,345,274 |
| J.P. Morgan Securities plc | J.P. Morgan Capital Holdings Limited | 100.00 | Y | Long position | 690,640,392 |
| | | | | Short position | 255,396,051 |
| JPMorgan Chase Bank, N.A. | JPMorgan Chase & Co. | 100.00 | Y | Long position | 209,109,838 |
| | | | | Short position | 0 |
| J.P. Morgan Chase Bank Berhad | J.P. Morgan International Finance Limited | 100.00 | Y | Long position | 1,551,830 |
| | | | | Short position | 6,340,000 |
| JPMorgan Asset Management (UK) Limited | JPMorgan Asset Management Holdings (UK) Limited | 100.00 | Y | Long position | 45,709,424 |
| | | | | Short position | 0 |
| China International Fund Management Co Ltd | JPMorgan Asset Management (UK) Limited | 49.00 | Y | Long position | 4,599,500 |
| | | | | Short position | 0 |
| J.P. Morgan Structured Products B.V. | J.P. Morgan International Finance Limited | 100.00 | Y | Long position | 0 |
| | | | | Short position | 13,454,080 |
| J.P. Morgan Broker-Dealer Holdings Inc | JPMorgan Chase Holdings LLC | 100.00 | N | Long position | 23,559,878 |
| | | | | Short position | 0 |
| J.P. Morgan Capital Holdings Limited | J.P. Morgan International Finance Limited | 100.00 | N | Long position | 690,640,392 |
| | | | | Short position | 255,396,051 |
| JPMorgan Asset Management Holdings Inc | JPMorgan Chase Holdings LLC | 100.00 | N | Long position | 299,517,414 |
| | | | | Short position | 0 |
| JPMorgan Asset Management (Asia) Inc. | JPMorgan Asset Management Holdings Inc | 100.00 | N | Long position | 66,924,500 |
| | | | | Short position | 0 |
| JPMorgan Asset Management Holdings (UK) Limited | JPMorgan Asset Management International Limited | 100.00 | N | Long position | 50,314,924 |
| | | | | Short position | 0 |
| JPMorgan Chase Holdings LLC | JPMorgan Chase & Co. | 100.00 | N | Long position | 323,093,174 |
| | | | | Short position | 0 |
| J.P. Morgan Overseas Capital LLC | J.P. Morgan International Finance Limited | 100.00 | N | Long position | 0 |
| | | | | Short position | 5,345,274 |
| JPMorgan Asset Management International Limited | JPMorgan Asset Management Holdings Inc | 100.00 | N | Long position | 50,314,924 |
| | | | | Short position | 0 |
| JPMorgan Chase Bank, N.A. | JPMorgan Chase & Co. | 100.00 | N | Long position | 692,192,222 |
| | | | | Short position | 280,535,405 |
| J.P. Morgan Equity Holdings, Inc. | JPMorgan Chase Holdings LLC | 100.00 | N | Long position | 15,882 |
| | | | | Short position | 0 |

The entire interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 186,573,336 H shares (Long position). Besides, 475,477,303 H shares (Long position) and 228,403,313 H shares (Short position) were held through derivatives as follows:

| Derivatives | Nature of interest | Number of shares |
|---|---|---|
| Listed derivatives – Physically settled | Long position<br>Short position | 14,813,082<br>79,899,014 |
| Listed derivatives – Cash settled | Long position<br>Short position | 4,137,500<br>106,989,300 |
| Unlisted derivatives – Physically settled | Long position<br>Short position | 416,353,235<br>25,660,538 |
| Unlisted derivatives – Cash settled | Long position<br>Short position | 40,173,486<br>15,854,461 |

(4) UBS AG was deemed to be interested in a total of 101,096,520 H shares (Long position) in the Company through a number of its direct wholly-owned subsidiaries.

According to the disclosure form filed by UBS AG on July 30, 2015, the following interests in H shares were held by UBS AG through its controlled corporations, the details of which are as follows:

| Name of controlled corporation | Name of controlling shareholder | % control | Direct interest (Y/N) | Nature of interest | Number of shares |
|---|---|---|---|---|---|
| UBS Fund Management (Switzerland) AG | UBS AG | 100.00 | Y | Long position<br>Short position | 13,347,500<br>0 |
| UBS Fund Services (Luxembourg) S.A. | UBS AG | 100.00 | Y | Long position<br>Short position | 22,604,966<br>0 |
| UBS Global Asset Management (Americas) Inc. | UBS AG | 100.00 | Y | Long position<br>Short position | 2,503,000<br>0 |
| UBS Global Asset Management (Australia) Ltd | UBS AG | 100.00 | Y | Long position<br>Short position | 370,000<br>0 |
| UBS Global Asset Management (Canada) Inc. | UBS AG | 100.00 | Y | Long position<br>Short position | 4,440,000<br>0 |
| UBS Global Asset Management (Hong Kong) Limited | UBS AG | 100.00 | Y | Long position<br>Short position | 12,470,936<br>0 |
| UBS Global Asset Management (Japan) Ltd | UBS AG | 100.00 | Y | Long position<br>Short position | 1,964,104<br>0 |
| UBS Global Asset Management (Singapore) Ltd | UBS AG | 100.00 | Y | Long position<br>Short position | 26,022,000<br>0 |
| UBS Global Asset Management Trust Company | UBS AG | 100.00 | Y | Long position<br>Short position | 64,000<br>0 |
| UBS Global Asset Management (UK) Ltd | UBS AG | 100.00 | Y | Long position<br>Short position | 16,052,000<br>0 |
| UBS Global Asset Management (Deutschland) GmbH | UBS AG | 100.00 | Y | Long position<br>Short position | 29,000<br>0 |
| UBS Financial Services Inc. | UBS AG | 100.00 | Y | Long position<br>Short position | 34,814<br>0 |
| UBS Bank (Canada) | UBS AG | 100.00 | Y | Long position<br>Short position | 13,700<br>0 |

# Changes in the Share Capital and Shareholders' Profile

| Name of controlled corporation | Name of controlling shareholder | % control | Direct interest (Y/N) | Nature of interest | Number of shares |
|---|---|---|---|---|---|
| UBS Swiss Financial Advisers AG | UBS AG | 100.00 | Y | Long position | 510,000 |
| | | | | Short position | 0 |
| UBS Global Asset Management Life Ltd | UBS AG | 100.00 | Y | Long position | 12,000 |
| | | | | Short position | 0 |
| UBS Switzerland AG | UBS AG | 100.00 | Y | Long position | 622,000 |
| | | | | Short position | 0 |
| UBS O' Connor Limited | UBS AG | 100.00 | Y | Long position | 36,500 |
| | | | | Short position | 0 |

Besides, 644,518,785 H shares (Long position) and 1,089,909,472 H shares (Short position) were held through derivatives as follows:

| Derivatives | Nature of interest | Number of shares |
|---|---|---|
| Listed derivatives – Physically settled | Long position | 9,955,876 |
| | Short position | 9,967,000 |
| Listed derivatives – Cash settled | Long position | 1,252,878 |
| | Short position | 29,279,768 |
| Unlisted derivatives – Physically settled | Long position | 182,785,280 |
| | Short position | 51,911,643 |
| Unlisted derivatives – Cash settled | Long position | 450,524,751 |
| | Short position | 998,751,061 |

(5) UBS Group AG was deemed to be interested in a total of 1,701,786,128 H shares (Long position) and 2,009,378,851 H shares (Short position) in the Company by virtue of its control over several corporations.

According to the disclosure form filed by UBS Group AG on January 2, 2018, the following interests in H shares were held by UBS Group AG through its controlled corporations, the details of which are as follows:

| Name of controlled corporation | Name of controlling person | % control | Direct interest (Y/N) | Nature of interest | Number of shares |
|---|---|---|---|---|---|
| UBS AG | UBS Group AG | 100.00 | Y | Long position | 1,529,775,787 |
| | | | | Short position | 1,999,271,076 |
| UBS Asset Management (Americas) Inc. | UBS Group AG | 100.00 | Y | Long position | 2,434,008 |
| | | | | Short position | 0 |
| UBS Asset Management (Australia) Ltd | UBS Group AG | 100.00 | Y | Long position | 416,000 |
| | | | | Short position | 0 |
| UBS Asset Management (Canada) Inc. | UBS Group AG | 100.00 | Y | Long position | 4,767,000 |
| | | | | Short position | 0 |
| UBS Asset Management (Deutschland) GmbH | UBS Group AG | 100.00 | Y | Long position | 680,224 |
| | | | | Short position | 0 |
| UBS Asset Management France SA | UBS Group AG | 100.00 | Y | Long position | 213,000 |
| | | | | Short position | 0 |
| UBS Asset Management (Hong Kong) Ltd | UBS Group AG | 100.00 | Y | Long position | 17,639,166 |
| | | | | Short position | 0 |

| Name of controlled corporation | Name of controlling person | % control | Direct interest (Y/N) | Nature of interest | Number of shares |
|---|---|---|---|---|---|
| UBS Asset Management (Japan) Ltd | UBS Group AG | 100.00 | Y | Long position<br>Short position | 7,307,500<br>0 |
| UBS Asset Management Life Limited | UBS Group AG | 100.00 | Y | Long position<br>Short position | 627,000<br>0 |
| UBS Asset Management (Singapore) Ltd | UBS Group AG | 100.00 | Y | Long position<br>Short position | 33,631,000<br>0 |
| UBS Asset Management Trust Company | UBS Group AG | 100.00 | Y | Long position<br>Short position | 3,345,500<br>0 |
| UBS Asset Management (UK) Limited | UBS Group AG | 100.00 | Y | Long position<br>Short position | 22,472,566<br>0 |
| UBS Fund Management (Luxembourg) S.A. | UBS Group AG | 100.00 | Y | Long position<br>Short position | 47,716,300<br>0 |
| UBS Fund Management (Switzerland) AG | UBS Group AG | 100.00 | Y | Long position<br>Short position | 15,094,000<br>0 |
| UBS Third Party Management Company S.A. | UBS Group AG | 100.00 | Y | Long position<br>Short position | 22,000<br>0 |
| UBS Limited | UBS Group AG | 100.00 | Y | Long position<br>Short position | 540,000<br>540,000 |
| UBS Securities LLC | UBS Group AG | 100.00 | Y | Long position<br>Short position | 9,567,775<br>9,567,775 |
| UBS Switzerland AG | UBS Group AG | 100.00 | Y | Long position<br>Short position | 5,007,928<br>0 |
| UBS Financial Services Inc. | UBS Group AG | 100.00 | Y | Long position<br>Short position | 23,589<br>0 |
| UBS Bank (Canada) | UBS Group AG | 100.00 | Y | Long position<br>Short position | 128,285<br>0 |
| UBS Europe SE | UBS Group AG | 100.00 | Y | Long position<br>Short position | 19,000<br>0 |
| UBS Swiss Financial Advisers AG | UBS Group AG | 100.00 | Y | Long position<br>Short position | 109,500<br>0 |
| UBS Trustees (Bahamas) Limited | UBS Group AG | 100.00 | Y | Long position<br>Short position | 166,000<br>0 |
| UBS Trustees (Cayman) Limited | UBS Group AG | 100.00 | Y | Long position<br>Short position | 15,500<br>0 |
| UBS Trustees (Jersey) Limited | UBS Group AG | 100.00 | Y | Long position<br>Short position | 49,000<br>0 |
| UBS Trustees (Singapore) Limited | UBS Group AG | 100.00 | Y | Long position<br>Short position | 18,500<br>0 |

# Changes in the Share Capital and Shareholders' Profile

Besides, 1,664,979,342 H shares (Long position) and 1,533,075,842 H shares (Short position) were held through derivatives as follows:

| Derivatives | Nature of interest | Number of shares |
|---|---|---|
| Listed derivatives – Physically settled | Long position<br>Short position | 50,971,538<br>58,785,713 |
| Listed derivatives – Cash settled | Long position<br>Short position | 4,773,199<br>24,799,131 |
| Unlisted derivatives – Physically settled | Long position<br>Short position | 873,785,881<br>511,942,656 |
| Unlisted derivatives – Cash settled | Long position<br>Short position | 735,448,724<br>937,548,342 |

(6) BlackRock, Inc. was deemed to be interested in a total of 401,879,058 H shares (Long position) and 9,000 H shares (Short position) in the Company by virtue of its control over several corporations.

According to the disclosure form filed by BlackRock, Inc. on December 28, 2017, the following interests in H shares were held by BlackRock, Inc. through its controlled corporations, the details of which are as follows:

| Name of controlled corporation | Name of controlling person | % control | Direct interest (Y/N) | Nature of interest | Number of shares |
|---|---|---|---|---|---|
| Trident Merger, LLC | BlackRock, Inc. | 100.00 | N | Long position | 3,888,234 |
| BlackRock Investment Management, LLC | Trident Merger, LLC | 100.00 | Y | Long position | 3,888,234 |
| BlackRock Holdco 2, Inc. | BlackRock, Inc. | 100.00 | N | Long position<br>Short position | 397,990,824<br>9,000 |
| BlackRock Financial Management, Inc. | BlackRock Holdco 2, Inc. | 100.00 | N | Long position<br>Short position | 389,535,889<br>9,000 |
| BlackRock Financial Management, Inc. | BlackRock Holdco 2, Inc. | 100.00 | Y | Long position | 8,454,935 |
| BlackRock Holdco 4, LLC | BlackRock Financial Management, Inc. | 100.00 | N | Long position<br>Short position | 211,079,776<br>9,000 |
| BlackRock Holdco 6, LLC | BlackRock Holdco 4, LLC | 100.00 | N | Long position<br>Short position | 211,079,776<br>9,000 |
| BlackRock Delaware Holdings Inc. | BlackRock Holdco 6, LLC | 100.00 | N | Long position<br>Short position | 211,079,776<br>9,000 |
| BlackRock Institutional Trust Company, National Association | BlackRock Delaware Holdings Inc. | 100.00 | Y | Long position<br>Short position | 89,165,776<br>9,000 |
| BlackRock Fund Advisors | BlackRock Delaware Holdings Inc. | 100.00 | Y | Long position | 121,914,000 |
| BlackRock Capital Holdings, Inc. | BlackRock Financial Management, Inc. | 100.00 | N | Long position | 3,680,500 |
| BlackRock Advisors, LLC | BlackRock Capital Holdings, Inc. | 100.00 | Y | Long position | 3,680,500 |
| BlackRock International Holdings, Inc. | BlackRock Financial Management, Inc. | 100.00 | N | Long position | 174,775,613 |
| BR Jersey International Holdings L.P. | BlackRock International Holdings, Inc. | 86.00 | N | Long position | 174,775,613 |
| BlackRock Cayco Limited | BlackRock HK Holdco Limited | 100.00 | N | Long position | 30,582,544 |
| BlackRock Trident Holding Company Limited | BlackRock Cayco Limited | 100.00 | N | Long position | 30,582,544 |
| BlackRock Japan Holdings GK | BlackRock Trident Holding Company Limited | 100.00 | N | Long position | 30,582,544 |
| BlackRock Japan Co., Ltd. | BlackRock Japan Holdings GK | 100.00 | Y | Long position | 30,582,544 |
| BlackRock Canada Holdings LP | BR Jersey International Holdings L.P. | 99.90 | N | Long position | 557,500 |
| BlackRock Canada Holdings ULC | BlackRock Canada Holdings LP | 100.00 | N | Long position | 557,500 |

| Name of controlled corporation | Name of controlling person | % control | Direct interest (Y/N) | Nature of interest | Number of shares |
|---|---|---|---|---|---|
| BlackRock Asset Management Canada Limited | BlackRock Canada Holdings ULC | 100.00 | Y | Long position | 557,500 |
| BlackRock Australia Holdco Pty. Ltd. | BR Jersey International Holdings L.P. | 100.00 | N | Long position | 2,238,000 |
| BlackRock Investment Management (Australia) Limited | BlackRock Australia Holdco Pty. Ltd. | 100.00 | Y | Long position | 2,238,000 |
| BlackRock (Singapore) Holdco Pte. Ltd. | BR Jersey International Holdings L.P. | 100.00 | N | Long position | 50,865,853 |
| BlackRock HK Holdco Limited | BlackRock (Singapore) Holdco Pte. Ltd. | 100.00 | N | Long position | 50,710,353 |
| BlackRock Asset Management North Asia Limited | BlackRock HK Holdco Limited | 100.00 | Y | Long position | 20,127,809 |
| BlackRock Group Limited | BR Jersey International Holdings L.P. | 90.00 | N | Long position | 121,114,260 |
| BlackRock (Netherlands) B.V. | BlackRock Group Limited | 100.00 | Y | Long position | 754,500 |
| BlackRock Advisors (UK) Limited | BlackRock Group Limited | 100.00 | Y | Long position | 3,293,001 |
| BlackRock International Limited | BlackRock Group Limited | 100.00 | N | Long position | 15,574,760 |
| BlackRock International Limited | BlackRock Group Limited | 100.00 | Y | Long position | 3,552,500 |
| BlackRock Luxembourg Holdco S.à r.l. | BlackRock Group Limited | 100.00 | N | Long position | 55,763,891 |
| BlackRock Investment Management Ireland Holdings Limited | BlackRock Luxembourg Holdco S.à r.l. | 100.00 | N | Long position | 35,174,891 |
| BlackRock Asset Management Ireland Limited | BlackRock Investment Management Ireland Holdings Limited | 100.00 | Y | Long position | 35,174,891 |
| BLACKROCK (Luxembourg) S.A. | BlackRock Luxembourg Holdco S.à r.l. | 100.00 | Y | Long position | 20,559,500 |
| BlackRock Investment Management (UK) Limited | BlackRock Group Limited | 100.00 | N | Long position | 22,692,436 |
| BlackRock Investment Management (UK) Limited | BlackRock Group Limited | 100.00 | Y | Long position | 19,483,172 |
| BlackRock Asset Management Deutschland AG | BlackRock Investment Management (UK) Limited | 100.00 | Y | Long position | 341,500 |
| BlackRock Fund Managers Limited | BlackRock Investment Management (UK) Limited | 100.00 | Y | Long position | 22,350,936 |
| BlackRock Life Limited | BlackRock International Limited | 100.00 | Y | Long position | 15,574,760 |
| BlackRock (Singapore) Limited | BlackRock (Singapore) Holdco Pte. Ltd. | 100.00 | Y | Long position | 155,500 |
| BlackRock UK Holdco Limited | BlackRock Luxembourg Holdco S.à r.l. | 100.00 | N | Long position | 29,500 |
| BlackRock Asset Management (Schweiz) AG | BlackRock UK Holdco Limited | 100.00 | Y | Long position | 29,500 |

The entire interests of BlackRock, Inc. in the Company included 1,728,500 H shares (Long position) and 9,000 H shares (Short position) which were held through derivatives, the category of which was through cash settled unlisted derivatives.

(7) Percentage figures may not add up to the totals due to rounding.

Save as disclosed above, the Directors and Supervisors of the Company are not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interest or short position in the shares and underlying shares of the Company as at December 31, 2017 which shall be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

# Directors, Supervisors, Senior Management and Employees

**From left to right:**
Ms. CAI Fangfang
Mr. YAO Jason Bo
Ms. IP So Lan
Mr. REN Huichuan
Mr. CHEN Kexiang
Mr. MA Mingzhe
Mr. LEE Yuansiong
Mr. SUN Jianyi
Mr. CAO Shifan
Ms. TAN Sin Yin
Mr. XIE Yonglin

## BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

| Name | Positions | Gender | Age | Period of appointment |
|---|---|---|---|---|
| MA Mingzhe | Chairman and Chief Executive Officer | Male | 62 | 2015.06-2018 election |
| SUN Jianyi | Senior Vice Chairman and Executive Vice President | Male | 65 | 2015.06-2018 election |
| REN Huichuan | Executive Director and President | Male | 48 | 2015.06-2018 election |
| YAO Jason Bo | Executive Director, Executive Vice President, Chief Financial Officer and Chief Actuary | Male | 47 | 2015.06-2018 election |
| LEE Yuansiong | Executive Director, Executive Vice President, Deputy Chief Executive Officer and Chief Insurance Business Officer | Male | 52 | 2015.06-2018 election |
| CAI Fangfang | Executive Director, Chief Human Resources Officer | Female | 44 | 2015.06-2018 election |



| Name | Positions | Gender | Age | Period of appointment |
|---|---|---|---|---|
| LIN Lijun | Non-executive Director | Female | 55 | 2015.06-2018 election |
| Soopakij CHEARAVANONT | Non-executive Director | Male | 54 | 2015.06-2018 election |
| YANG Xiaoping | Non-executive Director | Male | 54 | 2015.06-2018 election |
| XIONG Peijin | Non-executive Director | Male | 52 | 2016.01-2018 election |
| LIU Chong | Non-executive Director | Male | 58 | 2016.01-2018 election |
| Stephen Thomas MELDRUM | Independent Non-executive Director | Male | 75 | 2015.06-2018 election |
| YIP Dicky Peter | Independent Non-executive Director | Male | 70 | 2015.06-2018 election |
| WONG Oscar Sai Hung | Independent Non-executive Director | Male | 62 | 2015.06-2018 election |
| SUN Dongdong | Independent Non-executive Director | Male | 58 | 2015.06-2018 election |
| GE Ming | Independent Non-executive Director | Male | 66 | 2015.06-2018 election |
| OUYANG Hui[1] | Independent Non-executive Director | Male | 55 | 2017.08-2018 election |
| WOO Ka Biu Jackson[1] | Retired Independent Non-executive Director | Male | 55 | 2015.06-2017.08 |

# Directors, Supervisors, Senior Management and Employees

| Name | Positions | Gender | Age | Period of appointment |
|---|---|---|---|---|
| GU Liji | Chairman of Supervisory Committee (Independent Supervisor) | Male | 70 | 2015.06-2018 election |
| HUANG Baokui | Independent Supervisor | Male | 75 | 2016.06-2018 election |
| ZHANG Wangjin | Shareholder Representative Supervisor | Female | 38 | 2015.06-2018 election |
| PAN Zhongwu | Employee Representative Supervisor | Male | 48 | 2015.06-2018 election |
| WANG Zhiliang(1) | Employee Representative Supervisor | Male | 38 | 2017.08-2018 election |
| GAO Peng(1) | Resigned Employee Representative Supervisor | Male | 41 | 2015.06-2017.08 |
| TAN Sin Yin | Executive Vice President, Deputy Chief Executive Officer, Chief Operating Officer and Chief Information Officer | Female | 40 | 2015.06- |
| IP So Lan | Senior Vice President, Chief Internal Auditor, Compliance Officer and Person-in-charge of Auditing | Female | 61 | 2011.01- |
| CHEN Kexiang | Senior Vice President | Male | 60 | 2007.01- |
| CAO Shifan | Senior Vice President | Male | 62 | 2007.04- |
| XIE Yonglin | Senior Vice President | Male | 49 | 2016.09- |
| YAO Jun | Chief Legal Officer, Company Secretary | Male | 52 | 2008.05- |
| SHENG Ruisheng(1) | Secretary of the Board | Male | 48 | 2017.04- |
| JIN Shaoliang(1) | Resigned Secretary of the Board | Male | 57 | 2012.02-2017.04 |

(1) For details of the change of Directors, Supervisors and Senior Management during the reporting period, please refer to "Appointment or Removal of Directors, Supervisors and Senior Management" in this chapter.

## MAJOR WORKING EXPERIENCE AND CONCURRENT POSITIONS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND KEY PERSONNEL

### Directors

#### Executive Directors

**MA Mingzhe**, founder of the Company. Mr. Ma founded Ping An Insurance Company in March 1988, and is currently the Chairman and CEO of the Company. Since the establishment of the Company, Mr. Ma has served as President, Director, Chairman and CEO of the Company, and has been fully involved in the operation and management of the Company. Prior to founding the Company, 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 an Executive Director of the Company since March 1995, and is currently the Senior Vice Chairman and the Executive Vice President of the Company. Mr. Sun is the Director of Ping An Life, Ping An Property & Casualty, Ping An Annuity and Ping An Asset Management, and is also a Non-executive Director of China Insurance Security Fund Co., Ltd., and an Independent Non-executive Director of Haichang Ocean Park Holdings Ltd. Mr. Sun was a Non-executive Director of China Vanke Co., Ltd. as well. Since joining the Company in July 1990, Mr. Sun has been the General Manager of the Management Department, Senior Vice President, Executive Vice President and Deputy Chief Executive Officer and the Chairman of the board of directors of Ping An Bank. Prior to joining the Company, Mr. Sun was the Head of the Wuhan Branch of the PBOC, 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).

**REN Huichuan**, has been an Executive Director of the Company since July 2012, and is currently the President of the Company, the Chairman of the board of directors of Ping An Trust, the Director of a number of controlled subsidiaries of the Company including Ping An Property & Casualty, Ping An Life and Ping An Asset Management. Mr. Ren is also a member of Council of the Shenzhen Finance Institute. Mr. Ren joined the Company in 1992, and served as 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 an Employee Representative Supervisor of the Company from March 2009 to March 2010, and has been the Chairman and CEO of WanLiTong between February 2015 and December 2015. Before that, Mr. Ren had been the assistant to the President and Financial Officer of the Company, the Assistant Director of the Development and Reform Centre, Senior Vice President of Ping An Property & Casualty and the Assistant Manager of the property & casualty insurance business of the Company. Mr. Ren holds an MBA degree from Peking University.

**YAO Jason Bo**, has been an Executive Director of the Company since June 2009, and is the Executive Vice President, Chief Financial Officer and Chief Actuary of the Company, the director of a number of controlled subsidiaries of the Company including Ping An Bank, Ping An Life, Ping An Property & Casualty and Ping An Asset Management. Mr. Yao joined the Company in May 2001 and served as the Senior Vice President of the Company from June 2009 to January 2016. Prior to that, Mr. Yao had successively held different positions of the Company including the Deputy General Manager of the Product Centre, the Deputy Chief Actuary, the General Manager of the Corporate Planning Department, the Deputy Financial Officer and Financial Director of the Company. Mr. Yao is the Non-executive Director of Lufax. Prior to joining the Company, Mr. Yao served in Deloitte Touche Tohmatsu as a senior manager and consulting actuary. Mr. Yao is a Fellow of the Society of Actuaries (FSA), and holds an MBA degree from New York University.

# Directors, Supervisors, Senior Management and Employees

**LEE Yuansiong**, has been an Executive Director of the Company since June 2013, and is currently the Executive Vice President, Deputy Chief Executive Officer and Chief Insurance Business Officer of the Company, and is also the Director of a number of controlled subsidiaries of the Company including Ping An Property & Casualty, Ping An Life, Ping An Annuity and Ping An Health. Mr. Lee joined the Company in 2004 and served as the Special Assistant to the Chairman of Ping An Life from February 2004 to March 2005, President of Ping An Life from March 2005 to January 2010 and Chairman of Ping An Life from January 2007 to February 2012. Prior to that, Mr. Lee was a Senior Vice President of Prudential Taiwan Branch and the General Manager of Citi-Prudential. Mr. Lee holds a Master's degree in Finance from the University of Cambridge.

**CAI Fangfang**, has been an Executive Director of the Company since July 2014. Ms. Cai is the Chief Human Resources Officer of the Company and the Executive Vice President of Ping An School of Financial Management. Ms. Cai joined the Company in July 2007. She was the Vice Chief Financial Officer and General Manager of the Corporate Planning Department of the Company from February 2012 to September 2013 and successively held the positions of Deputy General Manager and General Manager of the Remuneration Planning and Management Department of the Human Resources Centre of the Company from October 2009 to February 2012. Ms. Cai is currently the Director of a number of controlled subsidiaries of the Company including Ping An Bank, Ping An Life, Ping An Property & Casualty and Ping An Asset Management, and is also the Non-executive Director of Lufax. Prior to joining the Company, Ms. Cai served as the consulting director of Watson Wyatt Consultancy (Shanghai) Ltd. and the audit director on financial industry of British Standards Institution Management Systems Certification Co. Ltd.. Ms. Cai holds a Master's degree in Accounting from the University of New South Wales.

## 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 Labour Union of the Company. Ms. Lin served as the Chairman and President of Linzhi New Horse Investment Development Co. Ltd. from 2000 to 2013. Ms. Lin previously served as the Deputy General Manager of the Human Resources Department of Ping An Property & Casualty from 1997 to 2000. Ms. Lin holds a Bachelor's degree in Chinese Language and Literature from South China Normal University.

**Soopakij CHEARAVANONT**, has been a Non-executive Director of the Company since June 2013. Mr. Chearavanont is the Chairman of the CP Group, and at the same time has been an Executive Director and the Chairman of CP Lotus Corporation, a Non-executive Director and the Chairman of Chia Tai Enterprises International Limited, an Executive Director and Vice Chairman of C.P. Pokphand Co. Ltd., as well as the Chairman of CP Bright Holdings Limited. Mr. Chearavanont is also a Director of True Corporation Public Company Limited and CP ALL Public Company Limited (both companies are listed in Thailand) and the Chairman of True Visions Public Company Limited based in Thailand. Mr. Chearavanont holds a Bachelor's degree in Science from the College of Business and Public Administration of New York University, USA.

**YANG Xiaoping**, has been a Non-executive Director of the Company since June 2013, and is currently the Senior Vice Chairman of the CP Group, an Executive Director and Vice Chairman of CP Lotus Corporation, CEO of CT Bright Holdings Limited, the Chairman of Jilin Deda Co., Ltd., a Non-executive Director of Tianjin Binhai Teda Logistics (Group) Corporation Limited and a Non-executive Director of CITIC Limited. Previously, Mr. Yang acted as the Manager of Nichiyo Co., Ltd for China Division and the Chief Representative of Nichiyo Co., Ltd Beijing Office. Mr. Yang is also a Member of the Twelfth National Committee of Chinese People's Political Consultative Conference, the Vice President of the China Institute for Rural Studies of Tsinghua University, the Associate Dean of Institute of Global Development of Tsinghua University, a Director of China NGO Network for International Exchanges, the President of Beijing Association of Enterprises with Foreign Investment and an Adviser of Foreign Investment to Beijing Municipal Government. Mr. Yang holds a Bachelor's degree from Jiangxi Institute of Technology and has experience of studying in Japan.

**XIONG Peijin**, has been a Non-executive Director of the Company since January 2016, and is currently the Chairman of the board of directors and Secretary of the Party Committee of Shenzhen Energy Group Co., Ltd. Mr. Xiong had served as the Director, General Manager and Deputy Secretary of the Party Committee of Shenzhen Investment Holdings Co., Ltd. from May 2014 to June 2016, the Non-executive Director of Guotai Junan Securities Company Limited from December 2014 to May 2016, the Director, General Manager and Deputy Secretary of the Party Committee of Shenzhen Special Zone Construction Development Group Co., Ltd. from July 2011 to May 2014 and the Director of Shenzhen Capital Group Co., Ltd. from June 2010 to September 2012. Prior to that, Mr. Xiong served as the General Economist and member of the Party Committee of Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission, Financial Director of Shenzhen International Trust and Investment Co., Ltd., Chairman of the supervisory committee and Financial Director of Shenzhen Nanyou (Holdings) Co., Ltd.. Mr. Xiong obtained a Master's degree in Administrative Management from Sun Yat-sen University and an EMBA degree from Guanghua School of Management of Peking University. Mr. Xiong is a qualified senior accountant and has the qualification of certified public accountant in China.

**LIU Chong**, has been a Non-executive Director of the Company since January 2016, and is currently the Vice President of Shum Yip Group Limited and Shum Yip Holdings Company Limited, the Vice President and Executive Director of Shenzhen Investment Limited. Prior to that, Mr. Liu served successively as Deputy General Manager and Financial Controller of Shenzhen Tefa Group Co., Ltd., a Director and Financial Controller of Shenzhen Petrochemical Group Co., Ltd., a Director and Financial Controller of Shenzhen Health Mineral Water Co., Ltd., a Director of Shenzhen Tellus Holding Co., Ltd. from June 2009 to June 2010, and was an Independent Non-executive Director of Shenzhen Shenxin Taifeng Group Co., Ltd. from May 2009 to February 2014. Mr. Liu holds a Bachelor's degree in Accounting from Jiangxi University of Finance and Economics and the senior accountant qualification.

### Independent Non-executive Directors

**Stephen Thomas MELDRUM**, has been an Independent Non-executive Director of the Company since July 2012. Mr. Meldrum has been an independent member of the insurance audit committee (an advisory committee) of HSBC Holdings plc from 2008 to March 2012. Mr. Meldrum was the Consultant to Chief Actuary of the Company from January 2007 to January 2009, was the Senior Vice President and Chief Actuary of the Company from February 2003 to January 2007, and served as the Chief Actuary of the Company from 1999 to 2003. Mr. Meldrum was a Vice President and the Director of International Strategies of Lincoln National, Fort Wayne USA and International Development from 1995 to 1998. Mr. Meldrum served as the Investment Director at Lincoln National (UK) plc. from 1986 to 1995. Mr. Meldrum served as the Appointed Actuary, Finance Director and Chairman of Mortgage Lender of ILI (UK), Cannon Assurance, Cannon Lincoln and Lincoln National (UK), respectively, from 1969 to 1986. Mr. Meldrum has a Master's degree in Computer Science from the University of London and a Master's degree in Mathematics from the University of Cambridge.

**YIP Dicky Peter**, has been an Independent Non-executive Director of the Company since June 2013, and is currently the Independent Non-executive Director of Sun Hung Kai Properties Limited, South China Holdings Company Limited (formerly known as South China (China) Limited) and S.F. Holding Co., Ltd. respectively. Mr. Yip joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in 1965, and served as a Chief Executive of China Business at HSBC's Area Office China from January 2003 to May 2005, General Manager of HSBC from April 2005 to June 2012, and served as an Executive Vice President of Bank of Communications Co., Ltd. from May 2005 to June 2012. Mr. Yip also served as the Director of the Company and the Original Ping An Bank from November 2002 to May 2005. Besides, Mr. Yip served in many consultative boards including the Aviation Advisory Board, Arts Development Council and the Urban Renewal Authority, and is currently an Honorary Member of Hong Kong Committee of UNICEF. Mr. Yip holds an MBA degree from University of Hong Kong. Mr. Yip is an elected associated member of Chartered Institute of Bankers, London, and has a Certified Financial Planner certificate issued by the Institute of Financial Planners of Hong Kong and a Certified Financial Management Planner certificate issued by Hong Kong Institute of Bankers.

# Directors, Supervisors, Senior Management and Employees

**WONG Oscar Sai Hung**, has been an Independent Non-executive Director of the Company since June 2013, currently serves as an Independent Non-executive Director of JPMorgan Chinese Investment Trust plc (listed in London), a Non-executive Director of PAN Securities Group Limited and a Director of One Asset Management Limited (registered in Thailand). Mr. Wong was a Director and Chief Executive Officer of ICBC (Asia) Investment Management Company Limited from September 2008 to December 2011, and was the Non-executive Director of Chong Sing Holdings FinTech Group Limited, the Vice Chairman of China Regenerative Medicine International Limited, the Chairman of LW Asset Management Advisors Limited, an Independent Non-executive Director of ARN Investment SICAV (listed on the Luxembourg Stock Exchange) and the Hong Kong Exchanges and Clearing Limited, the Director and Chief Executive of BOCI-Prudential Asset Management Limited and Prudential Portfolio Managers Asia Limited, and the Non-executive Director of the ARN Asian Enterprise Fund Limited (formerly listed on the Irish Stock Exchange). Mr. Wong holds a Higher Diploma in Business Studies (Marketing) from Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University).

**SUN Dongdong**, has been an Independent Non-executive Director of the Company since June 2013, and currently serves as a professor of Law School of Peking University and the director of Peking University Health Law Research Centre. Mr. Sun was an Independent Non-executive Director of Zhejiang Dian Diagnostics Co. Ltd.. Mr. Sun is also a Deputy Director of the Social Legal Work Committee of Chinese Peasants and Workers Democratic Party, Standing Director of Chinese Health Law Society and China Law Society Research Centre of the Law on the Protection of Consumer Rights and Interests, and an expert of the Health Insurance Experts Committee under the Insurance Association of China and the Chinese Medical Doctor Association. Mr. Sun graduated with a degree of Medical Science from Beijing Medical College (now known as Peking University Health Science Center).

**GE Ming**, has been an Independent Non-executive Director of the Company since June 2015, and is currently the Independent Non-executive Director of Chong Sing Holdings FinTech Group Limited, Focus Media Information Technology Co., Ltd. and Asia Investment Finance Group Limited, Supervisor of the Bank of Shanghai Co., Ltd., Executive Director of the Chinese Institute of Certified Public Accountants, a member of the Certified Public Accountants Testing Committee of the Ministry of Finance of PRC, a Deputy Director of the Industry Development Committee of the Beijing Institute of Certified Public Accountants and a member of the third session of the Listed Companies Mergers and Acquisitions Expert Consultation Committee of CSRC. Mr. Ge served as Chairman of Ernst & Young Hua Ming, Partner and Chief Accountant of Ernst & Young Hua Ming LLP, the Independent Non-executive Director of Shunfeng International Clean Energy Limited and Shanghai Zhenhua Heavy Industry Co., Ltd. Mr. Ge obtained his Master's Degree in Western Accounting from the Research Institute for Fiscal Science, Ministry of Finance of PRC. Mr. Ge obtained his certified accountant qualification in China in 1983 and has obtained the senior accountant qualification from the Ministry of Finance.

**OUYANG Hui**, has been an Independent Non-executive Director of the Company since August 2017, and is currently the Dean's Distinguished Chair Professor, the director of Research Center on Internet Finance and the co-director of Research Center on Financial Innovation and Wealth Management at Cheung Kong Graduate School of Business. Mr. Ouyang is also an independent non-executive director of AEGON-INDUSTRIAL Fund Management Co., Ltd., Hytera Communications Corporation Limited and Peak Reinsurance Limited. Previously, Mr. Ouyang served as Managing Director of UBS AG, Asia Pacific, Managing Director of Nomura Securities, Asia Pacific, Senior Vice President and Managing Director of Lehman Brothers, Asia Pacific. Mr. Ouyang obtained a Ph.D. in Finance from the University of California, Berkeley and a Ph.D. in Chemical Physics from Tulane University.

## Supervisors

**GU Liji**, has been an Independent Supervisor and the Chairman of Supervisory Committee of the Company since June 2009, and is currently an Independent Non-executive Director of Maxphotonics Co., Ltd., an Independent Non-executive Director of Shenzhen Changhong Technology Co., Ltd., a Non-executive Director of Xiangtan Electric Manufacturing Group Co., Ltd (XEMC), an Independent Non-executive Director of Bosera Asset Management Co., Limited and Professor of Graduate School at Shenzhen, Tsinghua University. Mr. Gu was a Director of ERGO China Life Insurance Co., Ltd. from May 2013 to August 2014, 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 the 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, respectively, and the Chairman of China Merchants Technology Holdings Co., Ltd. Mr. Gu is also an expert on Applied Electronics of Shenzhen Expert Association. Mr. Gu has obtained the Advanced Management Program AMP (151) certificate from Harvard Business School. Mr. Gu also holds a Master's degree in Engineering from Management Science Department of University of Science and Technology of China and a Bachelor's degree in Engineering from Tsinghua University.

**HUANG Baokui**, has been an Independent Supervisor of the Company since June 2016. Prior to his retirement in January 2003, Mr. Huang was the Deputy Secretary of the Party Committee and the Secretary of the Disciplinary Committee of China Merchants Shekou Industrial Zone Co., Ltd. Mr. Huang was the Deputy General Manager of Shenzhen Huada Electronic Co., Ltd. and held the position of supervisor in various companies including China Merchants Shekou Industrial Zone Co., Ltd., Shenzhen Shekou Anda Industry Co., Ltd., Shenzhen Shekou Telecom Co., Ltd., China Merchants Petrochemical Co., Ltd. (Shenzhen) and China Merchants Logistics Co., Ltd. Mr. Huang obtained his graduation certificate in Physics from Jilin University and is a senior political practitioner.

**ZHANG Wangjin**, has been a Shareholder Representative Supervisor of the Company since June 2013, and is currently the Managing Director of CPG Overseas Company Limited (Hong Kong). Before joining CPG Overseas Company Limited (Hong Kong), Ms. Zhang worked in the Audit Department of PricewaterhouseCoopers CPA and the M&A and Restructuring Department of Deloitte & Touche Financial Advisory Services Limited. Ms. Zhang is a member of CPA Australia. Ms. Zhang holds a Bachelor's degree in Economics from University of International Business and Economics and has obtained an EMBA degree from Guanghua School of Management of Peking University.

**PAN Zhongwu**, has been an Employee Representative Supervisor of the Company since July 2012, and is currently the Deputy Director of the Group Office of the Company. Mr. Pan joined the Group in July 1995 and served in the Office of Comprehensive Management Department of Ping An Property & Casualty and the Group Office of the Company successively. Mr. Pan holds a Master's degree in Finance and Insurance from Wuhan University.

**WANG Zhiliang**, has been an Employee Representative Supervisor of the Company since August 2017, is currently the Deputy General Manager of the Group Head Office in Shanghai of the Company. Mr. Wang joined the Group in July 2002 and successively worked in the Administration Department of Ping An Life Insurance Company of China, Ltd., Tianjin Branch and the Group Office of the Company. Mr. Wang graduated from the Tianjin University of Finance and Economics (previously known as Tianjin Institute of Finance and Economics) with a Bachelor's degree in Economic Information Management.

# Directors, Supervisors, Senior Management and Employees

## Senior Management

See “Executive Directors” for work experience, positions and concurrent positions of Mr. Ma Mingzhe, Mr. Sun Jianyi, Mr. Ren Huichuan, Mr. Yao Jason Bo and Mr. Lee Yuansiong.

**TAN Sin Yin**, has been a Senior Vice President of the Company since June 2015, has been redesignated as an Executive Vice President of the Company since January 2016, and has been the Deputy Chief Executive Officer of the Company since October 2017. Ms. Tan joined Ping An in January 2013. She has been the Chief Information Officer and the Chief Operating Officer of the Company since January 2013 and December 2013, respectively. She is also the Chairman of Ping An Technology, a subsidiary of the Company. Ms. Tan is currently a director of a number of controlled subsidiaries of the Company including Ping An Property & Casualty, Ping An Life, Ping An Annuity, Ping An Financial Technology and Ping An Asset Management. She is also a Non-executive Director of Lufax. Prior to joining the Company, Ms. Tan was a Vice Chairman and Global Director (Partner) of McKinsey & Company. Ms. Tan graduated from the Massachusetts Institute of Technology (MIT) with joint Bachelor’s degrees in Electrical Engineering and Economics and joint Master’s degrees in Electrical Engineering and Computer Science.

**IP So Lan**, has been a 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 Ping An in 2004. She was the Assistant to the President of Ping An Life from February 2004 to March 2006, and the Assistant to the President of the Company from March 2006 to January 2011. Ms. Ip has been a Non-executive Director of Ping An Bank since June 2010, and a Director of Shenzhen OneConnect Intelligence Technology Co., Ltd. since September 2017. She is also a Non-executive Director of Lufax. Prior to joining the Company, Ms. Ip worked with AIA and Prudential Hong Kong and so on. She holds a Bachelor’s Degree in Computing from the Polytechnic of Central London.

**CHEN Kexiang**, has been a Senior Vice President of the Company since January 2007, in charge of administration, and party-mass relationship. Mr. Chen joined the Company in December 1992. From February 2003 to January 2007, Mr. Chen served as assistant to the President of the Company. He served as General Secretary of the Board of the Company from June 2002 to May 2006, and Director 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 Deputy Director and then Director of the General Office of the Company. From 1995 to 1996, Mr. Chen served as President of Ping An Building Management Company. From 1993 to 1995, he served as Assistant Director and then 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 (formerly known as Zhongnan University of Economics).

**CAO Shifan**, has been a Senior Vice President of the Company since April 2007, and the Chairman of the Labour Union of the Company since May 2007. Mr. Cao joined the 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 been the Chairman of Ping An Securities since April 2017. Mr. Cao has a Master’s degree in Economics from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

**XIE Yonglin**, has been a Senior Vice President of the Company since September 2016 and Chairman of Ping An Bank since December 2016. Mr. Xie joined the Company in 1994 and started as a sales agent before serving as Deputy General Manager of Ping An Property and Casualty’s sub-branches, Deputy General Manager and General Manager of Ping An Life’s branches, and General Manager of Ping An Life’s Marketing Department. Mr. Xie was the Deputy Director of the Company’s Strategic Development & Reform Center from June 2005 to March 2006. He held positions of Operations Director, Human Resources Director, Vice President in Ping An Bank from March 2006 to November 2013, and Special Assistant to Chairman, President and Chief Executive Officer, and Chairman of Ping An Securities from November 2013 to November 2016 consecutively. As a graduate from Nanjing University, he has a Ph.D. in Corporate Management and a Master’s degree in Science.

**YAO Jun**, has been the Chief Legal Officer and Company Secretary since September 2003 and May 2008 respectively. He has also been the General Manager of Legal & Compliance Department (formerly known as Legal Department) of the Company since April 2007. He was Secretary of the Board of the Company from October 2008 to February 2012, and Joint Secretary of the Company from June 2004 to May 2008. Mr. Yao currently serves as Director of a number of controlled subsidiaries of the Company including Ping An Property & Casualty, Ping An Life, Ping An Annuity, and Ping An Health. Mr. Yao joined the Company in September 2003; before that, he was a partner of Commerce & Finance Law Offices. Mr. Yao is a Fellow of the Institute of Chartered Secretaries and Administrators (FCIS) and a Fellow of the Hong Kong Institute of Chartered Secretaries (FCS). He holds a Master's degree in Civil and Commercial Law from Peking University and a Doctorate degree in Legal Sociology from Huazhong University of Science and Technology.

**SHENG Ruisheng**, has been the Secretary of the Board of the Company since April 2017. Mr. Sheng joined the Company in July 1997. He has been the Brand Director since February 2014, General Manager of the Branding Department since August 2008, and spokesperson of the Company since January 2006. From August 2002 to August 2008, he acted as assistant to General Manager and deputy General Manager of the Branding Department. Mr. Sheng holds a Bachelor's degree from Nanjing University and an MBA degree from the Chinese University of Hong Kong.

### Chief Actuary

For the work experience, positions and concurrent positions of Mr. Yao Jason Bo, the Chief Actuary of the Company, please refer to "Executive Directors" in this chapter.

### Company Secretary

For the work experience, positions and concurrent positions of Mr. Yao Jun, the Company Secretary, please refer to "Senior Management" in this chapter.

### Chief Investment Officer

**CHAN Tak Yin**, has been the Chief Investment Officer of the Company since August 2012. Mr. Chan joined Ping An in 2005, and served as Deputy Chief Investment Officer of the Company, Chairman and Chief Executive Officer of Ping An Asset Management and Chairman of Ping An of China Asset Management (Hong Kong) respectively. From December 2008 to May 2017, Mr. Chan acted as Non-executive Director of Yunnan Baiyao Group Co., Ltd. Previously, he worked as Fund Manager, Investment Director, Chief Investment Director, and Managing Director at BNP Paribas Asset Management SAS, Barclays Investment Management Limited, SHK Fund Management Limited, and Standard Chartered Investment Management respectively. Mr. Chan graduated from the University of Hong Kong with a Bachelor's degree in Arts.

## POSITIONS HELD IN CORPORATE SHAREHOLDERS BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

| Name | Name of corporate shareholder | Position | Period of engagement |
|---|---|---|---|
| LIU Chong | Shum Yip Group Limited | Vice President | April 2010 - Present |
| Soopakij CHEARAVANONT | CP Group | Chairman | January 2017 - Present |
| YANG Xiaoping | CP Group | Senior Vice Chairman | January 2017 - Present |

# Directors, Supervisors, Senior Management and Employees

## APPOINTMENT OR REMOVAL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. As the 6-year term of office of Mr. Woo Ka Biu Jackson as the Independent Non-executive Director of the Company expired, he tendered his resignation as Independent Non-executive Director of the Company. The resolution regarding the appointment of Mr. Ouyang Hui as the Independent Non-executive Director of the Company to replace Mr. Woo Ka Biu Jackson was passed at the 2016 Annual General Meeting held by the Company on June 16, 2017. The qualification of Mr. Ouyang Hui as the Director of the Company was approved by CIRC on August 6, 2017, on which day the appointment of Mr. Ouyang Hui as the Independent Non-executive Director of the Company to replace Mr. Woo Ka Biu Jackson became effective.

2. Mr. Gao Peng tendered his resignation as the Employee Representative Supervisor of the Company due to personal work arrangement. The resolution regarding the appointment of Mr. Wang Zhiliang as an Employee Representative Supervisor of the Company to replace Mr. Gao Peng was passed at the employees' representatives meeting held by the Company on June 20, 2017. The qualification of Mr.Wang Zhiliang as a Supervisor of the Company was approved by CIRC on August 6, 2017, on which day the appointment of Mr. Wang Zhiliang as the Employee Representative Supervisor of the Company to replace Mr. Gao Peng became effective.

3. Mr. Jin Shaoliang tendered his resignation as the Secretary of the Board of Directors of the Company due to personal reasons. The resolution regarding the appointment of Mr. Sheng Ruisheng as the Secretary of the Board of Directors to replace Mr. Jin Shaoliang was passed at the 11th meeting of the 10th Board of Directors held by the Company on March 22, 2017. Mr. Sheng Ruisheng's qualification was approved by the CIRC on April 22, 2017, and the appointment of Mr. Sheng Ruisheng as the Secretary of the Board of Directors of the Company to replace Mr. Jin Shaoliang become effective on April 26, 2017.

## CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

1. Mr. Sun Jianyi, the Executive Director of the Company, has not served as the Non-executive Director of China Vanke Co., Ltd. since June 2017.

2. Mr. Ren Huichuan, the Executive Director of the Company, has served as a member of Council of the Shenzhen Finance Institute since January 2017.

3. Mr. Soopakij Chearavanont, the Non-executive Director of the Company, has been redesignated as the Chairman of the CP Group (previously the Executive Vice Chairman) since January 2017.

4. Mr. Yang Xiaoping, the Non-executive Director of the Company, has been redesignated as the Senior Vice Chairman of the CP Group (previously the Vice Chairman) since January 2017.

5. Mr. Yip Dicky Peter, the Independent Non-executive Director of the Company, has served as an Independent Non-executive Director of S.F. Holding Co., Ltd. since February 2017, and has not served as an Independent Non-executive Director of DSG International (Thailand) PLC since August 2017.

6. Mr. Ge Ming, the Independent Non-executive Director of the Company, has served as an Independent Non-executive Director of Asia Investment Finance Group Ltd. since May 2017, and as a Supervisor of Bank of Shanghai Co., Ltd. since June 2017.

7. Mr. Sun Dongdong, the Independent Non-executive Director of the Company, has not served as an Independent Non-executive Director of Zhejiang Dian Diagnostics Co, Ltd since July 2017.

8. Mr.Wong Oscar Sai Hung, the Independent Non-executive Director of the Company, has not served as the Vice Chairman of China Regenerative Medicine International Limited since December 2017, has not served as a Non-executive Director of Chong Sing Holdings FinTech Group Limited since February 2018, and has served as a Non-executive Director of PAN Securities Group Limited since February 2018.

## PUNISHMENTS IMPOSED ON THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

The current Directors, Supervisors and senior management of the Company and those who resigned during the reporting period were not subject to any punishment by securities regulatory authorities over the past three years.

## SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at December 31, 2017, the interests of the current Directors, Supervisors and Senior Management of the Company and those who resigned during the reporting period in the shares of the Company which shall be disclosed pursuant to the "Standard No. 2 Concerning the Contents and Formats of Information Disclosed by Listed Companies – The Contents and Formats of Annual Report (Revised in 2017)" issued by CSRC, and the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which shall have been notified to the Company and HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors, Supervisors or chief executive of the Company are taken as or deemed to have under such provisions of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified by the Directors, Supervisors and chief executive to the Company and HKEx pursuant to the Model Code, were as follows:

### Change in the number of 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 (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| Ma Mingzhe | Chairman, Chief Executive Officer | Beneficial owner | A | 176,710 | 893,966 | +717,256 | Share Purchase Plan | Long position | 0.00825 | 0.00489 |
| | | Interest of his spouse | H | 20,000 | 20,000 | - | - | Long position | 0.00027 | 0.00011 |
| Sun Jianyi | Senior Vice Chairman and Executive Vice President | Beneficial owner | A | 3,844,368 | 4,007,565 | +163,197 | Share Purchase Plan | Long position | 0.03700 | 0.02192 |
| Ren Huichuan | Executive Director and President | Beneficial owner | A | 247,808 | 371,372 | +123,564 | Share Purchase Plan | Long position | 0.00343 | 0.00203 |
| Yao Jason Bo | Executive Director, Executive Vice President, Chief Financial Officer and Chief Actuary | Beneficial owner | A | 11,921 | 60,144 | +48,223 | Share Purchase Plan | Long position | 0.00056 | 0.00033 |
| | | Beneficial owner | H | 24,000 | 24,000 | - | - | Long position | 0.00032 | 0.00013 |
| | | Interest of his spouse | H | 44,000 | 44,000 | - | - | Long position | 0.00059 | 0.00024 |
| Lee Yuansiong | Executive Director, Executive Vice President, Deputy Chief Executive Officer and Chief Insurance Business Officer | Beneficial owner | A | - | 40,601 | +40,601 | Share Purchase Plan | Long position | 0.00037 | 0.00022 |
| Cai Fangfang | Executive Director and Chief Human Resources Officer | Beneficial owner | A | 8,157 | 24,687 | +16,530 | Share Purchase Plan | Long position | 0.00023 | 0.00014 |
| Lin Lijun | Non-executive Director | Beneficial owner | A | - | 1,140 | +1,140 | Share Purchase Plan | Long position | 0.00001 | 0.00001 |
| Xiong Peijin | Non-executive Director | Interest of his spouse | A | 102,000 | 102,000 | - | - | Long position | 0.00094 | 0.00056 |
| Pan Zhongwu | Employee Representative Supervisor | Beneficial owner | A | 2,581 | 8,378 | +5,797 | Share Purchase Plan | Long position | 0.00008 | 0.00005 |
| Wang Zhiliang | Employee Representative Supervisor | Beneficial owner | A | 5,790 | 15,536 | +9,746 | Share Purchase Plan | Long position | 0.00014 | 0.00008 |
| Gao Peng | Resigned Employee Representative Supervisor | Beneficial owner | A | 6,165 | 20,040 | +13,875 | Share Purchase Plan | Long position | 0.00018 | 0.00011 |
| IP So Lan | Senior Vice President, Chief Internal Auditor, Compliance Officer and Person-in-charge of Auditing | Beneficial owner | A | 5,822 | 36,714 | +30,892 | Share Purchase Plan | Long position | 0.00034 | 0.00020 |
| Chen Kexiang | Senior Vice President | Beneficial owner | A | 6,211 | 43,196 | +36,985 | Share Purchase Plan | Long position | 0.00040 | 0.00024 |
| Cao Shifan | Senior Vice President | Beneficial owner | A | 6,211 | 52,132 | +45,921 | Share Purchase Plan | Long position | 0.00048 | 0.00029 |
| Yao Jun | Chief Legal Officer, Company Secretary | Beneficial owner | A | 5,822 | 36,714 | +30,892 | Share Purchase Plan | Long position | 0.00034 | 0.00020 |
| Sheng Ruisheng | Secretary of the Board | Beneficial owner | A | 6,832 | 26,888 | +20,056 | Share Purchase Plan | Long position | 0.00025 | 0.00015 |
| Jin Shaoliang | Resigned Secretary of the Board | Beneficial owner | A | 6,211 | 26,909 | +20,698 | Share Purchase Plan | Long position | 0.00025 | 0.00015 |
| | | Beneficial owner | H | 20,000 | 20,000 | - | - | Long position | 0.00027 | 0.00011 |

During the reporting period, there were no share options held by or restricted shares granted to the current Directors, Supervisors and Senior Management of the Company and those who resigned during the reporting period.

### Change in the number of shares held in associated corporations of the Company

| Name | Position | Associated Corporation | Capacity | 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 in associated corporation (%) |
|---|---|---|---|---|---|---|---|---|---|
| Xiong Peijin | Non-executive Director | Ping An Bank | Interest of his spouse | 190,886 | 190,886 | – | – | Long position | 0.00111 |

Save as disclosed above, as at December 31, 2017, none of the Directors, Supervisors and chief executives 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 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 chief executives to the Company and the HKEx 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.

## 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 operating objectives of the Company. The principle of the remuneration policy is to characterize a clear orientation, reflect differences, motivate performances, respond to the market and optimize cost. The remuneration package for the Company's employees is based on the following aspects: the salary shall be determined according to its post value so as to keep in line with the market conditions; the bonus shall be determined in light of performance so that contributions could be reflected. 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, development stage and remuneration level in the market.

In accordance with the CSRC's Guidelines on Employee Stock Ownership Plans for Public Companies and as approved at the First Extraordinary General Meeting of 2015, the Company incepted and implemented the Key Employee Share Purchase Plan. This plan will strengthen the long-term value orientation and align interests of key employees closely with those of the shareholders and the Company so as to ensure the focus on sustainable growth of the Company's performance in the long term, drive improvement in the shareholders' value and facilitate sustainable development.

The purpose and principle of the Company's remuneration policy are 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, the development stage of the Group's business and so on, so as to help achieve the operating objectives of the Company.

With regard to Directors, the Executive Directors' remunerations are determined according to their posts within the Company as per the Company's remuneration policy; for the Non-executive Directors from China and abroad, emoluments are determined as per the standards approved by the Company's General Meeting of Shareholders. Remunerations for all the Directors shall be considered and proposed by the Remuneration Committee under the Board of Directors, and shall be deliberated and approved by the Company's General Meeting of Shareholders.

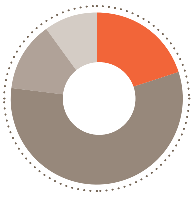
The Company sets forth a clear three-year rotation plan and annual accountability objectives for the senior management in accordance with the business plan, conducts stick accountability appraisals twice a year in light of the objectives achieved and evaluates the senior management on the basis of comprehensive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

## NUMBER OF EMPLOYEES, PROFESSION AND EDUCATION BACKGROUND

As at December 31, 2017, the Company had a total of 342,550 employees, of which 69,297 were for management and administration, representing 20.23%; 194,991 were for sales, representing 56.92%; 43,327 were technicians, representing 12.65%; 34,935 were others, representing 10.20%. Among all the staff, 18,345 held a doctorate or master's degree, representing 5.36%; 170,782 held a bachelor's degree, representing 49.86%; 117,171 attained college education, representing 34.21% and 36,252 were with other education backgrounds, representing 10.57%.

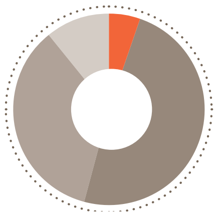
***By profession***

(%)




***By education***

(%)




## STAFF TRAINING PROGRAM

Committed to providing the best training, Ping An School of Financial Management has constantly devoted abundant resources to optimizing its training operating system to facilitate employee development. Besides, it joined hands with the training departments of the Group's subsidiaries (including branches and sub-branches) to develop a shared communication and learning platform and a platform to pool teaching resources. Training has been a driving force of business development.

In 2017, Ping An School of Financial Management optimized its face-to-face course system to provide managers at different levels with diverse and quality courses. The Group now has 1,184 face-to-face courses. In 2017, 36,145 employees attended 1,241 face-to-face training sessions nationwide, covering 52.48% of the Company's managers at senior or above levels. Zhi Niao, the Company's mobile training platform, launched 65,000 new courses in 2017, and has accumulatively launched over 180,000 courses. Courses on Zhi Niao were viewed for more than 123.991 million times. 33 courses were completed per capita, with a monthly activity rate of 89.99%. To develop managers at middle or senior levels, Ping An School of Financial Management introduced 15 new courses on leadership, and provided corresponding training for 986 managers. Moreover, responding to the Group's "finance + technology" transformation, Ping An School of Financial Management and Ping An Technology jointly developed eight courses on agile management for technology personnel, 565 of whom attended the training sessions. The Company has promoted a pro-learning atmosphere covering all the staff.

# Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to report to the shareholders on the corporate governance of the Company for the year ended December 31, 2017 (the "Reporting Period").

## CORPORATE GOVERNANCE

During the Reporting Period, the Company has been engaged in ongoing efforts to carry out the corporate governance activities and improve its corporate governance structure in strict compliance with the Company Law of the PRC and the Securities Law of the PRC as well as the relevant laws and regulations promulgated by the regulatory authorities and principles set out in the Corporate Governance Code, with de facto conditions of the Company taken into account. The general meeting, the Board, the supervisory committee of the Company ("Supervisory Committee") and senior management have been exercising their rights and performing their responsibilities conferred by the Articles of Association separately; the internal control system of the Company is complete and effective; the Company disclosed relevant information in a truthful, accurate and complete manner, with no report of breach of laws and regulations during the Reporting Period.

During the Reporting Period, the corporate governance of the Company is described as follows:

### Shareholders and the General Meetings

During the Reporting Period, the Company convened 1 general meeting, i.e. the 2016 Annual General Meeting held on June 16, 2017. The notice, convocation and procedures for convening and voting at the general meeting have complied with the requirements of the Company Law of the PRC and the Articles of Association. The general meeting established and expanded effective channels for communication between the Company and the shareholders, and through listening to their opinions and advice, their information rights, participation rights and voting rights on the significant events of the Company can be ensured.

The announcement regarding the resolutions of the above general meeting was published on Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily and the website of SSE (www.sse.com.cn) on June 17, 2017. The poll results announcement has also been published on the website of HKEx (www.hkexnews.hk) on the same date of the general meeting.

## Attendance of Directors at the General Meetings

During the Reporting Period, the Directors did their best to participate in the general meeting in person and had actively developed an understanding of the views of shareholders. The attendance records of each Director at the general meeting are as follows:

| Members | Date of appointment as Directors | General Meetings attended in person[(2)]/General Meetings required to attend | % of attendance in person (%) |
|---|---|---|---|
| **Executive Directors** | | | |
| MA Mingzhe (Chairman) | March 21 1988 | 1/1 | 100 |
| SUN Jianyi | March 29 1995 | 1/1 | 100 |
| REN Huichuan | July 17 2012 | 1/1 | 100 |
| YAO Jason Bo | June 9 2009 | 1/1 | 100 |
| LEE Yuansiong | June 17 2013 | 1/1 | 100 |
| CAI Fangfang | July 2 2014 | 1/1 | 100 |
| **Non-executive Directors** | | | |
| LIN Lijun | May 16 2003 | 1/1 | 100 |
| Soopakij CHEARAVANONT | June 17 2013 | 0/1 | 0 |
| YANG Xiaoping | June 17 2013 | 1/1 | 100 |
| XIONG Peijin | January 8 2016 | 0/1 | 0 |
| LIU Chong | January 8 2016 | 1/1 | 100 |
| **Independent Non-executive Directors** | | | |
| Stephen Thomas MELDRUM | July 17 2012 | 1/1 | 100 |
| YIP Dicky Peter | June 17 2013 | 1/1 | 100 |
| WONG Oscar Sai Hung | June 17 2013 | 1/1 | 100 |
| SUN Dongdong | June 17 2013 | 1/1 | 100 |
| GE Ming | June 30 2015 | 1/1 | 100 |
| OUYANG Hui[(1)] | August 6 2017 | 0/0 | – |
| WOO Ka Biu Jackson (Retired)[(1)] | July 22 2011 | 1/1 | 100 |

(1) Details regarding retirement, resignation and appointment of the Directors during the Reporting Period are set out in the section headed "Directors, Supervisors, Senior Management and Employees" of this Annual Report.

(2) Some Directors did not attend the general meeting due to business schedules.

## Shareholders' Rights

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at general meetings will be voted by poll and the poll results will be posted on the websites of HKEx, SSE and the Company after the relevant general meetings.

Extraordinary general meetings may be convened on written requisition of shareholder(s) individually or jointly holding 10% or more of the Company's issued and outstanding shares carrying voting rights pursuant to Article 72(3) of the Articles of Association. Such requisition shall state clearly the matters required to be considered and approved at the general meetings and must be signed by the requisitionists and submitted to the Board in writing. Shareholders should follow the requirements and procedures as set out in the Articles of Association for convening an extraordinary general meeting.

In addition, shareholder(s) individually or collectively holding 3% or more of the Company's issued and outstanding shares carrying voting rights may submit a written interim proposal to the convener 10 days before the date of the general meeting pursuant to Article 75 of the Articles of Association.

For putting forward any enquiries as set out in Article 58(5) of the Articles of Association, shareholders may send their enquiries or requests in exercise of such rights as mentioned above to the Company's IR Team or via email to IR@pingan.com.cn. Shareholders who put forward such enquiries shall provide the Company with the written identification documents pursuant to Article 59 of the Articles of Association. The Company shall provide the relevant information after having verified the identity of the shareholder.

## Directors, Board and Specialized Committees under the Board

### Directors

As at December 31, 2017, the Board consisted of 17 members, among whom there were 6 Executive Directors, 5 Non-executive Directors and 6 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. 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.

#### *Continuous Professional Development of the Directors*

All Directors of the Company have received a comprehensive Service Manual for the Performance of Duties upon their first appointment, so as to ensure their understanding of the business and operations of the Group and their responsibilities and obligations under the listing rules and relevant regulatory requirements. The Service Manual for the Performance of Duties will be updated regularly.

The Company also continually provide information such as updates on statutory and regulatory regime and the business and market changes to all Directors to facilitate the performance of their responsibilities and obligations under the listing rules and relevant statutory requirements.

During the Reporting Period, and under the arrangement of the Company, all Directors of the Company actively participated in continuous professional development by attending external training or seminars, attending in-house training or reading materials on various topics, to develop and refresh their knowledge and skills, which ensure that their contribution to the Board remains informed and relevant. The Directors have provided a record of training to the Company.

As at December 31, 2017, all Directors of the Company attended professional training with topics covering corporate governance, regulations and the Company's businesses; in addition, some of the Directors and all Supervisors attended "the Remote Training on the Compliance Practices of Insurance Companies" and "the Remote Training on China Risk Oriented Solvency System (C-ROSS)", which were organized by the Insurance Association of China, and Mr. Ge Ming attended the 4th Training Session for Directors and Supervisors of Listed Companies in Shanghai for 2017 hosted by Shanghai Branch of the CSRC and organized by the Listed Companies Association of Shanghai.

### The Board

The Board 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 Board recognises its responsibility to prepare the Company's financial statements. The principal responsibilities of the Board and the types of decisions that can be made by the Board include:

- 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 the mandate at the general meetings);
- formulating proposals for the increase or decrease in the Company's registered capital, the issuance of corporate bonds or other securities and listing plans;
- appointing or dismissing the senior management of the Company, and determining their remuneration and award and reprimand matters; and
- performing the corporate governance function, 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, functions and types of decisions delegated to the management include:

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

### *Attendance of Directors at the Board Meetings*

During the Reporting Period, the Board held 5 meetings. All such meetings were convened in accordance with the Articles of Association, and were attended in person or by proxy or through electronic means of communication by all Directors entitled to be present. All the Directors have done their best to make right decisions on the basis of in-depth 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 meetings are as follows:

| Members | Board Meetings attended in person/Board Meetings required to attend | % of attendance in person (%) | Board Meetings attended by proxy/Board Meetings required to attend | % of attendance by proxy (%) |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| MA Mingzhe (Chairman) | 5/5 | 100 | 0/5 | 0 |
| SUN Jianyi | 5/5 | 100 | 0/5 | 0 |
| REN Huichuan | 5/5 | 100 | 0/5 | 0 |
| YAO Jason Bo | 5/5 | 100 | 0/5 | 0 |
| Lee Yuansiong | 5/5 | 100 | 0/5 | 0 |
| Cai Fangfang | 5/5 | 100 | 0/5 | 0 |
| **Non-executive Directors** | | | | |
| LIN Lijun | 5/5 | 100 | 0/5 | 0 |
| Soopakij CHEARAVANONT | 3/5 | 60 | 2/5 | 40 |
| YANG Xiaoping | 5/5 | 100 | 0/5 | 0 |
| XIONG Peijin | 4/5 | 80 | 1/5 | 20 |
| LIU Chong | 5/5 | 100 | 0/5 | 0 |
| **Independent Non-executive Directors** | | | | |
| Stephen Thomas MELDRUM | 5/5 | 100 | 0/5 | 0 |
| YIP Dicky Peter | 5/5 | 100 | 0/5 | 0 |
| WONG Oscar Sai Hung | 5/5 | 100 | 0/5 | 0 |
| SUN Dongdong | 5/5 | 100 | 0/5 | 0 |
| GE Ming | 5/5 | 100 | 0/5 | 0 |
| OUYANG Hui(1) | 2/2 | 100 | 0/2 | 0 |
| WOO Ka Biu Jackson (Retired)(1) | 3/3 | 100 | 0/3 | 0 |

(1) Details regarding retirement, resignation and appointment of the Directors during the Reporting Period are set out in the section headed "Directors, Supervisors, Senior Management and Employees" of this Annual Report.

## The Specialized Committees under the Board

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

### *Strategy and Investment Committee*

The primary duties of the Strategy and Investment Committee are to conduct research and provide suggestions to the Board for their consideration in relation to major investments, property transactions, financing, major capital operations, asset management projects, production and operation projects and so on, and also to promptly monitor and track the implementation of investment projects approved by the general meeting or the Board, and promptly notify all Directors of any significant progress or changes in process.

As at December 31, 2017, the Strategy and Investment Committee comprised 5 Directors, which included 3 Independent Non-executive Directors, and the proportion of Independent Non-executive Directors was 60%. The committee had one chairman, which was the Chairman of the Board presiding over the Committee.

In 2017, the Strategy and Investment Committee held 1 meeting, which was convened in accordance with the requirements of the Articles of Association and the Charter of the Strategy and Investment Committee. The 2017 Work Plan of the Company, the Company's 2016 Annual Plan Implementation Evaluation Report, the Resolution on Issuing the Debt Financing Instruments, and the Resolution on the Suggestion to General Meeting concerning Grant of General Mandate to the Board to Issue Additional H Shares were deliberated and approved. 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) | 1/1 | 100 | 0/1 | 0 |
| **Independent Non-executive Directors** | | | | |
| YIP Dicky Peter | 1/1 | 100 | 0/1 | 0 |
| WONG Oscar Sai Hung | 1/1 | 100 | 0/1 | 0 |
| GE Ming | 1/1 | 100 | 0/1 | 0 |
| **Non-executive Director** | | | | |
| YANG Xiaoping | 1/1 | 100 | 0/1 | 0 |

### *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 any matters relating to the appointment or removal, and remuneration of the external auditors. In addition, the Audit and Risk Management Committee also examines the effectiveness of the Company's internal controls, which involve regular reviews of the internal controls of various corporate structures and business processes, and taking into account the respective potential risk and level of 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 on a regular basis.

As at December 31, 2017, the Audit and Risk Management Committee comprised 4 Independent Non-executive Directors and 1 Non-executive Director, and the proportion of Independent Non-executive Directors was 80%. None of the members was involved in the day-to-day management of the Company. The Audit and Risk Management Committee was chaired by an Independent Non-executive Director who also possesses the appropriate professional qualifications or accounting or related financial management expertise.

In 2017, the Audit and Risk Management Committee held 5 meetings, which were all convened in accordance with the Articles of Association and the Charter of the Audit and Risk Management Committee. In particular, the Audit and Risk Management Committee reviewed the Company's annual financial statements for the year ended December 31, 2016, the first quarterly financial statements for the three months ended March 31, 2017, the interim financial results for the six months ended June 30, 2017 and the third quarterly financial statements for the nine months ended September 30, 2017. Furthermore, the Audit and Risk Management Committee convened a meeting to review the unaudited financial report for the year 2017 and agreed to deliver it to the auditor for auditing. The Audit and Risk Management Committee also reviewed the audited financial report for the year ended December 31, 2017 at the first meeting in 2018 and was satisfied with the basis of preparation of the financial report, including the appropriateness of the assumptions and accounting policies and standards adopted, and made recommendations to the Board for their consideration. The attendance records of the members of the Audit and Risk Management 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** | | | | |
| GE Ming (Chairman) | 5/5 | 100 | 0/5 | 0 |
| Stephen Thomas MELDRUM | 5/5 | 100 | 0/5 | 0 |
| YIP Dicky Peter | 5/5 | 100 | 0/5 | 0 |
| SUN Dongdong | 5/5 | 100 | 0/5 | 0 |
| **Non-executive Director** | | | | |
| YANG Xiaoping | 4/5 | 80 | 1/5 | 20 |

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

The Audit and Risk Management Committee also reviewed and was satisfied with the performance, independence and objectiveness of the Company's auditors.

According to the resolutions of the 2016 Annual General Meeting of the Company, the Company reappointed PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers (hereinafter refer to as "PricewaterhouseCoopers") as the auditors of the Company's financial statements under CAS and IFRS, respectively for the year 2017. PricewaterhouseCoopers has been engaged as the Company's auditor for five consecutive years. During the Reporting Period, the remuneration to be paid to PricewaterhouseCoopers is set out as follows:

| (in RMB million) | Fees payable |
|---|---|
| Audit services for financial statements – audits, reviews and agreed upon procedures | 72 |
| Audit services for internal control | 8 |
| Other assurance services | 8 |
| Non-assurance services | 15 |
| Total | 103 |

### *Remuneration Committee*

The primary duties of the Remuneration Committee is to determine, with delegated responsibility by the Board, the specific remuneration packages of the Company's Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, and to make recommendations to the Board on the remuneration of Non-executive Directors. The Remuneration Committee also advises the Board in relation to establishing a formal and transparent procedure for developing remuneration policy in respect of those individuals, considering and approving remunerations based on performance and market conditions, with reference to the corporate goals and objectives set forth by the Board. 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 determined, that member's remuneration should be determined by the other members of the Committee.

As at December 31, 2017, the Remuneration Committee comprised 4 Independent Non-executive Directors and 1 Non-executive Director, and the proportion of Independent Non-executive Directors was 80%. None of the members was involved in the day-to-day management of the Company. The Remuneration Committee was chaired by an Independent Non-executive Director.

In 2017, the Remuneration Committee held 2 meetings, which were all convened in accordance with the requirements of the Articles of Association and the Charter of the Remuneration Committee. The Committee deliberated and approved the Proposal on Reviewing the Remuneration of the Company's Senior Management, and the Proposal on Reviewing the Company's 2016 Corporate Governance Report – Incentive and Restriction Mechanism. In addition, the Committee also reviewed reports including the Report on the Participation in the 2017 Key Employee Share Purchase Scheme by the Group's Senior Management, the Report on the Settlement of Bonus for the Group's Senior Management for 2016, the Performance Report of the Remuneration Committee of the Board in 2016, the Report on Awarding Long-term Incentives of 2016 to the Group's Senior Management and the Report on the Settlement of the 2014 Long-term Incentives for the Senior Management of the Group. 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** | | | | |
| YIP Dicky Peter (Chairman) | 2/2 | 100 | 0/2 | 0 |
| SUN Dongdong | 2/2 | 100 | 0/2 | 0 |
| GE Ming | 2/2 | 100 | 0/2 | 0 |
| OUYANG Hui(1) | 0/0 | – | 0/0 | – |
| WOO Ka Biu Jackson(2) | 1/1 | 100 | 0/1 | 0 |
| **Non-executive Director** | | | | |
| Soopakij CHEARAVANONT | 2/2 | 100 | 0/2 | 0 |

(1) As approved at the 14th meeting of the 10th Board of Directors, Mr. Ouyang Hui was appointed as the member of the Remuneration Committee in August 2017.

(2) Mr. Woo Ka Biu Jackson no longer served as the member of the Remuneration Committee from August 2017.

### *Nomination Committee*

The primary duties of the Nomination Committee are to review, advise and make recommendations to the Board regarding candidates to fill vacancies on the Board and senior management.

The nomination of Directors is considered with reference to an individual's business acumen and undertakings, academic and professional achievements and qualifications, experience and 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 management's level, studying the criteria and procedure for selecting directors and senior management. After considering and identifying appropriate candidates, the Nomination Committee then makes recommendations to the Board and implements any decisions and recommendations of the Board in relation to appointments. The aim and principal objective of the Nomination Committee are to ensure that there remains a dedicated, professional and accountable Board to serve the Company and its shareholders.

As at December 31, 2017, the Nomination Committee comprised 3 Independent Non-executive Directors and 2 Executive Directors, and the proportion of Independent Non-executive Directors was 60% and it was chaired by an Independent Non-executive Director.

In 2017, the Nomination Committee held 1 meeting, which was convened in accordance with the requirements of the Articles of Association and the Charter of the Nomination Committee. The meeting deliberated and recommended Mr. Sheng Ruisheng as the Secretary of the Board in place of Mr. Jin Shaoliang, recommended Mr. Ouyang Hui as the Independent Non-executive Director in place of Mr. Woo Ka Biu Jackson, and also reviewed the Annual Review Report of the Structure of the Board for 2016. Besides the nomination of director and senior management candidates, the Nomination Committee also developed the Policy Concerning Diversity of Board Members after reviewing the structure, size and composition of the Board in accordance with the business activities, assets and management portfolio of the Company, so as to ensure the Board members reach a balance in terms of skills, experience and diversified visions, and to elevate the efficiency of the Board and maintain a high level of corporate governance. All appointments under the Board are made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. 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** | | | | |
| SUN Dongdong (Chairman) | 1/1 | 100 | 0/1 | 0 |
| WONG Oscar Sai Hung | 1/1 | 100 | 0/1 | 0 |
| OUYANG Hui(1) | 0/0 | – | 0/0 | – |
| WOO Ka Biu Jackson(2) | 1/1 | 100 | 0/1 | 0 |
| **Executive Directors** | | | | |
| MA Mingzhe | 1/1 | 100 | 0/1 | 0 |
| REN Huichuan | 1/1 | 100 | 0/1 | 0 |

(1) As approved at the 14th meeting of the 10th Board of Directors, Mr. Ouyang Hui was appointed as the member of the Nomination Committee in August 2017.

(2) Mr. Woo Ka Biu Jackson no longer served as the member of the Nomination Committee from August 2017.

## Supervisors and the Supervisory Committee

As at December 31, 2017, the Supervisory Committee consisted of 5 members, among which there were 2 Independent Supervisors, 1 Shareholder Representative Supervisor and 2 Employee Representative Supervisors. 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 the composition of the Supervisory Committee are in compliance with the regulatory requirements and the provisions of the Articles of Association.

The primary functions and powers of the Supervisory Committee include:

- verifying financial reports and other financial information which have been prepared by the Board and which are proposed to be presented at the general meetings;
- examining the Company’s financial conditions; 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.

The details of the duty performance of the Supervisory Committee are set out in section headed “Report of the Supervisory Committee”.

## The Executive Committee

The Company has established an Executive Committee, which is the highest execution authority under the Board. 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 material development strategies, risk control compliance, capital allocation, synergy and brand management. In addition, the Executive Committee is also responsible for reviewing the business plans of the subsidiaries of the Company and evaluating the financial performance of the subsidiaries. The Company has also established 9 management committees under the Executive Committee, including the Investment Management Committee, the Budget Management Committee, the Investor Relations Management Committee, the Risk Management Committee, the Connected-party Transaction Management Committee, the Global Systemically Important Insurer Management Committee and the Informatization Committee, etc.

## Information Disclosure and Investor Relations

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

During the Reporting Period, there were no material accounting mistakes, provision of material missing information or revision of profitability forecast made by the Company.

The Company adheres to the principles of compliance, objectiveness, consistency, timeliness, interactivity and fairness in providing services proactively, passionately and efficiently to institutional and individual investors domestically and abroad, aiming at improving the understanding between the Company and its investors, enhancing corporate governance and realizing the fair corporate value of the Company.

The Company maintains a website at www.pingan.cn, which serves as a communication platform with the shareholders and investors and where the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may also write directly to the Company's IR Team or email to IR@pingan.com.cn for any inquiries. Inquiries are dealt with in an appropriate manner by the Company.

During the Reporting Period, the Company paid special attention to communication with the market in respect of its integrated financial strategy, customer management, internet finance strategy and business development, and main business. The Company provided illustrations of its annual, interim and quarterly results by means of public presentations, video and telephone conferences, onsite roadshows and online roadshows, etc. The Company resorted to telephone conferences, roadshow, Investor Day and so on, to actively promote itself to the market, and to improve the understanding of the market about the Company and its communication with the Company. While maintaining a good communication with the institutional investors, the Company also established different channels for communication with small and medium investors, including but not limited to online roadshows, the E-interaction platform of SSE, corporate website, e-mail and telephone calls, so as to provide better services to them and protect the interests of the investors.

In 2017, the Company organized 2 onsite results announcements, 2 telephone results announcements, 2 Investor Days, 54 roadshows domestically and abroad and 2 online roadshows, attended approximately 204 conferences of investment banks and securities brokers domestically and abroad, received approximately 131 visits of investors/analysts domestically and abroad. Moreover, the Company was committed to collecting capital market analysis reports and shareholders' information, and paid special attention to the investors' concerns and advice, aiming at further enhancing the operation and management 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 investors with better services in a more efficient way.

### Amendments Made to the Articles of Association

During the Reporting Period, a proposal was made to amend the Articles of Association at the 15th meeting of the 10th Board of Directors. The details of the proposed amendments are listed in the announcement dated October 27, 2017 which was published on the website of the HKEx (www.hkexnews.hk), and the announcement dated October 28, 2017 which was published on the website of SSE (www.sse.com.cn).

As at December 31, 2017, the proposed amendments to the Articles of Association were still subject to the approval at the general meeting of the Company, and will only become effective upon approval by the relevant regulatory authorities.

## PERFORMANCE OF DUTIES BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The 10th Board of Directors consists of 6 Independent Non-executive Directors, which is in compliance with the requirements under the regulatory rules of the Company's listing jurisdictions that the number of Independent Non-executive Directors should be one third or more of the total number of members of the Board. All Independent Non-executive Directors of the Company possess extensive experience in various fields, such as finance and accounting, law, or actuarial science, which is crucial to the healthy growth of the Company. All Independent Non-executive Directors meet the specific independence requirements as set out in the regulatory rules of the Company's listing jurisdictions, and have presented their annual confirmation on independence to the Company. Therefore, the Company continued to believe that they are independent. The Independent Non-executive Directors owe fiduciary duties to the Company and its shareholders, and are especially responsible for protecting the interests of minority shareholders. They are playing a significant check-and-balance role in the decision-making of the Board and a key part in the corporate governance of the Company.

The Independent Non-executive Directors of the Company conscientiously performed their duties and responsibilities conferred by the Articles of Association, promptly learnt the important operation information of the Company, fully paid close attention to the development of the Company and actively attended the meetings of the Board during the Reporting Period. After a due review of the external guarantees of the Company in 2016, the Independent Non-executive Directors of the Company believed that the Company had exerted stringent control over risks associated with external guarantees and that the external guarantees were in compliance with relevant laws and regulations and the Articles of Association. The Independent Non-executive Directors of the Company have conscientiously reviewed and provided independent opinions to agree with the matters such as profit distribution, significant adjustment of the accounting estimates, recommendation of director candidates, appointment of senior management and the remuneration for senior management which were put forward by the Board during the Reporting Period.

### Attendance of Independent Non-executive Directors at the Board Meetings and the General Meetings

The details of the attendance of Independent Non-executive Directors at the Board meetings and the general meetings during the Reporting Period are set out in the section headed "Attendance of Directors at the General Meetings" and "Attendance of Directors at the Board Meetings" of this chapter, respectively.

### 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 Board meetings and other matters that were not submitted to the Board meetings of the Company.

### Adoption of Independent Non-executive Directors' Recommendation on the Company

During the Reporting Period, the Independent Non-executive Directors made constructive advice and suggestions in respect of the shareholders and the Company as a whole, including but not limited to corporate governance, reform and development and operations; particularly, attention was paid to the legitimate interests of the minority shareholders in the decision-making process. All of their opinions and recommendations were adopted by the Company.

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

The shareholding structure of the Company is scattered and there are no controlling shareholders or de facto controllers. As an integrated financial services group, the Company maintains full independence in terms of business, staff, assets, organization and finance under the supervision of the CIRC. The Company is an independent legal person responsible for its own profits and losses, runs independent and complete business and is capable of independent business operation. During the Reporting Period, no controlling shareholders or other connected parties had misappropriated the Company's funds, as specified by PricewaterhouseCoopers Zhong Tian LLP's special-purpose explanation in this respect and the Company has not given any undisclosed information to any controlling shareholder or de facto controller.

## ESTABLISHMENT AND PERFECTION OF THE INTERNAL CONTROL SYSTEM

The Company has been committed to establishing internal controls in line with international standards and regulatory requirements, and improving internal controls in response to risks and environments. With its local advantages, the Company implements corporate governance in line with international standards, upholds the compliance philosophy of "Laws + 1", and constantly enhances its risks control to ensure that the Group and its subsidiaries abide by laws and regulations in their business activities, to keep single and accumulated residual risks at levels acceptable to the Company, and to promote sustainable growth of Insurance, Banking, Investment and Fintech & Healthtech business, as well as that of the Group. In 2017, the Company adopted the philosophy of "taking rules as the foundation, risks as the guidance, processes as the links, and internal control platforms as the anchor" to strengthen internal controls on an ongoing basis. In addition, the Company vigorously explores cutting-edge technologies, such as fintech, healthtech, big data, artificial intelligence (AI), to improve internal controls.

Regarding the management framework for internal controls, the Company has a robust and well-staffed internal control management system in place with well-defined roles and responsibilities in line with applicable laws and regulations as well as business and risk control requirements. The Board is responsible for establishment, improvement, and implementation of internal controls. The Audit and Risk Management Committee under the Board monitors and assesses the implementation of internal controls, coordinates audits of internal controls, and oversees other relevant work. The Supervisory Committee supervises the establishment and implementation of internal controls. The Risk Management Executive Committee under the Group Executive Committee (the management) sets risk management targets, basic policies and rules, monitors risk exposures and available funds, and supervises risk management systems of subsidiaries and business units. The Company has established robust internal control policies and procedures, and specified the internal control targets, framework, and procedures to provide guidelines for business activities and operations.

Regarding internal control operations and internal control evaluation, in 2017 the Company continued to improve its governance structure, firewall management, CPT management, anti-money laundering management, operational risk management, etc. Moreover, the Company continued to act in accordance with the Basic Norms for Internal Controls of Enterprises and related guidelines. Under the model of "Businesses and departments conduct self-assessment, Compliance departments promote and support such efforts, and Internal Audit and Supervision departments conduct audits and assessments independently", the Company adopts an advanced methodology to assess the effectiveness of internal controls in businesses and processes. Moreover, the Company improved its internal control procedures for insurance funds, according to the Guidance for the Internal Control of Insurance Funds and its supplementary implementation guidelines. In addition, the Company trained its employees to evaluate internal controls, held internal control evaluations, strengthened early warning and education of internal control cases, implemented the compliance and internal control appraisal, and promoted the internal control culture in which "everyone is involved in internal controls, everyone is responsible for compliance, and internal controls have been integrated in the business and processes".

Regarding anti-money laundering (AML) management, in 2017 the Company continued to implement the Administrative Measures for Reporting of Large-amount Transactions and Suspicious Transactions by Financial Institutions (No. 3 directive of the PBoC in 2016) and supporting policies, and cooperated with the PBoC in preparing for round 4 AML mutual evaluation of the Financial Action Task Force (FATF). Besides, the Company improved the organizational structure for AML management and reinforced the Group's role in overall planning, coordination and supervision. Instructions were given to units newly obliged to perform AML duties to develop an AML management framework. The Company also pushed ahead with the revision of AML management rules and improvement of the customer money laundering risk evaluation system, and carried out a variety of AML awareness training sessions and culture development activities. In the meantime, biometrics like facial recognition to enhance customer identity verification and blacklist screening and monitoring were introduced with technologies including natural language processing, knowledge map, neural network and unsupervised learning being leveraged to develop suspicious transaction models. The Company also made efforts to forge a risk-based smart AML monitoring platform that is more scientific, efficient and professional.

Regarding the management framework for internal audit and supervision, in 2017 the Company implemented an independent, vertical and centralized approach to internal audits, and facilitated development of the Group-level risk monitoring system and application of AI. Ping An Shield, a smart system for centralized risk monitoring and multi-layered prevention and control, was developed to achieve ex-ante risk warning, in-the-process monitoring and early warning, and ex-post smart disposal. Keeping abreast of changes in the external environment and internal strategies, the Company sped up audit transformation and integrated audit advisory services with high-risk event disposal, driven by risk monitoring and remote models. Novel tools were applied to identify and handle risks while fortifying the internal control basis. Meanwhile, the Company tightened control over major risks and optimized the mechanism of 24/7 emergency response, so as to effectively prevent and mitigate risks in a timely manner and help achieve healthy development for businesses.

In 2017, the Company maintained the effectiveness of internal controls over financial reporting in all major aspects in accordance with the Basic Norms for Internal Controls of Enterprises and relevant rules. The Internal Control Assessment Report for 2017 has been approved by the Board. The Company has engaged PricewaterhouseCoopers Zhong Tian LLP to audit the effectiveness of internal controls over financial reporting as well as the effectiveness of internal controls over matters other than financial reporting. PricewaterhouseCoopers Zhong Tian LLP has issued the Internal Control Audit Report.

For details of the Company's internal controls, please refer to the Internal Control Assessment Report of Ping An for 2017 and the Internal Control Audit Report on Ping An for 2017 released on the same date as this report on the website of SSE (www.sse.com.cn).

## RISK MANAGEMENT

The Company has always taken risk management as a core part of its day-to-day activities and operations. We take steady steps to build an comprehensive risk management system that is aligned with the strategies and operations of the Company. We keep optimizing our risk management framework and standardizing our risk management procedures, while adopting both qualitative and quantitative risk management methodologies to identify, evaluate and mitigate risks to facilitate sustainable and healthy development of the businesses of the Company.

For details of the Company's risk management, please refer to the chapter of "Risk Management" in this annual report.

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing their effectiveness at least annually through the Audit and Risk Management Committee. The Audit and Risk Management Committee assists the Board in fulfilling its oversight and corporate governance functions in the Group's financial, operational, compliance, risk management and internal controls, as well as the rule in monitoring and governing financials and internal audits.

Based on the above disclosure, appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, that relevant laws, regulations and rules are adhered to and complied with, that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and that key risks that may impact on the Group's performance are appropriately identified and managed. The systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Company regulates the handling and dissemination of inside information as set out in various inside information disclosure procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

As disclosed above, in 2017, the Audit and Risk Management Committee held 5 meetings, in which the Group's risk management and internal control systems were reviewed. Through the Audit and Risk Management Committee, the Board has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the year ended December 31, 2017, covering all material financial, operational and compliance controls, and it has considered the Group's risk management and internal control system are effective and adequate.

## OUR COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is responsible for performing the corporate governance duties set out in the terms of reference in the Code Provision D.3.1 of the Corporate Governance Code.

During the Reporting Period, the Board held meetings to review the Company's compliance with the Corporate Governance Code and the contents disclosed in the Corporate Governance Report.

# Corporate Governance Report

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 Corporate Governance Code for any part of the period from January 1, 2017 to December 31, 2017 save as disclosed below.

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

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

1. Since the Company brought in 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, the Company has reached an international, diversified and professional level, and the Company has established a very structured and strict operation system and a set of meeting procedural rules. The Chairman, as a convener and chairperson of the Board meetings, does not have any special powers different from those of other directors in the decision-making process.

2. In the day-to-day operations of the Company, the Company has put in place a robust management system and structure, and has established various roles and committees such as the President, Executive Committee and other specialized committees. Decisions on all material matters are subject to complete and stringent deliberation and decision-making procedures in order to ensure that the Chief Executive Officer can perform his duties properly and effectively.

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

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

In light of the above, the Board is of the opinion that the Company's management structure is able to provide the Company with effective management and, at the same time, protect the shareholders' rights to the greatest extent. Accordingly, the Company does not intend to separate the roles of the Chairman of the Board and the Chief Executive Officer at the moment.

## COMPLIANCE WITH THE MODEL CODE BY DIRECTORS AND SUPERVISORS OF THE COMPANY

In August 2007, the Company adopted a code of conduct regarding securities transactions by Directors and Supervisors of the Company ("Code of Conduct"), which was amended in April 2014, on terms no less exacting than the required standard set out in the Model Code. Specific enquiry has been made to all Directors and Supervisors of the Company who have confirmed that they had complied with the required standards set out in the Model Code and the Code of Conduct for the period from January 1, 2017 to December 31, 2017.

By order of the Board

**Ma Mingzhe**
*Chairman and Chief Executive Officer*

Shenzhen, PRC
March 20, 2018

# Report of the Board of Directors

## PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (the "Group") comprise the provision of a wide range of financial products and services with a focus on the businesses of insurance, banking, asset management, fintech and healthtech. There were no significant changes in the nature of the Group's principal activities during 2017.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the past five years is set out in the section headed "Five-Year Summary".

## MAJOR CUSTOMERS

Looking back to 2017, revenue from the Group's five largest customers accounted for less than 1% of the total revenue for the year. None of the top five customers is connected party of the Company.

## RELATIONSHIPS WITH CUSTOMERS

The Group believes that it is important to maintain good relationships with its customers to fulfill its long-term goal "to become a world-leading technology-powered personal financial services group". To achieve this goal and maintain the leading position in terms of brand value, the Group aims at constantly delivering high-quality financial services to its customers. During 2017, there was no material and significant dispute between the Group and its customers.

## IMPLEMENTATION OF CASH DIVIDEND POLICY AND PROFIT DISTRIBUTION PROPOSAL DURING THE REPORTING PERIOD

### Cash Dividend Policy

According to Article 213 of the Articles of Association, the Company shall attach importance to the reasonable investment returns for investors in its profit distribution. The profit distribution policy shall maintain its continuity and stability. The accumulated profit to be distributed in cash for recent three years shall not be less than 30% of the average annual distributable profit realized in recent three years, provided that the annual distributable profit of the Company (namely profit after tax of the Company after covering the losses and making contributions to the surplus reserve) is positive in value and such distribution is in compliance with the prevailing laws and regulations and the requirements of regulatory authorities for solvency ratio. In determining the specific ratio of distribution of cash dividend, the Company shall take into account its profit, cash flow, solvency, and operation and business development requirements. The Board of Directors of the Company shall be responsible for formulating and implementing a distribution plan according to the provisions of the Articles of Association.

In preparing the profit distribution plan, the Board of Directors of the Company shall listen to views and advice from shareholders (in particular, the minority shareholders), independent directors and independent supervisors through various ways. Independent directors of the Company shall express their independent opinions on the profit distribution plan. When a specific cash dividend distribution plan is put forward for consideration at a general meeting, a variety of channels shall be provided for communication and opinion exchange with shareholders (in particular, the minority shareholders), whose opinions and demands shall be fully heard and prompt response shall be given to any issues the minority shareholders are concerned about.

Where adjustment to our profit distribution policy is required due to the applicable national laws and regulations and new rules promulgated by the CSRC regarding profit distribution policies of listed companies or significant changes in the external business environment and/or operating situations of the Company, it shall be done for the purpose of safeguarding the shareholders' interests and in strict compliance with the decision-making process. To this end, the Board of Directors shall work out an adjustment plan based on the operating situations of the Company and the relevant regulations of the CSRC, and then submit the same to the general meeting for deliberation. Implementation of the adjustment plan is conditional upon approval by shareholders (including their proxies) holding more than two thirds of voting rights present at the general meeting.

### Implementation of Profit Distribution Plan

The 2016 annual profit distribution plan of the Company was deliberated and approved at the 2016 Annual General Meeting of the Company held on June 16, 2017, according to which the Company paid in cash the 2016 final dividend of RMB0.55 (tax inclusive) per share, in a total amount of RMB10,054,132,775.50, based on its total share capital of 18,280,241,410 shares.

The 2017 interim profit distribution plan of the Company was deliberated and approved at the 14th Meeting of the 10th Board of Directors of the Company held on August 17, 2017, according to which the Company paid in cash the 2017 interim dividend of RMB0.50 (tax inclusive) per share, in a total amount of RMB9,140,120,705.00, based on its total share capital of 18,280,241,410 shares.

The decision-making procedure and mechanism of the above profit distribution plans were complete, and the dividend payout standards and proportions were clear. The above profit distribution plans were in line with the Articles of Association and relevant deliberation procedures and had fully protected the legitimate interests of minority shareholders. All the Independent Directors of the Company have given independent opinions that agree with the profit distribution plans. The implementation of the above-mentioned distribution plans has been completed.

## ANNUAL RESULTS AND PROFIT DISTRIBUTION

The Group's results in 2017 are set out in the section headed "FINANCIAL STATEMENTS".

As stated in the 2017 audited financial statements of the Group prepared under CAS, the net profit attributable to shareholders of the parent company was RMB89,088 million and net profit of the parent company was RMB29,238 million. Pursuant to the Articles of Association and other relevant requirements, the Company shall make an appropriation to the statutory surplus reserve based on 10% of the net profit of the parent company as shown in the financial statements under CAS before determining the profit available for distribution to shareholders. Appropriation to the statutory surplus reserve may cease to apply if the balance of the statutory surplus reserve reached 50% or more of the registered capital of the Company. After making the above profit distribution and taking 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 of the Company was RMB59,072 million.

The Company had distributed an interim dividend of RMB0.50 (tax inclusive) per share for 2017, which amounted to a total of RMB9,140,120,705.00. The Company proposes to pay in cash the 2017 final dividend of RMB1.00 (tax inclusive) per share, in a total amount of RMB18,280,241,410.00, based on its total share capital of 18,280,241,410 shares. The remaining undistributed profit will be carried forward to 2018. The undistributed profit of the Company is mainly for the purpose of organic capital accumulation, so as to maintain a reasonable solvency ratio as well as fundings for subsidiaries so that they can maintain a reasonable solvency ratio or capital adequacy ratio.

The above plan will be implemented upon deliberation and approval at the 2017 Annual General Meeting. The profit distribution plan is in line with the Articles of Association and relevant deliberation procedures and fully protects the legitimate interests of minority shareholders of the Company. All the Independent Directors of the Company have given independent opinions and agree with the profit distribution plan.

For dividend payouts of the Company over the past three years, please refer to the section headed "Liquidity and Capital Resources"

## DISTRIBUTABLE RESERVES

As at December 31, 2017, the Company's distributable reserves was RMB59,072 million. The Company has proposed to distribute the 2017 final dividend of RMB1.00 per share (tax inclusive) in cash. After deducting the 2017 final dividend, the remaining distributable reserves were carried forward to 2018. Besides, the Company's capital reserve and surplus reserve amounted to RMB140,901 million, which can be distributed in a future capital issue.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

## USE OF PROCEEDS

An aggregate of 594,056,000 new H Shares were successfully allotted and issued by the Company under general mandate on December 8, 2014 and the gross proceeds raised from the placing were HKD36,831,472,000. The proceeds raised from the placing were used to develop the main businesses and replenish the equity and working capital of the Company. The use of the proceeds raised was consistent with the use approved by the Board of Directors. As at December 31, 2017, HKD7,941 million from the placing was kept in the specific fund-raising account, and the rest had been used.

## PARTICULARS ON INVESTMENT DURING THE REPORTING PERIOD

The non-raised funds of the Company mainly come from its core insurance business. The Company has been strictly following the relevant requirements of the CIRC on the management of insurance funds. All the investments of insurance funds were made in the normal course of day-to-day operations.

## EQUITY INVESTMENT DURING THE REPORTING PERIOD

For equity investment, please refer to the section headed "Significant Events".

## SHARE CAPITAL

The change in the share capital of the Company in 2017 and the share capital structure of the Company as at December 31, 2017 are set out in the section headed "Changes in the Share Capital and Shareholders' Profile".

## RESERVES

Details of movements in the reserves of the Company and the Group during 2017 are set out in Note 35 to the consolidated financial statements and in the "Consolidated Statement of Changes in Equity", respectively.

## CHARITABLE AND OTHER DONATIONS

Charitable donations made by the Company during 2017 totalled RMB56 million.

## PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property and equipment and investment properties of the Group during 2017 are set out in notes 31 and 30 to the consolidated financial statements, respectively.

## PRE-EMPTIVE RIGHTS

There are no provisions regarding pre-emptive rights under the Company Law of the People's Republic of China 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 2017.

## DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATIONS

According to the resolutions of the 25th Meeting of the 7th Board of Directors and the 2nd Meeting of the 7th Supervisory Committee of the Company, the Company entered into service contracts with all Directors of the 10th Board of Directors and all Supervisors of the 8th Supervisory Committee in August 2015. The Company entered into service contracts with newly appointed Directors Mr. Xiong Peijin and Mr. Liu Chong on January 28, 2016, with newly appointed Supervisor Mr. Huang Baokui on July 5, 2016, and with newly appointed Director Mr. Ouyang Hui and Supervisor Mr. Wang Zhiliang on August 17, 2017. Terms, duties, remuneration package, confidentiality duties of Directors and Supervisors and commencement and termination of contracts were specified in the service contracts. As at December 31, 2017, no Director or Supervisor 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 remunerations for the Directors and Supervisors for the year ended December 31, 2017 are set out in Note 51 to the consolidated financial statements.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director or Supervisor of the Company or entity connected with the Directors or Supervisors had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during 2017.

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during 2017 was the right to acquire benefits by means of the acquisition of shares or debentures of the Company granted to or exercised by any Directors, Supervisors or their respective spouse or minor children, nor was the Company, or any of its subsidiaries a party to any arrangement which enables the Directors or Supervisors to acquire such rights in any other legal entity.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

As far as the Directors are aware, none of the Directors or Supervisors of the Company has any competing interest in a business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

## PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for Directors and senior management's liabilities in respect of possible legal actions against its Directors and senior management arising out of corporate activities.

## POST BALANCE SHEET EVENTS

Details of the post balance sheet events are set out in Note 57 to the consolidated financial statements.

## COMPLIANCE WITH LAWS AND REGULATIONS

In 2017, the Group maintained compliance with relevant laws and regulations that have significant impacts on operations of the Group.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE CONTAINED IN APPENDIX 14 TO THE HKEX 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 Corporate Governance Code for any part of the period from January 1, 2017 to December 31, 2017, except that Mr. Ma Mingzhe has occupied both the positions of the Chairman 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".

## AUDITORS

According to the resolutions of the 2016 Annual General Meeting of the Company, the Company continued to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as auditors of the Company's financial statements under CAS and IFRS respectively, and engaged PricewaterhouseCoopers Zhong Tian LLP as the auditor of the Company's internal controls in 2017.

## 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 20, 2018, at all times during the year ended December 31, 2017, 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 20, 2018

# Report of the Supervisory Committee

During the Reporting Period, all the members of the Supervisory Committee duly carried out their supervisory duties in a stringent manner and adhered to the principles of fairness and honesty to effectively protect the rights and interests of the shareholders, the Company and its employees in accordance with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association.

## THE WORK OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee held 4 meetings. All such meetings were convened in accordance with the Articles of Association, and were attended in person or by proxy or through electronic means of communication by all Supervisors entitled to be present. Details of Supervisors' 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 | % of attendance (%) |
|---|---|---|---|---|
| Independent Supervisor | GU Liji (Chairman) | June 3 2009 | 4/4 | 100 |
| | HUANG Baokui | June 28 2016 | 4/4 | 100 |
| Shareholder Representative Supervisor | ZHANG Wangjin | June 17 2013 | 4/4 | 100 |
| Employee Representative Supervisor | PAN Zhongwu | July 17 2012 | 4/4 | 100 |
| | WANG Zhiliang(1) | August 6 2017 | 2/2 | 100 |
| | GAO Peng (resigned)(1) | June 30 2015 | 2/2 | 100 |

(1) Details regarding retirement, resignation and appointment of the Supervisors of the Company during the Reporting Period are set out in the section headed "Directors, Supervisors, Senior Management and Employees" of this Annual Report.

In September 2017, certain members of the Supervisory Committee conducted on-site inspections and reviews at branches of subsidiaries such as Ping An Life, Ping An Property & Casualty, Ping An Annuity, Ping An Health, Ping An Bank and Ping An Securities in Hebei. Opinions collected from the vast ground-level staff were consolidated and a investigation report was submitted to the management of the Company. The senior management paid due attention to relevant issues and a feedback report by them was addressed to all the Directors and Supervisors.

During the Reporting Period, certain members of the Supervisory Committee attended the Company's general meetings and meetings of the Board of Directors as non-voting participants and had no dissents for supervised items.

## INDEPENDENT OPINION ON 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, and its operational results were objective and true. There was substantial development and improvement in the depth and breadth of internal control management, and the internal control system was complete, reasonable and effective. The Company's operational decision-making processes were legitimate. The Directors and other senior management were cautious, conscientious and diligent in the business operations and management processes, and they were not found to have breached any laws, regulations, or the Articles of Association or harmed the interests of the shareholders.

### (2) Authenticity of the Financial Statements

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have issued the standard unqualified auditor's reports in accordance with the PRC and international auditing standards respectively on the Company's financial statements for 2017. The financial statements truly, fairly and accurately reflected the financial conditions and results of operations of the Company.

### (3) Use of Proceeds

An aggregate of 594,056,000 new H Shares were successfully allotted and issued by the Company under a general mandate on December 8, 2014 and the gross proceeds raised from the placing were HKD36,831,472,000. The proceeds raised from the placing were used to develop the main businesses and replenish the equity and working capital of the Company. The use of the proceeds raised was consistent with the use approved by the Board of Directors. As at December 31, 2017, HKD7,941 million from the placing was kept in the specific fund-raising account, and the rest had been used.

### (4) Connected-party Transactions

The Supervisory Committee regarded the connected-party transactions of the Company to be fair and reasonable in the Reporting Period, and did not find any harm against the interests of the shareholders and the Company.

### (5) Internal Control System

In 2017, the Supervisory Committee has heard and reviewed *the Assessment and Evaluation Report on Internal Control of the Company for 2016* and *the Work Report on the Internal Control of the Company for the First Half of 2017*, and was of the opinion that the Company has set up a relatively complete, reasonable and effective internal control system.

### (6) Implementation of the Resolutions Approved by the General Meetings

Certain members of the Supervisory Committee attended the meetings of the Board of Directors and the general meetings as non-voting participants, and did not have any objection to the reports and proposals submitted to the general meetings by the Board of Directors. The Supervisory Committee has monitored the implementation of the resolutions approved by the general meetings, and was of the opinion that the Board of Directors could duly implement the resolutions approved by the general meetings.

### (7) Implementation of the Cash Dividend Policy

The Supervisory Committee acknowledges that the Board of Directors strictly carried out the cash dividend policy and plans for shareholder returns, performed relevant decision-making procedures for cash dividends in strict compliance, and disclosed the cash dividend policy and its implementation truly, accurately and completely.

### (8) Appraisal of Directors' performance of duties

The Company held the 9th meeting of the 8th Supervisory Committee on March 22, 2017, at which all Supervisors heard and reviewed *the Proposal on Deliberating Directors' Duty Performance Report and Independent Directors' Work Report for 2016*, and appraised the composition of the Board of Directors, Directors' attendance records at meetings, participation in training sessions and provision of opinions. Supervisors present at the meeting concluded unanimously that in 2016 all Directors of the Company, in a sincere, loyal, diligent and conscientious manner, performed their duties and responsibilities as stipulated under relevant laws, regulations and the Articles of Association, proactively attended meetings of the Board of Directors and specialized committees and expressed their opinions. Specialized committees of the Board of Directors fully performed their duties and provided professional opinions and advice for the Board of Directors' decision making process.

In the coming year, the Supervisory Committee will further expand its approach to work, and will continue to carry out its duties in accordance with the relevant provisions of the Company Law of the People's Republic of China, the Articles of Association and the listing rules. The Supervisory Committee will adhere to the principles of honesty, maximize its supervisory efforts with the aim of protecting the interests of the Company and its shareholders, and perform supervisory duties honestly and diligently to achieve the best results in all respects.

By order of the Supervisory Committee

**GU Liji**
*Chairman of the Supervisory Committee*

Shenzhen, PRC
March 20, 2018

# Significant Events

## GENERAL ANALYSIS OF EXTERNAL INVESTMENT

Ping An is an integrated financial services group, and investment is one of its core businesses. The investment of insurance funds represents a majority of the equity investment of the Company. The investment of insurance funds is subject to relevant laws and regulations. For details of the asset allocation of the investment portfolio of insurance funds, please refer to relevant sections headed "Business Analysis".

### Material Equity Investment

During the Reporting Period, there was no material equity investment that was required to be disclosed.

### Material Non-equity Investment

During the Reporting Period, there was no material non-equity investment that was required to be disclosed.

### Financial Instruments recorded at Fair Value

Details of financial instruments recorded at fair value of the Company are set out in Note 47 to the consolidated financial statements.

## SALE OF MAJOR ASSETS AND EQUITIES

During the Reporting Period, there was no sale of major assets and equities that was required to be disclosed.

## MAJOR SUBSIDIARIES AND ASSOCIATES OF THE COMPANY

Details of major subsidiaries and associates of the Company are set out in Note 5.(1) and Note 29 to the consolidated financial statements respectively.

## STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Details of Structured Entities controlled by the Company are set out in Note 5.(2) to the consolidated financial statements.

## IMPLEMENTATION OF THE KEY EMPLOYEE SHARE PURCHASE PLAN OF THE COMPANY

As deliberated at the 16th Meeting of the 9th Board of Directors held on October 28, 2014 and approved at the 1st Extraordinary General Meeting for 2015 held on February 5, 2015, the Key Employee Share Purchase Plan (the "Plan") of the Company has been officially implemented. Since the implementation of this Plan, the Company has had stable operations; the shareholders, the Company, and the employees have shared benefits and risks, providing a strong foundation for further improvement of the Company's governance structure as well as establishing and improving the long-term incentive and restraint mechanisms to facilitate long-term sustainable, healthy development of the Company.

As at the end of the Reporting Period, three phases of the Plan had been implemented.

### Implementation in 2015

The participants were 839 key employees of the Company and its subsidiaries including, among others, the directors, employee representative supervisors, and senior management. The sources of funding were legitimate salaries and performance bonuses of the employees.

The share purchase was conducted by the manager of the Plan, China Merchants Securities Co., Ltd. (changed to China Merchants Securities Asset Management Co., Ltd. on September 9, 2015 due to establishment of the subsidiary) from March 20, 2015 to March 26, 2015 in the secondary market; 4,050,253 A shares of the Company in total were purchased for a total price of RMB312,047,645 (expenses inclusive), accounting for 0.044% of the total share capital of the Company at that time. For details of the share purchase, please refer to the Announcement regarding the Completion of Share Purchase under the 2015 Key Employee Share Purchase Plan published by the Company on the websites of the HKEx and the SSE on March 27, 2015 and March 30, 2015 respectively.

As the Company's profit distribution for 2014 included the conversion of capital reserve into share capital in a proportion of 10 shares for every 10 shares held, the total number of shares held under the Plan for this phase had changed to 8,100,506 shares.

During the Reporting Period, one third of the shares under the Plan for this phase were unlocked and vested in batches to 701 employees. As to the remaining 64 employees who did not qualify for the vesting, 299,622 shares were forfeited.

### Implementation in 2016

The participants were 773 key employees of the Company and its subsidiaries including, among others, the directors, employee representative supervisors, and senior management. The sources of funding were legitimate salaries and performance bonuses of the employees.

The share purchase was conducted by the manager of the Plan, China Merchants Securities Asset Management Co., Ltd. from March 17, 2016 to March 21, 2016 in the secondary market, 14,803,850 A shares of the Company in total were purchased for a total price of RMB481,578,936.53 (expenses inclusive) and an average price of RMB32.53 per share, accounting for 0.081% of the total share capital of the Company at that time. These shares are subject to a lock-up period from March 23, 2016 to March 22, 2017. For details of the share purchase, please refer to the Announcement regarding the Completion of Share Purchase under the 2016 Key Employee Share Purchase Plan published by the Company on the websites of the HKEx and the SSE on March 22, 2016 and March 23, 2016 respectively.

During the Reporting Period, one third of the shares under the Plan for this phase were unlocked and vested in batches to 721 employees. As to the remaining 52 employees who did not qualify for the vesting, 582,029 shares were forfeited.

### Implementation in 2017

The participants were 1,157 key employees of the Company and its subsidiaries including, among others, the directors, employee representative supervisors, and senior management. The sources of funding were legitimate salaries and performance bonuses of the employees.

The share purchase was conducted by the manager of the Plan, China Merchants Securities Asset Management Co., Ltd. from March 23, 2017 to March 27, 2017 in the secondary market, 16,419,990 A shares of the Company in total were purchased for a total price of RMB603,498,822.25 (expenses inclusive) and an average price of RMB36.74 per share, accounting for 0.090% of the total share capital of the Company at that time. These shares are subject to a lock-up period from March 29, 2017 to March 28, 2018. For details of the share purchase, please refer to the Announcement regarding the Completion of Share Purchase under the 2017 Key Employee Share Purchase Plan published by the Company on the websites of the HKEx and the SSE on March 28, 2017 and March 29, 2017 respectively. During the Reporting Period, there was no change in equity as a result of disposal by holders of the Plan.

The manager of the Plan is China Merchants Securities Asset Management Co., Ltd., and was not changed during the Reporting Period.

## IMPLEMENTATION OF SHARE INCENTIVE SCHEME OF THE COMPANY AND ITS EFFECTS

During the Reporting Period, the Company did not implement share incentive scheme based on the Company's shares.

### Amended and restated share incentive scheme of Autohome of 2016 ("Autohome Share Incentive Scheme of 2016")

The Annual General Meeting held by the Company on June 16, 2017 deliberated and approved the Autohome Share Incentive Scheme of 2016, involving the grant of options ("Autohome Options") to, or for the benefit of, specified participants to subscribe for Class A Ordinary Shares of Autohome ("Autohome Shares").

The purpose of the Autohome Share Incentive Scheme of 2016 is intended to provide such participants with an incentive for outstanding performance to generate superior returns to the Autohome's shareholders. The Autohome Share Incentive Scheme of 2016 is further intended to provide flexibility to Autohome in its ability to motivate, attract, and retain the services of directors, employees, and consultants upon whose judgment, interest, and special effort the successful conduct of the Autohome's operation is largely dependent.

Pursuant to the terms of the Autohome Share Incentive Scheme of 2016, the board or the remuneration committee authorized by the board of Autohome ("Autohome Committee") may grant options to eligible participants, including employees, consultants and all directors of the Autohome, with reference to their past, present and expected commitment and contribution to Autohome and/or the related entities, to subscribe for such number of Autohome Shares as the Autohome Committee may determine.

The total number of Autohome Shares which may be issued upon exercise of all Autohome Options to be granted under the Autohome Share Incentive Scheme of 2016 and any other share option schemes of Autohome must not in aggregate exceed 10% of the issued and outstanding Autohome Shares as of June 16, 2017, on which the shareholders of the Company approved the Autohome Share Incentive Scheme of 2016. According to the Autohome Share Incentive Scheme of 2016, the maximum number of Autohome shares to be issued is 4,890,000, representing approximately 4.17% of the total issued shares of Autohome as at the date of this report. Unless approved by the shareholders of Autohome and the Shareholders of the Company in the manner set out in the Autohome Share Incentive Scheme of 2016, the total number of Autohome Shares issued and to be issued upon the exercise of the Autohome Options granted and to be granted to any participant (including both exercised and outstanding Autohome Options) in any 12-month period up to and including the date of grant shall not exceed 1% of the issued and outstanding Autohome Shares as at the date of grant.

The exercise price per Autohome Share of an Autohome Option shall be determined by the Autohome Committee which may be a fixed or variable price related to the fair market value of the Autohome Shares, to the extent not prohibited by the applicable laws. Autohome, as a company listed on the New York Stock Exchange, files its annual financial results with the U.S. Securities and Exchange Commission under the relevant regulatory rules of the U.S. Considering the consistency of information disclosure, the Company would not herein disclose the value of the Autohome Options granted to the participants during the Reporting Period and the relevant accounting policies.

The Autohome Committee has the discretion to fix any minimum period(s) for which an Autohome Option or any part thereof has to be held before the exercise of the subscription rights attaching thereto. The Autohome Share Incentive Scheme of 2016 will expire on the tenth anniversary of the effective date, being March 21, 2027.

As at December 31, 2017, the details and movements of the Autohome Share Incentive Scheme of 2016 in relation to the Autohome Options are as follows:

| | | | The Number of Options | | | | |
|---|---|---|---|---|---|---|---|
| Type of grantees | Exercise period | Exercise price (per Autohome Share, USD) | Balance as at January 1 2017 | Granted during the Reporting Period | Lapsed during the Reporting Period | Exercised during the Reporting Period | Balance as at December 31 2017 |
| Employee | Not exceeding 10 years from the date of grant | 22.61~65.10 | 0 | 775,458 | 141,606 | 22,326 | 611,526 |

## MATERIAL CONNECTED-PARTY TRANSACTIONS

During the Reporting Period, there was no material connected-party transaction that was required to be disclosed.

## MATERIAL CONTRACTS AND THEIR PERFORMANCE

### Guarantee

| (in RMB million) | External guarantee of the Company and its subsidiaries (excluding the guarantee in favor of its subsidiaries) |
|---|---|
| Total external guarantee incurred during the Reporting Period | – |
| Total external guarantee balance as at the end of the Reporting Period | – |

| Guarantee of the Company and its subsidiaries in favor of its subsidiaries | |
|---|---|
| Total guarantee in favor of its subsidiaries incurred during the Reporting Period | (5,262) |
| Total guarantee balance in favor of its subsidiaries as at the end of the Reporting Period | 32,227 |

| Total guarantee of the Company (including the guarantee in favor of its subsidiaries) | |
|---|---|
| Total guarantee | 32,227 |
| Total guarantee as a percentage of the Company's net assets (%) | 6.8 |
| Including: Direct or indirect guarantee for the companies with a debt to total assets ratio over 70% (as at December 31, 2017) | 30,466 |
| The amount by which the total guarantee balance of the Company and its subsidiaries exceeded 50% of the Company's net asset | – |

Note: (1) The data set out in the table above does not include those arising from financial guarantee businesses conducted by Ping An Bank (the controlled subsidiary) and other subsidiaries of the Company in strict compliance with the scope of business approved by regulatory authorities.

(2) During the reporting period, total guarantee was the net amount of RMB14,624 million guarantee incurred less RMB19,886 million guarantee reduced.

### Independent Opinions of Independent Non-executive Directors on External Guarantee of the Company

According to the relevant requirements of the Notice Concerning the Regulation on the Flow of Funds Between Listed Companies and Their Connected Parties and the Provision of Guarantees by Listed Companies to External Parties as well as the Notice Regarding the Regulation on the Provision of External Guarantee by Listed Companies set out by the CSRC, the Independent Non-executive Directors of the Company conducted a prudent review of the Company's external guarantee in 2017. Their specific statements and independent opinions are set out as follows:

1. During the Reporting Period, the Company did not provide any guarantee to its controlling shareholder and other connected parties in which the Company holds less than 50% shares, or any non-legal entities or individuals;

2. During the Reporting Period, the total guarantee incurred provided by the Company and its subsidiaries amounted to RMB14,624 million. As at December 31, 2017, the total guarantee balance of the Company and its subsidiaries was RMB32,227 million, representing approximately 6.8% of the Company's net assets. The sum did not exceed 50% of the net assets as stated in the consolidated financial statements of the latest fiscal year of the Company;

3. The Company has strictly observed the approval procedures and internal control policies regarding external guarantee as set out in the Articles of Association, and there was no irregular external guarantee;

4. The Company has fulfilled its obligation to disclose information on external guarantee and honestly provided chartered accountants with all the details about the Company's external guarantee, in strict compliance with the relevant requirements under the SSE Listing Rules and the Articles of Association.

### Entrustment, Underwriting, Lease, Entrusted Asset Management, Entrusted Loan and Other Material Contracts

No matter relating to entrustment, underwriting, lease or other material contracts of the Company was required to be disclosed during the Reporting Period.

During the reporting period, the Company engaged in no entrusted asset management or entrusted lending outside the normal business scope. For details of the Company's entrusted asset management and entrusted lending, refer to the "Notes to Consolidated Financial Statements".

## SEIZURE, DISTRAINMENT OR FREEZE OF MAJOR ASSETS

During the Reporting Period, the Company had no event of seizure, distrainment or freeze of major assets that was required to be disclosed.

## MATERIAL LITIGATIONS AND ARBITRATIONS

During the Reporting Period, the Company had no material litigations or arbitrations that was required to be disclosed.

## FULFILLMENTS OF UNDERTAKINGS

### Undertakings in Respect of the Major Asset Restructuring with Shenzhen Development Bank

(1) The Company undertakes that, after the completion of the major asset restructuring with Shenzhen Development Bank, and during the period when the Company remains as the controlling shareholder of Shenzhen Development Bank, and in respect of the businesses or commercial opportunities similar to those of Shenzhen Development Bank that the Company and the enterprises under its control intend to carry out or have substantially obtained whereby the assets and businesses arising from such businesses or commercial opportunities may possibly form potential competition with those of Shenzhen Development Bank, the Company and the enterprises under its control shall not engage in the businesses identical or similar to those carried out by Shenzhen Development Bank, so as to avoid direct or indirect competition with the operations of Shenzhen Development Bank.

(2) The Company undertakes that, after the completion of the major asset restructuring with Shenzhen Development Bank, and in respect of the transactions between the Company and the enterprises under its control and Shenzhen Development Bank which constitute the connected-party transactions of Shenzhen Development Bank, the Company and the enterprises under its control shall enter into such transactions with Shenzhen Development Bank by following the principle of "openness, fairness and justness" at fair and reasonable market prices, and shall go through the decision-making process according to the requirements of the relevant laws and regulations and regulatory documents, and shall 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 Shenzhen Development Bank undertake any illicit obligations through the transactions with Shenzhen Development Bank.

(3) 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 at December 31, 2017, the above undertakings were still being performed and there was no breach of the above undertakings.

### Undertaking in Respect of the Issuance of Ping An Convertible Bonds

During the period of issuing Ping An Convertible Bonds by the Company, in terms of certain subsidiaries engaging in construction of properties for self-use purpose and retirement communities, the Company undertakes that, it complies and will strictly comply with relevant regulations in relation to the insurance funds used in real estate investment and the principle that the insurance funds should only be applied for specific property development purpose without the motive of property speculation or sale in an inappropriate form. It will not develop or sell commercial housing by means of investment in retirement communities or real estate for self-use purpose.

As at December 31, 2017, the above undertaking was still being performed and there was no breach of the above undertaking.

### Undertaking in Respect of the Subscription for 1,323,384,991 New Shares of Ping An Bank through Non-public Issuance

In relation to the subscription for 1,323,384,991 new shares of Ping An Bank through non-public issuance, the Company undertakes that it shall not transfer the shares within 36 months since the date of listing of the new shares (i.e. January 9, 2014), excluding the transfer among its connected entities (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 lock-up period, the Company will be free to dispose of such shares pursuant to the requirements of the CSRC and Shenzhen Stock Exchange.

As at December 31, 2017, the above undertaking had been fulfilled.

### Undertaking in Respect of the Subscription for 210,206,652 New Shares of Ping An Bank through Non-public Issuance

In relation to the subscription for 210,206,652 new shares of Ping An Bank through non-public issuance, the Company undertakes that it shall not transfer the shares within 36 months since the date of listing of the new shares (i.e. May 21, 2015). Such shares shall not be disposed of or transferred among its non-connected or connected parties during the lock-up period. In addition, no arrangement of any other disposal of interests shall be entered into with respect to such shares during the lock-up period.

As at December 31, 2017, the above undertaking was still being performed and there was no breach of the above undertaking.

## APPOINTMENT OF AUDITOR

Information on the Company's auditors and the remuneration paid to the auditors is set out in the sections titled "Report of the Board of Directors" and "Corporate Governance Report".

## APPOINTMENT OF INTERNAL CONTROL AUDITOR

Information on the Company's internal control auditors and the remuneration paid to such auditors is set out in the sections titled "Report of the Board of Directors" and "Corporate Governance Report".

## PUNISHMENTS AND RECTIFICATIONS

During the Reporting Period, neither the Company nor the Directors, Supervisors, or senior management of the Company were investigated by competent authorities, subjected to coercive measures by judicial authorities or disciplinary authorities, transferred to judicial authorities or investigated for criminal liabilities, punished, barred from the market or disqualified by the CSRC, subjected to major administrative punishments by environmental protection, work safety, tax or other administrative authorities, or denounced by any stock exchanges publicly.

## INTEGRITY CONDITIONS OF THE COMPANY

During the Reporting Period, the Company had no failure to abide by any effective judicial ruling.

## 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 implementation rules, the Company shall be obligated to withhold 10% enterprise income tax when it distributes 2017 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 Thursday, June 14, 2018 (the "Record Date").

If any resident enterprise (as defined in the Enterprise Income Tax Law of the People's Republic of China) 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 Friday, June 8, 2018 a legal opinion, issued by a PRC mainland qualified lawyer (inscribed with the seal of the applicable law firm), that verifies its resident enterprise status. The legal opinion shall be handed on by the Company to the applicable tax authorities for approval, and then excess portions of the tax amounts withheld can be refunded.

### Individual Income Tax Withholding of Overseas Individual Shareholders

Upon the confirmation of the Company after having made 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 the distributed dividends 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 or regions where they belong 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 relative tax regulations, the Company shall generally be obligated to withhold individual income tax at the tax rate of 10% when it distributes the 2017 final dividend to individual holders of H shares appearing on the Company's register of members of H shares on the Record Date. However, if the tax regulations and relevant tax agreements state otherwise, the Company will withhold and pay the individual income tax based on the amount of the dividend at the relevant tax rate and in accordance with the procedures as stipulated.

If individual holders appear on the Company's register of members of H shares and are citizens from the countries or regions applying a tax rate of less than 10% under tax agreements, they are not applicable in relation to the withheld individual tax at the rate of 10% by the Company, and 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 (Notice of the State Administration of Taxation [2015] No. 60). Qualified shareholders are required to submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Friday, June 8, 2018 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 portions 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 PRC.

### Income Tax Withholding for H Shareholders via the Hong Kong Stock Connect Program

For Mainland investors (including enterprises and individuals) investing in the Company's H Shares via the Hong Kong Stock Connect Program, China Securities Depository and Clearing Corporation Limited, as the nominee holding H Shares for investors via the Hong Kong Stock Connect Program, will receive the final dividend distributed by the Company and distribute such final dividend to the relevant investors through its depositary and clearing system. The final dividend to be distributed to the investors via the Hong Kong Stock Connect Program will be paid in Renminbi. Pursuant to the Notice on Tax Policies for Pilot Mechanism of Shanghai-Hong Kong Stock Connect Program (Cai Shui [2014] No. 81) and the Notice on Tax Policies for Pilot Mechanism of Shenzhen – Hong Kong Stock Connect Program (Cai Shui [2016] No. 127):

For Mainland individual investors who invest in the H Shares of the Company via the Hong Kong Stock Connect Program, the Company will withhold individual income tax at the rate of 20% in the distribution of the final dividend. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Corporation Limited for tax refund relating to the withholding tax already paid abroad. For Mainland securities investment funds that invest in the H Shares of the Company via the Hong Kong Stock Connect Program, the Company will withhold individual income tax in the distribution of the final dividend pursuant to the above provisions;

For Mainland enterprise investors that invest in the H Shares of the Company via the Hong Kong Stock Connect Program, the Company will not withhold income tax in the distribution of the final dividend and the Mainland enterprise investors shall declare and pay the tax on their own.

### Income Tax Withholding for A Shareholders via the Shanghai Stock Connect Program

For Hong Kong investors (including enterprises and individuals) investing in the Company's A Shares via the Shanghai Stock Connect Program, the final dividend will be paid in Renminbi by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to Hong Kong Securities Clearing Company Limited, and the Company will withhold income tax at the rate of 10% as stipulated in the Notice on Tax Policies for Pilot Mechanism of Shanghai-Hong Kong Stock Connect Program (Cai Shui [2014] No. 81).

For investors via the Shanghai Stock Connect Program who are tax residents of other countries or regions (excluding Hong Kong), which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, those enterprises or individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the Company for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate under such tax treaty will be refunded.

All investors are requested to read this part carefully. Shareholders are recommended to consult their tax advisors for tax effects regarding their holding and disposing of the shares of the Company, involving the PRC, Hong Kong and other countries and regions. The Company will announce detailed arrangement regarding the income tax withholding when it distributes 2017 final dividend to holders of A shares on the website of SSE separately.

## OTHER SIGNIFICANT EVENTS

No further significant events of the Company were required to be disclosed during the Reporting Period.

# Independent Auditor's Report

To the Shareholders of
**Ping An Insurance (Group) Company of China, Ltd.**
*(incorporated in the People's Republic of China with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of Ping An Insurance (Group) Company of China, Ltd. (the 'Company') and its subsidiaries (the 'Group') set out on pages 154 to 292, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ('HKSAs') issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## BASIS FOR OPINION (CONTINUED)

**Independence**

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ('the Code'), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of financial instruments
- Impairment of loans and advances to customers, finance bonds, corporate bonds, asset management schemes, debt schemes and trust schemes
- Valuation of policyholders' reserves and claim reserves
- Disclosure on the impact of adopting IFRS 9

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Valuation of financial instruments<br><br>Refer to note 3. (11), 4. (1) and 47 to the consolidated financial statements<br><br>As at 31 December 2017, the Group's financial instruments carried at fair value and classified as Level 3 represented 3% of the total assets.<br><br>Management exercised judgement in selecting the valuation techniques and inputs in performing the valuation for the complex investments.<br><br>It is an area which involved significant audit effort due to the application of valuation techniques involving the exercise of judgement and the use of assumptions and estimates. | We tested the design and operating effectiveness of the Group's key controls supporting the identification, measurement and oversight of valuation risks of financial instruments. Specifically we tested controls over the Group's model validation and approval processes, data feeds and inputs to valuation model processes and reporting processes.<br><br>We assessed the methodologies and models used by the Group against industry practices and valuation guidelines. We compared assumptions and inputs used against relevant benchmarks and investigated significant variances. We also tested, for a selection of pricing inputs used, that they were correctly input into pricing models.<br><br>Based on the work performed, the valuation methodologies and inputs adopted by the management are considered acceptable. |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Impairment of<br><br>(1) Loans and advances to customers<br><br>(2) Finance bonds<br><br>(3) Corporate bonds<br><br>(4) Asset management schemes<br><br>(5) Debt schemes and trust schemes<br><br>Refer to note 3. (16), 4. (2), 20, 23 and 46. (3) to the consolidated financial statements<br><br>As at 31 December 2017, the Group's loans and advances, finance bonds, corporate bonds, asset management schemes, debt schemes and trust schemes represented 53% of total assets. We focused on this area because the management exercised significant judgements on the credit risk assessment as well as both the timing of recognition of impairment and the estimation of the size of any such impairment. | We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations. These controls included those over the identification of which assets were impaired, the assumptions used and accuracy of the data input, and the calculation of the impairment.<br><br>**Individual and collective assessment for loans and advances to customers:**<br><br>Individual assessment<br><br>– We selected a sample of loans based on our experience of the credit risk characteristics of borrowers and size of the loan to perform independent credit review, to assess whether these loans were impaired and whether the loss event was identified by management on a timely basis.<br><br>– For individually assessed loan loss provisions, on a sample of selected impaired loans, we examined the forecasts of future cash flows prepared by management to support the calculation of the impairment, validated accuracy of source data, evaluated the assumptions and compared estimates to external evidence where available.<br><br>Collective assessment<br><br>– For the collectively assessed loan loss provisions, we independently evaluated the methodology and key assumptions used for material portfolios by reference to market practices; in particular, we evaluated the migration rate adopted by management against the macro economic data, financial and industry data issued by the government and regulators.<br><br>– We tested the accuracy and completeness of loan information used in the impairment model; in particular, we evaluated and tested the accuracy of overdue periods recorded and the corresponding risk classifications.<br><br>– We evaluated the overall reasonableness of the collectively assessed loan loss provision with respect to the qualitative and quantitative changes in underlying loan portfolio, such as changes in non-performing loan ratios and provision ratios to assess whether it reflected the current economic environment and was in line with recent loss experience and represented current credit risks.<br><br>– We also tested the mathematical accuracy of the calculation. |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Impairment of<br><br>(1) Loans and advances to customers<br><br>(2) Finance bonds<br><br>(3) Corporate bonds<br><br>(4) Asset management schemes<br><br>(5) Debt schemes and trust schemes<br><br>(continued) | **Individual and collective assessment for finance bonds, corporate bonds, asset management schemes, debt schemes and trust schemes:**<br><br>Individual assessment<br><br>– We examined the Group's individual assessment on sample basis, by reviewing issuers' information such as current financial condition and payment history to verify whether the management's credit ratings of selected investments reflected credit risk of those investments under current economic environment and to assess whether there was evidence of impairment and whether the loss event was identified by management on a timely basis.<br><br>Collective assessment<br><br>– We reviewed the Group's methodology for collective assessment to assess whether it was in line with market practices.<br><br>– We checked the reasonableness of assumptions used in the impairment models, including loss ratio, adjustments for risks in specific industries, regions and macro-economic environment.<br><br>– We tested the mathematical accuracy of the calculation.<br><br>Based on the work performed, the impairment assessment approach and methodologies adopted by the management for the Group's loans and advances, finance bonds, corporate bonds, asset management schemes, debt schemes and trust schemes are considered acceptable. |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Valuation of policyholders' reserves and claim reserves<br><br>Refer to note 3. (31), 4. (4), 40 and 46. (1) to the consolidated financial statements<br><br>As at 31 December 2017, the Group had significant life insurance contract liabilities (policyholders' reserve) and non-life insurance contract liabilities (claim reserves) represented 22% of the total liabilities. This is an area that involves significant judgements over the ultimate total settlement values of insurance contract liabilities. Economic assumptions, such as investment returns and associated discount rates, and operating assumptions such as mortality, persistency (including consideration of policyholder behaviour) and loss ratio are the key inputs used to estimate these insurance contract liabilities. | We involved our actuarial specialists and performed following procedures in this area:<br><br>– We assessed the Group's methodology for calculating the insurance contract liabilities against recognized actuarial practices.<br><br>– We evaluated assumptions used in the actuarial models for the valuation of life insurance contract liabilities; specifically we assessed economic and operating assumptions by reference to relevant company specific and industry historical data, and for future development by reference to market trends and market volatility, where applicable.<br><br>– We evaluated assumptions used in the actuarial models for non-life insurance contract liabilities, such as ultimate loss ratio, claim adjustment expense and risk adjustment to company specific and industry historical data, where applicable.<br><br>– For the life insurance contract liabilities, we performed independent model point testing for newly modelled products and tested the appropriateness of changes made to the actuarial models during the year.<br><br>– For the non-life insurance contract liabilities, we performed independent modelling on selected classes of business. We compared our results to those booked by management and evaluated significant variances, including consideration of retrospective analysis result.<br><br>– We tested the accuracy and completeness of policy data input into the actuarial models.<br><br>– We also performed analysis of the movements in life insurance contract liabilities during the year, including consideration of whether the movements were in line with the assumptions adopted by the Group, our understanding of developments in the business, and our experience derived from market practice.<br><br>Based on the work performed, the key valuation assumptions and methodologies adopted by the management are considered acceptable. |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Disclosure on the impact of adopting IFRS 9<br><br>Refer to Note 2 to the consolidated financial statements.<br><br>IFRS 9: Financial instruments ("IFRS 9") is a new and complex accounting standard effective from 1 January 2018 which requires considerable judgements and interpretations in its implementation. International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors requires disclosure in the financial statements of the reasonably estimable information relevant to assessing the possible impact of the first adoption of IFRS 9.<br><br>IFRS 9 revamps the previously used financial instruments classification and measurement ("C&M") framework adopted by the Group and introduces a more sophisticated expected credit loss ("ECL") framework for estimating impairment provision. We focus on this area because of the significant impact brought by changes in classification and significant management judgements applied on ECL models. There are also new data inputs required by these new ECL models, which have not been used previously for the preparation of the accounting records. Where data is unavailable, judgements in developing assumptions and seeking reasonable alternatives are required. | We reviewed the Group's accounting policies in relation to IFRS 9, and performed the following procedures to assess the reasonableness of the disclosure on the impact of adopting IFRS 9:<br><br>– We reviewed the Group's overall policies and procedures in relation to the C&M and ECL. For the classification of debt financial instruments, we reviewed the business model documentation and tested the supporting evidence on a sampling basis. We understood and evaluated the methodology and logic of the contractual cash flow test, and re-performed contractual cash flow test on the debt instruments on a sampling basis. For the classification of equity financial instruments, we reviewed the designation criteria for classification of financial assets designated by management as fair value through other comprehensive income ("FVOCI") by evaluating whether such financial assets satisfied the conditions of equity instruments designated as FVOCI under IFRS 9 on a sampling basis. For the changes to fair value measurement due to changes in classification, we also assessed the valuation model methodologies and the reasonableness of assumptions made against industry practices and valuation guidelines. We also verified the accuracy of data inputs used in valuation on a sampling basis.<br><br>– We assessed whether ECL models built covered all relevant on and off balance sheet exposures to be subject to ECL. For material debt portfolios, we involved our credit modelling specialists to review ECL model methodologies.<br><br>– We involved our credit modelling specialists to evaluate the application of key ECL model definitions, parameters and assumptions, which includes staging, possibility of default, loss given default, exposure at default, discount rate, etc., and assessed the reasonableness of key management judgements involved. We assessed the completeness and accuracy of the data transfer and tested the accuracy of certain data inputs on a sampling basis.<br><br>– We reviewed management analysis of the impact on the impairment provision from the adoption of IFRS 9 to assess whether the impact was in line with our understanding of the ECL models adopted, the assumptions made, and our understanding of the characteristics of the Group's financial instruments which are subject to ECL.<br><br>Based on the work performed, the overall IFRS 9 approach, the C&M methodologies, major ECL models and inputs used by management to support the disclosure on the impact of adopting IFRS 9 is considered acceptable. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND AUDIT AND RISK MANAGEMENT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit and Risk Management Committee are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chow Sai Keung.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 20 March 2018

# Consolidated Statement of Income

For the year ended 31 December 2017

| (in RMB million) | Notes | 2017 | 2016 |
|---|---|---|---|
| Gross written premiums | 7 | **605,035** | 469,555 |
| Less: Premiums ceded to reinsurers | | **(17,420)** | (17,827) |
| Net written premiums | 7 | **587,615** | 451,728 |
| Change in unearned premium reserves | | **(14,625)** | (10,108) |
| Net earned premiums | | **572,990** | 441,620 |
| Reinsurance commission revenue | | **6,728** | 6,353 |
| Interest revenue from banking operations | 8 | **147,386** | 131,075 |
| Fees and commission revenue from non-insurance operations | 9 | **44,407** | 39,859 |
| Investment income | 10 | **152,101** | 115,053 |
| Share of profits and losses of associates and jointly controlled entities | | **7,145** | (1,370) |
| Other revenues and other gains | 11 | **43,813** | 41,898 |
| **Total revenue** | | **974,570** | 774,488 |
| Gross claims and policyholders' benefits | 12 | **(436,658)** | (334,500) |
| Less: Reinsurers' share and policyholders' benefits | 12 | **9,415** | 9,686 |
| Claims and policyholders' benefits | | **(427,243)** | (324,814) |
| Commission expenses on insurance operations | | **(114,587)** | (78,754) |
| Interest expenses on banking operations | 8 | **(72,501)** | (52,937) |
| Fees and commission expenses on non-insurance operations | 9 | **(6,599)** | (4,392) |
| Loan loss provisions, net of reversals | 13, 23 | **(40,814)** | (45,491) |
| Foreign exchange (losses)/gains | | **(128)** | 1,401 |
| General and administrative expenses | | **(145,126)** | (141,007) |
| Finance costs | | **(11,167)** | (12,144) |
| Other expenses | | **(21,665)** | (21,939) |
| **Total expenses** | | **(839,830)** | (680,077) |
| Profit before tax | 13 | **134,740** | 94,411 |
| Income tax | 14 | **(34,762)** | (22,043) |
| **Profit for the year** | | **99,978** | 72,368 |
| **Attributable to:** | | | |
| – Owners of the parent | | **89,088** | 62,394 |
| – Non-controlling interests | | **10,890** | 9,974 |
| | | **99,978** | 72,368 |
| **Earnings per share attributable to ordinary equity holders of the parent:** | | **RMB** | RMB |
| – Basic | 17 | **4.99** | 3.50 |
| – Diluted | 17 | **4.99** | 3.49 |

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

| (in RMB million) | Note | 2017 | 2016 |
|---|---|---|---|
| **Profit for the year** | | **99,978** | 72,368 |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Available-for-sale financial assets | | **38,653** | (16,026) |
| Shadow accounting adjustments | | **(4,288)** | 4,625 |
| Exchange differences on translation of foreign operations | | **(924)** | 1,190 |
| Share of other comprehensive income of associates and jointly controlled entities | | **93** | (48) |
| Income tax relating to components of other comprehensive income | | **(11,653)** | 2,692 |
| **Other comprehensive income for the year, net of tax** | 15 | **21,881** | (7,567) |
| **Total comprehensive income for the year** | | **121,859** | 64,801 |
| **Attributable to:** | | | |
| – Owners of the parent | | **110,672** | 54,710 |
| – Non-controlling interests | | **11,187** | 10,091 |
| | | **121,859** | 64,801 |

# Consolidated Statement of Financial Position

As at 31 December 2017

| (in RMB million) | Notes | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| **Assets** | | | |
| Cash and amounts due from banks and other financial institutions | 18 | **483,891** | 561,143 |
| Balances with the Central Bank and statutory deposits | 19 | **318,236** | 318,860 |
| Fixed maturity investments | 20 | **2,559,137** | 2,156,291 |
| Equity investments | 21 | **630,676** | 426,908 |
| Derivative financial assets | 22 | **16,192** | 8,836 |
| Loans and advances to customers | 23 | **1,660,864** | 1,458,291 |
| Premium receivables | 24 | **45,694** | 35,325 |
| Accounts receivable | 25 | **71,923** | 22,353 |
| Reinsurers' share of insurance liabilities | 26 | **15,633** | 15,269 |
| Finance lease receivable | 27 | **112,028** | 78,056 |
| Policyholder account assets in respect of insurance contracts | 28 | **38,775** | 39,706 |
| Policyholder account assets in respect of investment contracts | 28 | **4,109** | 4,084 |
| Investments in associates and jointly controlled entities | 29 | **86,207** | 48,955 |
| Investment properties | 30 | **40,108** | 36,568 |
| Property and equipment | 31 | **47,067** | 40,143 |
| Intangible assets | 32 | **60,981** | 63,017 |
| Deferred tax assets | 43 | **40,141** | 28,292 |
| Other assets | 33 | **261,413** | 234,806 |
| **Total assets** | | **6,493,075** | 5,576,903 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 34 | **18,280** | 18,280 |
| Reserves | 35 | **217,881** | 188,910 |
| Retained profits | 35 | **237,190** | 176,259 |
| Equity attributable to owners of the parent | | **473,351** | 383,449 |
| Non-controlling interests | 35 | **114,566** | 103,012 |
| Total equity | | **587,917** | 486,461 |
| **Liabilities** | | | |
| Due to banks and other financial institutions | 37 | **780,530** | 584,794 |
| Other financial liabilities held for trading | | **14,060** | 25,883 |
| Assets sold under agreements to repurchase | 38 | **133,981** | 89,166 |
| Derivative financial liabilities | 22 | **17,950** | 8,715 |
| Customer deposits and payables to brokerage customers | 39 | **1,952,695** | 1,894,377 |
| Accounts payable | | **5,468** | 8,565 |
| Income tax payable | | **28,775** | 22,003 |
| Insurance payables | | **114,108** | 113,387 |
| Insurance contract liabilities | 40 | **1,932,969** | 1,625,473 |
| Investment contract liabilities for policyholders | 41 | **50,309** | 44,930 |
| Policyholder dividend payable | | **45,622** | 39,216 |
| Bonds payable | 42 | **451,283** | 349,825 |
| Deferred tax liabilities | 43 | **25,891** | 11,274 |
| Other liabilities | 44 | **351,517** | 272,834 |
| Total liabilities | | **5,905,158** | 5,090,442 |
| **Total equity and liabilities** | | **6,493,075** | 5,576,903 |

The financial statements on pages 154 to 292 were approved and authorized for issue by the Board of Directors on 20 March 2018 and were signed on its behalf.

| **MA Mingzhe** | **SUN Jianyi** | **YAO Jason Bo** |
|---|---|---|
| *Director* | *Director* | *Director* |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

| (in RMB million) | Share capital | Capital reserves | Surplus reserve funds | General reserves | Exchange differences on translation of foreign operations | Retained profits | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | For the year ended 31 December 2017 | | | | | | | |
| | Equity attributable to owners of the parent | | | | | | | |
| **As at 1 January 2017** | **18,280** | **139,492** | **11,366** | **36,799** | **1,253** | **176,259** | **103,012** | **486,461** |
| Profit for the year | **-** | **-** | **-** | **-** | **-** | **89,088** | **10,890** | **99,978** |
| Other comprehensive income for the year | **-** | **22,469** | **-** | **-** | **(885)** | **-** | **297** | **21,881** |
| Total comprehensive income for the year | **-** | **22,469** | **-** | **-** | **(885)** | **89,088** | **11,187** | **121,859** |
| Dividend declared (Note 16) | **-** | **-** | **-** | **-** | **-** | **(19,194)** | **-** | **(19,194)** |
| Appropriations to surplus reserves | **-** | **-** | **798** | **-** | **-** | **(798)** | **-** | **-** |
| Appropriations to general reserves | **-** | **-** | **-** | **8,165** | **-** | **(8,165)** | **-** | **-** |
| Dividend paid to non-controlling interests | **-** | **-** | **-** | **-** | **-** | **-** | **(2,084)** | **(2,084)** |
| Disposal of subsidiaries | **-** | **-** | **-** | **-** | **-** | **-** | **(704)** | **(704)** |
| Equity transactions with non- controlling interests | **-** | **(4,150)** | **-** | **-** | **-** | **-** | **(2,525)** | **(6,675)** |
| Contributions from non-controlling interests | **-** | **301** | **-** | **-** | **-** | **-** | **808** | **1,109** |
| Share purchase scheme | **-** | **(46)** | **-** | **-** | **-** | **-** | **-** | **(46)** |
| Other equity instruments issued by subsidiaries | **-** | **-** | **-** | **-** | **-** | **-** | **4,486** | **4,486** |
| Others | **-** | **2,319** | **-** | **-** | **-** | **-** | **386** | **2,705** |
| **As at 31 December 2017** | **18,280** | **160,385** | **12,164** | **44,964** | **368** | **237,190** | **114,566** | **587,917** |

| (in RMB million) | Share capital | Capital reserves | Surplus reserve funds | General reserves | Exchange differences on translation of foreign operations | Retained profits | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | For the year ended 31 December 2016 | | | | | | | |
| | Equity attributable to owners of the parent | | | | | | | |
| As at 1 January 2016 | 18,280 | 143,798 | 8,498 | 28,248 | 86 | 135,338 | 79,323 | 413,571 |
| Profit for the year | - | - | - | - | - | 62,394 | 9,974 | 72,368 |
| Other comprehensive income for the year | - | (8,851) | - | - | 1,167 | - | 117 | (7,567) |
| Total comprehensive income for the Year | - | (8,851) | - | - | 1,167 | 62,394 | 10,091 | 64,801 |
| Dividend declared (Note 16) | - | - | - | - | - | (10,054) | - | (10,054) |
| Appropriations to surplus reserves | - | - | 2,868 | - | - | (2,868) | - | - |
| Appropriations to general reserves | - | - | - | 8,551 | - | (8,551) | - | - |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | (1,640) | (1,640) |
| Acquisition of subsidiaries | - | - | - | - | - | - | 6,219 | 6,219 |
| Equity transactions with non-controlling interests | - | (1,927) | - | - | - | - | (3,276) | (5,203) |
| Contributions from non-controlling interests | - | 1,835 | - | - | - | - | 2,059 | 3,894 |
| Share purchase scheme | - | (121) | - | - | - | - | - | (121) |
| Other equity instruments issued by subsidiaries | - | - | - | - | - | - | 10,236 | 10,236 |
| Others | - | 4,758 | - | - | - | - | - | 4,758 |
| As at 31 December 2016 | 18,280 | 139,492 | 11,366 | 36,799 | 1,253 | 176,259 | 103,012 | 486,461 |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2017

| (in RMB million) | Notes | 2017 | 2016 |
|---|---|---|---|
| **Net cash flows from operating activities** | 50 | **121,283** | 227,821 |
| **Cash flows from investing activities** | | | |
| Purchases of investment properties, property and equipment, and intangible assets | | **(19,257)** | (16,624) |
| Proceeds from disposal of investment properties, property and equipment, and intangible assets | | **571** | 376 |
| Proceeds from disposal of investments | | **1,960,127** | 2,827,962 |
| Purchases of investments | | **(2,471,001)** | (3,243,364) |
| Term deposits withdrawn/(placed), net | | **35,873** | (23,139) |
| Acquisition of non-controlling interests in subsidiaries | | **(6,675)** | (5,203) |
| Acquisition and disposal of subsidiaries, net | | **(1,080)** | (12,558) |
| Interest received | | **124,094** | 116,966 |
| Dividends received | | **37,980** | 35,917 |
| Rentals received | | **2,757** | 1,615 |
| Others | | **(18,156)** | (12,564) |
| **Net cash flows used in investing activities** | | **(354,767)** | (330,616) |
| **Cash flows from financing activities** | | | |
| Capital injected into subsidiaries by non-controlling interests | | **5,595** | 14,153 |
| Proceeds from bonds issued | | **953,639** | 762,547 |
| Increase/(Decrease) in assets sold under agreements to repurchase of insurance operations, net | | **51,615** | (40,926) |
| Proceeds from borrowed funds | | **348,046** | 267,828 |
| Repayment of borrowed funds | | **(1,147,255)** | (853,733) |
| Interest paid | | **(16,109)** | (13,284) |
| Dividends paid | | **(21,278)** | (11,694) |
| Others | | **4,335** | 8,113 |
| **Net cash flows from financing activities** | | **178,588** | 133,004 |
| **(Decrease)/Increase in cash and cash equivalents** | | **(54,896)** | 30,209 |
| Net foreign exchange differences | | **(3,992)** | 4,018 |
| Cash and cash equivalents at beginning of the year | | **367,552** | 333,325 |
| **Cash and cash equivalents at end of the year** | 49 | **308,664** | 367,552 |

## 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 controlled funds. 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 47th, 48th, 109th, 110th, 111th and 112th Floors, Ping An Finance Center, No. 5033 Yitian Road, Futian District, Shenzhen, Guangdong Province, China.

These consolidated financial statements are presented in millions of Renminbi ('RMB') unless otherwise stated.

## 2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS')

The Group has not applied the following new and revised standards, which have been issued but are not yet effective.

The complete version of IFRS 9 'Financial instruments' was issued in July 2014, followed with consequential amendments to IFRS 7 'Financial instruments: Disclosure'. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: 1) amortized cost ('AC'), 2) fair value through other comprehensive income ('FVOCI') and 3) fair value through profit and loss ('FVTPL'). The entity should consider its business model and the contractual cash flow characteristics of the financial asset for classification. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling (i.e. any gain/loss could not be recycled to profit or loss while the dividend is recognized through profit or loss). There is now a new expected credit losses ('ECL') model that replaces the incurred loss impairment model used in the existing accounting standard. For financial liabilities there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 is more principle-based and relaxes the requirements for hedge effectiveness. Contemporaneous documentation is still required but is different to that currently prepared under the existing accounting standard. The entity needs not restate comparative periods according to the transition requirements of IFRS 9. The difference/adjustments between IFRS 9 and the existing accounting standard will be transferred to retained profits or reserves. The Group could not apply the temporary exemption from IFRS 9 under Appendix F of IFRS 4. The Group will adopt IFRS 9 on 1 January 2018.

The Group has reviewed its financial assets and liabilities and is expecting the following impacts from the adoption of the new standard:

## 2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS') (CONTINUED)

For the Group's debt instruments:

- the majority of debt instruments currently classified as available-for-sale ('AFS') will satisfy the conditions for classification as at FVOCI and hence there will be no actual change to the accounting for these assets. Some of debt instruments will be reclassified as FVTPL because of failing the solely payment of principal and interest test ('SPPI test').

- the majority of debt instruments currently classified as held-to-maturity('HTM')/loans and receivables ('LR') will satisfy the conditions as AC and hence there will be no actual change to the accounting for these assets. Some of debt instruments will be reclassified as FVOCI due to business model consideration, while some of debt instruments will be reclassified as FVTPL because of failing the SPPI test.

- debt instruments currently classified as FVTPL will continue to be classified as FVTPL, there will be no impact on retained profits from the reclassification and there will be no actual change to the accounting for these assets.

For the Group's equity instruments:

- equity instruments currently classified as AFS, part of which will be reclassified as FVOCI under IFRS 9. Those instruments are required to be measured at fair value through other comprehensive income not recycling (i.e. any gain/loss could not be recycled to profit or loss while the dividend is recognized through profit or loss). The remaining equity instruments would be reclassified as FVTPL and those fair value change previously recognized in reserves would be reclassified to opening retained profits upon first time adoption.

- the majority of equity instruments currently classified as FVTPL will continue to be measured on the same basis under IFRS 9 and hence there will be no actual change to the accounting for these assets.

There will be no significant impact on the Group's accounting treatment on financial liabilities.

The new impairment model requires the recognition of impairment provisions based on ECL rather than only incurred credit losses as is the case under the existing accounting standard, which applies to the financial assets measured as AC and the debt instruments classified as FVOCI. This will increase impairment provision and decrease opening retained profits upon first time adoption.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management strategies. The new concept under IFRS 9 is more principle-based, so there will be more hedging relationships meet the criteria of hedge accounting. The Group has confirmed that its current hedge relationships will continue be qualified to meet the criteria of hedge accounting under IFRS 9.

## 2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS') (CONTINUED)

Overall, the Group's retained profits will be increased by RMB32.3 billion upon initial adoption of IFRS 9 on 1 January 2018, opening balances of reserves will be decreased by RMB35.1 billion, non-controlling interests will be decreased by RMB2 billion and total net asset will be decreased by RMB4.8 billion respectively.

The Group will not restate comparatives on initial adoption of IFRS 9 on 1 January 2018 but will provide detailed transition disclosure in accordance to the amended requirements of IFRS 7, which expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for financial years commencing on 1 January 2018. The Group has completed the assessment of the impact of IFRS 15 and it is expected that it will not have a material impact on the Group.

IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The new standard is mandatory for financial years commencing on or after 1 January 2019. The Group has started to assess the impact of IFRS 16.

IFRS 17, 'Insurance Contracts', was published on 18 May 2017. IFRS 17 established principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin representing the unearned profit of the contract. The new standard is mandatory for financial years commencing on or after 1 January 2021. The Group has started to assess the impact of IFRS 17.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) BASIS OF PREPARATION

The financial statements have been prepared in accordance with IFRS which comprise standards and interpretations approved by the IASB and IFRS Interpretations Committee applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which have been measured at fair value and insurance contract liabilities, which have been measured primarily based on actuarial methods.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

### (2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

**Changes in accounting policies**

To the extent that a topic is not covered explicitly by IFRS, the IFRS framework permits reference to another comprehensive body of accounting principles, and therefore the Group has chosen to refer to the accounting practices currently adopted by insurance companies reporting under Accounting Standards for Business Enterprises ('PRC Accounting Standards').

Except as listed below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 'Income tax',
- Disclosure initiative – amendments to IAS 7 'Statement of cash flow', and
- Annual improvements 2014-2016 cycle: Amendments to IFRS 12.

The adoption of the above amendments has had no significant effect on the consolidated financial statements for the year ended 31 December 2017.

**Changes in accounting estimates**

Material judgment is required in determining long term 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 date. The Group has changed the above assumptions based on current information available as at 31 December 2017 (mainly due to decrease of the benchmarking yield curve for the measurement of insurance contract liabilities and refined the structure of the benchmarking yield curve as well as corresponding comprehensive premium adjustments) and updated estimate for future cash flows, with the corresponding impact on long term life insurance contract liabilities taken into the current year's statement of income. As a result of such changes in assumptions, long term life insurance and long term health insurance policyholders' reserves were increased by RMB32,193 million as at 31 December 2017 and the profit before tax for the year 2017 was decreased by RMB32,193 million.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (3) BUSINESS COMBINATIONS AND GOODWILL

Business combinations that are not under common control 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 to measure 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 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-related 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 as 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or a liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognized in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 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 of goodwill 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 recognized. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation 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 2017 and for the year then ended.

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 period 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, unless the transaction provides evidence of an impairment of the transferred asset.

Total comprehensive income within a subsidiary is still attributed to the non-controlling interest even if it 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 Group'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 (including structured entities) over which the Company has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The results of subsidiaries are included in the Company's statement of income to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

### (6) STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual or related arrangements.

The Group determines whether it is an agent or a principal in relation to those structured entities in which the Group acts as an asset manager on management's judgement. If an asset manager is agent, it acts primarily on behalf of others and so does not control the structured entity. It may be principal if it acts primarily for itself, and therefore controls the structured entity.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (6) STRUCTURED ENTITIES (CONTINUED)

The Group has determined that all of its trust products, debt investment plans, equity investment plans and asset funding plans, which are not controlled by the Group, are unconsolidated structured entities. Trust products, equity investment plans and asset funding plans are managed by affiliated or unaffiliated trust companies or asset managers and invest the funds raised in loans or equities of other companies. Debt investment plans are managed by affiliated or unaffiliated asset managers and its major investment objectives are infrastructure funding projects. Trust products, debt investment plans, equity investment plans and asset funding plans finance their operations by issuing beneficiary certificates which entitle the holders to agreed stake according to contractual terms in the respective trust products', debt investment plans', equity investment plans' and asset funding plans' income.

The Group holds beneficiary certificates in its trust products, debt investment plans, equity investment plans and asset funding plans.

### (7) ASSOCIATES

An associate is an entity, not being a subsidiary or a jointly controlled 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.

The Group's investments in associates are stated in the consolidated financial statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

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 statement of income.

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 as well as the gain on disposal of the associates are recognized in profit or loss.

The results of associates are included in the Company's statement of income to the extent of dividends received and receivable. The Group's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (8) JOINTLY CONTROLLED ENTITIES

The Group has assessed the nature of its jointly controlled entities and determined them to be joint ventures. The Group has rights to the net assets of these jointly controlled entities. The Group's investments in its jointly controlled entities are accounted for using the equity method of accounting, less any impairment losses. Refer to Note 3. (7) for details of the equity method of accounting.

### (9) FOREIGN CURRENCIES

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of income.

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 translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in profit or loss or other comprehensive income, respectively).

The functional currency of most of 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 rates prevailing at the end of the reporting period and their statements of income are translated into RMB at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange differences on translation of foreign operations reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of income.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates for their functional currencies ruling at the dates of the cash flows. 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.

### (10) 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 including assets purchased under reverse repurchase agreements and others 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)

### (11) INVESTMENTS AND OTHER FINANCIAL ASSETS

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets, as appropriate.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. 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.

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. A financial instrument can only be designated at inception as at fair value through profit or loss and cannot be subsequently changed. 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 statement of income.

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 statement of income when the investments are derecognized or impaired, as well as through the amortization process.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (11) INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. It includes policy loans. Loans and receivables acquired by the Group 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 less any provision for impairment. Gains and losses are recognized in the statement of income when the investments are derecognized or impaired, as well as through the amortization process. Policy loans originated by the Group are carried at amortized cost.

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 recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the capital reserve until the asset is derecognized, at which time, the cumulative gain or loss is recognized in investment income, or until the investment is determined to be impaired, when the cumulative loss is recognized in the statement of income in investment income and removed from the capital reserve.

Reclassification of financial assets with fixed or determinable payments and fixed maturity from available for sale to held-to-maturity is permitted when the Group has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortized cost 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 statement of income.

### (12) FINANCIAL LIABILITIES

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, minus directly attributable transaction costs.

The Group's financial liabilities mainly include investment contracts without discretionary participation features ('DPF'), net asset value attributable to unit holders, trade and other payables, borrowings, insurance payables and derivative financial instruments.

The subsequent measurement of financial liabilities depends on their classification as follows:

#### Loans and borrowings

Loans and borrowings include subordinated debts. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (12) FINANCIAL LIABILITIES (CONTINUED)

**Convertible bonds**

Convertible bonds comprise of the liability and equity components. The liability component, representing the obligation to make fixed payments of principal and interest, is classified as liability and initially recognized at the fair value, calculated using the market interest rate of a similar bond that does not have an equity conversion option, and subsequently measured at amortized cost using the effective interest method. The equity component, representing an embedded option to convert the liability into common shares, is initially recognized in 'Others' under 'Reserves' as the difference between the proceeds received from the convertible bonds as a whole and the amount of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds.

On conversion of the convertible bonds into shares, the amount transferred to 'Share capital' is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the carrying value of the related component of the converted bonds and the amount transferred to 'Share capital' is recognized in 'Share premium' under 'Reserves'.

**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 initially measures such contracts at fair value, being the premium received. This amount is recognized ratably over the period of the contract to fees and commission income. Subsequently, the liabilities are measured at the higher of the initial fair value less cumulative amortization recognized in the statement of income, 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 also 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 (Note 3. (29)).

### (13) 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 profit or loss. 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 statement of income.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (14) 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 prices in 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.

When equity investments have no quoted price in active market and their fair value cannot be reliably measured, such investments are stated at cost less any impairment losses.

### (15) OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### (16) 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 statement of income 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 statement of income as part of the calculation of impairment loss described above.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (16) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

**Available-for-sale financial assets** (Continued)

For equity instruments, 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. The Group generally considers a decline of 50% or more as significant and a period of 12 months or longer is considered to be prolonged.

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 statement of income. 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 with similar credit risk characteristic 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (16) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

**Financial assets carried at cost**

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

### (17) 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 the asset; 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 or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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. 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 financial 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 the statement of income.

### (18) ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS AND ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Assets sold under repurchase agreements continue to be recognized but a liability is presented under 'assets sold under agreements to repurchase' for the proceeds from selling such assets. The Group may be required to provide additional collateral based on the fair value of the underlying assets and such non-cash collateral assets continue to be carried on the statement of financial position at the end of the reporting period. The difference between the selling price and repurchasing price is recognized as interest expense during the term of the agreement using the effective interest method.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (18) ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS AND ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

The Group enters into purchases of assets under reverse repurchase agreements. Assets purchased under such agreements are not recognized. The amounts advanced under these agreements are reflected as assets purchased under reverse repurchase agreements under fixed maturity investments in the statement of financial position as loans and receivables. The Group may not take physical possession of assets purchased under such agreements. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying assets. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

Sale of assets under repurchase agreements and purchase of assets under reverse repurchase agreements of bank and securities businesses are included in the operating activities of consolidated statement cash flows and sale of assets under repurchase agreements and purchase of assets under reverse repurchase agreements of insurance business are included in the financing and investing activities of consolidated statement of cash flows.

### (19) FINANCE LEASE RECEIVABLE AND UNEARNED FINANCE INCOME

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognizes the minimum lease payments receivable by the Group, the initial direct costs and the unguaranteed residual value in the finance lease receivable. The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) the aggregate of their present values is recognized as unearned finance lease income. Finance lease receivable net of unearned finance income which represents the Group's net investment in the finance lease is presented as finance lease receivable in the consolidated statement of financial position. Unearned finance lease income is allocated over the lease term based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease.

### (20) PRECIOUS METALS

The Group's precious metals represent gold and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net recoverable amount. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in statement of income.

### (21) INVESTMENT PROPERTIES

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 or the investment property is sold.

Investment properties are interests in land and buildings that are held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (21) INVESTMENT PROPERTIES (CONTINUED)

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 (1% to 10% of original cost), over the estimated useful lives. The estimated useful lives of investment properties vary from 20 to 40 years.

### (22) 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 statement of income 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 statement of income 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 assumptions 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% – 10% | 20 – 40 years |
| Equipment, furniture and fixtures | 0% – 10% | 3 – 15 years |
| Motor vehicles | 1% – 10% | 5 – 10 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.

### (23) 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (24) 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 present value of additional cash flow resulted from the use of the deposits at a lower cost alternative source of funding in the future periods.

#### (b) Expressway operating rights

Expenditures on acquiring the expressway operating rights are capitalized as intangible assets and subsequently amortized 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 the lease terms. All of the Group's prepaid land premiums are related to lands located in Mainland China.

#### (d) Trademarks

Trademarks are initially stated at cost and subsequently amortized on the straight-line basis over the estimated useful lives.

The estimated useful lives of intangible assets are set as below:

| | Estimated useful lives |
|---|---|
| Expressway operating rights | 20 – 30 years |
| Prepaid land premiums | 30 – 50 years, indefinite |
| Core deposits | 20 years |
| Trademarks | 10 – 40 years |
| Software and others (including patents and know-how, customer relationships and contract rights, etc.) | 2 – 28 years |

FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (25) FORECLOSED ASSETS

Foreclosed 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 statement of income. At the end of the reporting period, the foreclosed assets are measured at the lower of their carrying value and net recoverable amount. When the carrying value of the foreclosed assets is higher than the net recoverable amount, a provision for the decline in value of foreclosed assets is recognized in the statement of income in 'General and administrative expenses'.

### (26) INVENTORIES

The Group's inventories comprise raw materials, product in progress, finished goods, other supplemental materials, etc. and lands purchased that have been set to be used to build properties for sale by real estate subsidiaries. Inventory is initially measured at cost which includes purchasing cost, processing cost and other costs which made the inventory to the present place and status.

The actual cost of inventory is priced based on moving weighted average method.

At the end of the reporting period, inventory is measured at the lower of its cost and net realizable value. If the net realizable value is lower than cost, inventory impairment provisions are allotted.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and related taxes. Estimates of net recoverable amount are based on the most reliable evidence available at the time the estimates are made, also taking into consideration the purpose for which the inventory is held and the influence of events after the end of the reporting period.

Inventory impairment provisions should be accrued when the cost of individual inventory item is higher than its net realizable value.

After allotting inventory impairment provisions, if the influencing factors of previous inventory impairment provisions have disappeared, and hence the net realizable value of the inventories are higher than their book values, the previous written down amount should be recovered and the reversed amount which is within the amount of original allotted inventory impairment provisions should be included in current profit and loss.

### (27) 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 disposal, 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (27) IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

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 a reversal is recognized in the statement of income.

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 disposal 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.

### (28) INSURANCE GUARANTEE FUND

According to the 'Administrative Regulations on the Insurance Guarantee Fund' (CIRC [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. Insurance guarantee fund levy is charged to expenses as incurred.

The revenue and premium income used in the calculation of the insurance guarantee fund is the amount agreed in the insurance policies.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (29) 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 mainly dependent on 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.

### (30) 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.

### (31) 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 fulfills 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (31) INSURANCE CONTRACT LIABILITIES (CONTINUED)

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 statement of income 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. 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.

- At inception of an insurance contract, any 'day-one' gain is not recognized in the statement of income, but included in the insurance contract liabilities as a residual margin. The residual margin is calculated net of certain acquisition costs, mainly consisting of commission expenses on insurance operations. At inception of an insurance contract, any 'day-one' loss is recognized in the statement of income. 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 which is embedded in the unearned premium reserves 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, the 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.

#### 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, insurance guarantee fund, regulatory charges and other incremental costs. Subsequent to initial recognition, unearned premium reserves are measured on a 1/365 basis.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (31) INSURANCE CONTRACT LIABILITIES (CONTINUED)

**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. Changes in assumptions are recognized immediately in the statement of income.

**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 and charged in the statement of income. Otherwise, no adjustment is made for the respective insurance contract liabilities.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (32) DPF IN LONG TERM LIFE INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

Some of the Group's long term life insurance contracts and investment contracts contain a discretionary participating feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits. These contracts are collectively called participating contracts. Under the current PRC insurance regulations, the Group is obligated to pay to the policyholders of participating contracts at least 70% of the distributable surplus in each period, which includes net investment spread arising from the assets supporting these contracts and mortality gains or losses on the pool of contracts to which the participating contract belongs. The amounts to be collectively allocated to the policyholders are referred to as the eligible surplus. The amount and timing of the subsequent distribution of the eligible surplus to individual policyholders of participating contracts is subject to future declarations by the Group. As long as the eligible surplus has not been declared and paid, it is included in the long term life insurance policyholders' reserves and investment contract reserves. 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 a change in surplus is included in long term life insurance policyholders' reserves and investment contract reserves.

A shadow accounting adjustment is applied to recognize the change in surplus in other comprehensive income to the extent that such change is derived from unrealized gains or losses on supporting assets recognized directly in other comprehensive income.

### (33) 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 statement of income. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions, 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.

### (34) 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (34) INVESTMENT-LINKED BUSINESS (CONTINUED)

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 record keeping purposes. As the investment risks of investment-linked contracts were fully borne by policyholders, the assets and liabilities related to investment-linked contracts were not included in the analysis of risk management in Note 46.

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, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the statement of income.

- Charges including account management fees and surrender charges are calculated at a fixed amount or certain percentage of policy account liabilities. Account management fees are recognized as other income during the period of service provided and surrender charges are recognized as other income as incurred.

- Assets of investment-linked contracts are initially measured and subsequently carried at fair value, presented as policyholder account assets.

### (35) UNIVERSAL LIFE BUSINESS

The 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 separated from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts as described in Note 3. (31).

The deposit components separated from the above 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 using a discounted cash flow model. Commissions, 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.

- Fair value changes on available-for-sale financial assets related to the universal life insurance portfolio are recognized in other comprehensive income. Changes in the insurance liabilities for the universal life insurance portfolio is also recognized in other comprehensive income to the extent that such change is derived from fair value changes on available-for-sale financial assets related to the universal life insurance portfolio attributable to policyholders.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (36) PROVISIONS

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognized is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation.

Except for 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.

### (37) 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 installment 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. Accounting policies for reinsurance contracts are described in Note 3. (38).

#### (b) Income from investment contracts

Revenues from 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (37) REVENUE RECOGNITION (CONTINUED)

#### (c) Interest income

Interest income for interest bearing financial instruments, is recognized in the statement of income 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. Loan syndication fees are recognized in the statement of income 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.

#### (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.

#### (g) Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

## (38) 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 statement of income 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 ceding company statements.

## (39) POLICYHOLDER DIVIDENDS

Policyholder dividends represent dividends payable 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)

### (40) 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 statement of income on the straight-line basis over the lease terms.

Where the Group is the lessee, rentals payable under operating leases are charged to the statement of income 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.

### (41) 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 monthly contributions for medical benefits to the local authorities in accordance with the relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

### (42) SHARE-BASED PAYMENT

#### Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan (share purchase scheme), under which the Group receives services from employees as consideration for equity instruments.

The total amount to be expensed is determined by reference to the fair value of the shares granted, which includes the impact of market performance conditions (for example, an entity's share price) but excludes the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period) and includes the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time). The Group also estimates the number of total shares expected to vest taking into consideration of service and non-market performance conditions. Total expense based on fair value of the shares granted and number of shares expected to vest is recognized over the vesting period.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (42) SHARE-BASED PAYMENT (CONTINUED)

**Equity-settled share-based payment transactions** (Continued)

At the end of each reporting period, the Group revises its estimates of the number of options and awarded shares that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of income, with a corresponding adjustment to equity.

The Company settles with the awardees under the share purchase scheme upon vesting.

### (43) SHARES HELD BY CONSOLIDATED STRUCTURED ENTITIES

The Group's subsidiaries consolidated certain third party assets management scheme. These assets management schemes invested in the insurance index shares. As such the Group indirectly hold the Company's shares. The employee share purchase scheme consolidated by the Group also hold the Company's shares. The consideration paid by the consolidated structured entities in purchasing the Company's shares from the market, including any directly attributable incremental cost, is debited to 'Share premium' under 'Reserves'. No gain or loss shall be recognized in profit or loss on the sale of those shares, the consideration received is credited to 'Share premium' under 'Reserves'.

### (44) TAX

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income, 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.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (44) TAX (CONTINUED)

► 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.

### (45) DIVIDENDS

When the final dividends proposed by the directors have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

### (46) 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;

(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;

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (46) RELATED PARTIES (CONTINUED)

(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).

### (47) 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 and the presentation is consistent with the information reported to the Board of Directors.

Operating segments refer to the Group's component that satisfies the following conditions:

(1) The component produces income and expenses in its 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 significant effect on the amounts recognized in the financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

### (1) FAIR VALUE OF FINANCIAL INSTRUMENTS DETERMINED USING VALUATION TECHNIQUES

Fair value, in the absence of an active market, is estimated by using valuation techniques, applying currently applicable and sufficiently available data, and the valuation techniques supported by other information, mainly include market approach and income approach, reference to the recent arm's length transactions, current market value of another instrument which is substantially the same, and by using the discounted cash flow analysis and option pricing models.

When using valuation techniques to determine the fair value of financial instruments, the Group would choose the input value in consistency with market participants, considering in transactions of related assets and liabilities. All related observable market parameters are considered in priority, including interest rate, foreign exchange rate, commodity prices and share prices or index. When related observable parameters are unavailable or inaccessible, the Group uses unobservable parameters and makes estimates for credit risk, market volatility and liquidity adjustments.

Using different valuation techniques and parameter assumptions may lead to significant differences of fair value estimations.

### (2) IMPAIRMENT OF LOANS AND ADVANCES TO CUSTOMERS, FINANCE BONDS, CORPORATE BONDS, ASSET MANAGEMENT SCHEMES, DEBT SCHEMES AND TRUST SCHEMES

The Group reviews its loans and advances to customers, finance bonds, corporate bonds, asset management schemes, debt schemes and trust schemes at each reporting date to assess whether these financial assets are impaired and provision for losses should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Refer to Note 3.(16) for the factors which the Group considers when making such judgment.

### (3) 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.(16) for the factors which the Group considers when making such judgment.

### (4) MEASUREMENT UNIT AND VALUATION OF INSURANCE CONTRACT LIABILITIES

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.

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. Refer to Note 3.(2) for the changes in accounting policies and estimates.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

### (4) MEASUREMENT UNIT AND VALUATION OF INSURANCE CONTRACT LIABILITIES (CONTINUED)

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 return of the underlying asset portfolio, with the consideration of the Cai Kuai [2017] No. 637 issued by CIRC and other relevant regulations, 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 as at 31 December 2017 ranged from 3.16%- 4.75% (31 December 2016: 3.12%- 5.00%).

  For long term non-life insurance contracts where the future insurance benefits are not affected by investment return 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 return of the underlying asset portfolio, the discount rates are determined based on expected future investment returns of the asset portfolio backing those liabilities. The future investment returns assumption for the measurement as at 31 December 2017 ranged from 4.75%- 5.00% (31 December 2016: 4.75%- 5.00%).

  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.

- 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 industrial benchmark or 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.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

### (4) MEASUREMENT UNIT AND VALUATION OF INSURANCE CONTRACT LIABILITIES (CONTINUED)

- 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 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 participating insurance with a risk margin based on a dividend rate of 85%.

- 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% to determine risk margins.

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 claim development factors and expected claim 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% to determine risk margins.

### (5) CLASSIFICATION AND UNBUNDLING/SEPARATION OF INSURANCE CONTRACTS AND SIGNIFICANT INSURANCE RISK TESTS

The Group makes significant judgments on whether a written policy undertake both insurance risks and other risks, whether 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/separation 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.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

### (5) CLASSIFICATION AND UNBUNDLING/SEPARATION OF INSURANCE CONTRACTS AND SIGNIFICANT INSURANCE RISK TESTS (CONTINUED)

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 sufficient and representative policy samples from each policy portfolio to perform individual testing.

The unbundling/separation and classification of insurance contracts would affect the Group's revenue recognition, liability measurement and financial statement presentation.

### (6) DETERMINATION OF CONTROL OVER THE STRUCTURED ENTITIES

To determine whether the Group controls the structured entities of which the Group acts as an asset manager, management applies judgment based on all relevant fact and circumstance to determine whether the Group is acting as the principal or agent for the structured entities. If the Group is acting as the principal, it has control over the structured entities. In assessing whether the Group is acting as the principal, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variable returns results from its additional involvement with structured entities. The Group will perform reassessment once the fact and circumstance changes leading to changes in above factors.

For further disclosure in respect of the maximum risk exposure of unconsolidated structured entities of the Group, see Note 46. (8).

## 5. SCOPE OF CONSOLIDATION

(1) Particulars of the Company's principal subsidiaries as at 31 December 2017 are set out below:

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Proportion of ordinary shares directly held by the Group (%) | Proportion of ordinary shares indirectly held by the Group (%) | Proportion of votes (%) (i) | Registered/authorized capital (RMB unless otherwise stated) |
|---|---|---|---|---|---|---|
| Ping An Life Insurance Company of China, Ltd. | Shenzhen, Corporation | Life insurance, Shenzhen | 99.51% | - | 99.51% | 33,800,000,000 |
| Ping An Property & Casualty Insurance Company of China, Ltd. | Shenzhen, Corporation | Property and casualty insurance, Shenzhen | 99.51% | - | 99.51% | 21,000,000,000 |
| Ping An Bank Co., Ltd. (ii) ('Ping An Bank') | Shenzhen, Corporation | Banking, Shenzhen | 49.56% | 8.40% | 58.00% | 17,170,411,366 |
| China Ping An Trust Co., Ltd. (iii) | Shenzhen, Corporation | Investment and trust, Shenzhen | 99.88% | - | 99.88% | 13,000,000,000 |
| Ping An Securities Company Limited ('Ping An Securities') | Shenzhen, Corporation | Securities investment and brokerage, Shenzhen | 40.96% | 55.59% | 96.62% | 13,800,000,000 |
| Ping An Annuity Insurance Company of China, Ltd. | Shanghai, Corporation | Annuity insurance, Shanghai | 86.11% | 13.82% | 100.00% | 4,860,000,000 |
| Ping An Asset Management Co., Ltd. | Shanghai, Corporation | Asset management, Shanghai | 98.67% | 1.33% | 100.00% | 1,500,000,000 |
| Ping An Health Insurance Company of China, Ltd. (iii) | Shanghai, Corporation | Health insurance, Shanghai | 73.11% | 1.89% | 75.01% | 1,516,577,790 |
| China Ping An Insurance Overseas (Holdings) Limited ('Ping An Overseas Holdings') | Hong Kong, Corporation | Investment holding, Hong Kong | 100.00% | - | 100.00% | HKD7,085,000,000 |
| China Ping An Insurance (Hong Kong) Company Limited | Hong Kong, Corporation | Property and casualty insurance, Hong Kong | - | 100.00% | 100.00% | HKD490,000,000 |
| Ping An International Financial Leasing Co., Ltd. (iii) ('Ping An Financial Leasing') | Shanghai, Corporation | Finance lease business Shanghai | 65.23% | 34.77% | 100.00% | 12,211,208,151 |
| Ping An of China Asset Management (Hong Kong) Company Limited | Hong Kong, Corporation | Asset management, Hong Kong | - | 100.00% | 100.00% | HKD345,000,000 |

## 5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2017 are set out below (continued):

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Proportion of ordinary shares directly held by the Group (%) | Proportion of ordinary shares indirectly held by the Group (%) | Proportion of votes (%) (i) | Registered/authorized capital (RMB unless otherwise stated) |
|---|---|---|---|---|---|---|
| Shenzhen Ping An New Capital Investment Co., Ltd. | Shenzhen, Corporation | Investment holding, Shenzhen | - | 99.88% | 100.00% | 4,000,000,000 |
| Ping An Trendwin Capital Management Co., Ltd. | Shanghai, Corporation | Investment consulting, Shanghai | - | 99.75% | 100.00% | 100,000,000 |
| Ping An Real Estate Co., Ltd. ('Ping An Real Estate') | Shenzhen, Corporation | Property management and investment management, Shenzhen | - | 99.59% | 100.00% | 20,000,000,000 |
| Ping An Technology (Shenzhen) Co., Ltd. | Shenzhen, Corporation | IT services, Shenzhen | - | 100.00% | 100.00% | 204,763,800 |
| Shenzhen Ping An Financial Services Co., Ltd. (iii) | Shenzhen, Corporation | IT and business process outsourcing services, Shenzhen | - | 100.00% | 100.00% | 598,583,070 |
| Ping An E-wallet Electronic Commerce Company Limited (iii) ('Ping An E-wallet') | Shenzhen, Corporation | Internet service, Shenzhen | - | 76.33% | 76.33% | 1,000,000,000 |
| Shenzhen Wanlitong Network Information Technology Co., Ltd. | Shenzhen, Corporation | Customer loyalty service, Shenzhen | - | 76.33% | 100.00% | 200,000,000 |
| Shenzhen Ping An Commercial Property Investment Co., Ltd. | Shenzhen, Corporation | Real estate investment, Shenzhen | - | 99.49% | 99.98% | 1,095,000,000 |
| Ping An Futures Co., Ltd. | Shenzhen, Corporation | Futures brokerage, Shenzhen | - | 96.74% | 100.00% | 420,000,000 |
| Shenzhen Ping An Real Estate Investment Co., Ltd. | Shenzhen, Corporation | Real estate investment, Shenzhen | - | 100.00% | 100.00% | 1,310,000,000 |
| Shanghai Pingpu Investment Co., Ltd. (iii) | Shanghai, Corporation | Investment management, Shanghai | - | 99.51% | 100.00% | 9,130,500,000 |

## 5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2017 are set out below (continued):

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Proportion of ordinary shares directly held by the Group (%) | Proportion of ordinary shares indirectly held by the Group (%) | Proportion of votes (%) (i) | Registered/authorized capital (RMB unless otherwise stated) |
|---|---|---|---|---|---|---|
| Ansheng Investment Company Limited | British Virgin Islands, Corporation | Project investment, British Virgin Islands | - | 99.51% | 100.00% | USD50,000 |
| Shenzhen Ping An Financial Technology Consulting Co., Ltd. (iii) | Shenzhen, Corporation | Financial advisory services, Shenzhen | 100.00% | - | 100.00% | 25,644,000,000 |
| Ping An Tradition International Money Broking Company Ltd. | Shenzhen, Corporation | Currency brokerage, Shenzhen | - | 66.92% | 67.00% | 50,000,000 |
| Pingan Haofang (Shanghai) E-commerce Co., Ltd. (iii) | Shanghai, Corporation | Property agency, Shanghai | - | 80.00% | 80.00% | 680,000,000 |
| Ping An-UOB Wealthtone Asset Management Co., Ltd. | Shenzhen, Corporation | Asset management, Shenzhen | - | 60.63% | 100.00% | 200,000,000 |
| Ping An-UOB Fund Management Company Limited | Shenzhen, Corporation | Fund raising and distribution, Shenzhen | - | 60.63% | 60.70% | 300,000,000 |
| Shenzhen Ping An Financial Center Development Company Ltd. | Shenzhen, Corporation | Real estate development, Shenzhen | - | 99.51% | 100.00% | 5,248,870,000 |
| Ping An Insurance Sales Services Co., Ltd. | Shenzhen, Corporation | Sale agency of insurance, Shenzhen | - | 100.00% | 100.00% | 50,000,000 |
| Ping An Chuang Zhan Insurance Sales & Service Co., Ltd | Shenzhen, Corporation | Insurance sale, Shenzhen | - | 99.51% | 100.00% | 50,000,000 |
| Reach Success International Company Limited | British Virgin Islands, Corporation | Project investment, British Virgin Islands | - | 99.51% | 100.00% | USD50,000 |
| Jade Reach Investment Company Limited | British Virgin Islands, Corporation | Project investment, British Virgin Islands | - | 99.51% | 100.00% | USD50,000 |
| Shenyang Shengping Investment Management Co., Ltd. | Shenyang, Corporation | Real estate investment, Shenyang | - | 99.51% | 100.00% | 419,000,000 |
| Tongxiang Ping An Investment Co., Ltd. | Tongxiang, Corporation | Investment management, Tongxiang | - | 99.59% | 100.00% | 500,000,000 |

## 5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2017 are set out below (continued):

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Proportion of ordinary shares directly held by the Group (%) | Proportion of ordinary shares indirectly held by the Group (%) | Proportion of votes (%) (i) | Registered/authorized capital (RMB unless otherwise stated) |
|---|---|---|---|---|---|---|
| Ping An Commercial Factoring Co., Ltd. | Shanghai, Corporation | Commercial factoring, Shanghai | - | 100.00% | 100.00% | 700,000,000 |
| Shanxi Changjin Expressway Co., Ltd. | Taiyuan, Corporation | Expressway operation, Taiyuan | - | 59.71% | 60.00% | 750,000,000 |
| Shanxi Jinjiao Expressway Co., Ltd. | Taiyuan, Corporation | Expressway operation, Taiyuan | - | 59.71% | 60.00% | 504,000,000 |
| Ping An Caizhi Investment Management Company Limited | Shenzhen, Corporation | Equity investment, Shenzhen | - | 96.55% | 100.00% | 600,000,000 |
| Ping An of China Securities (Hong Kong) Company Limited | Hong Kong, Corporation | Securities investment and brokerage, Hong Kong | - | 96.55% | 100.00% | HKD200,000,000 |
| Ping An Wealth Management Co., Ltd. (iii) | Shanghai, Corporation | Consulting services, Shanghai | - | 100.00% | 100.00% | 100,000,000 |
| Ping An Financing Guarantee (Tianjin) Co., Ltd. | Tianjin, Corporation | Financing guarantee, Tianjin | - | 100.00% | 100.00% | 1,250,000,000 |
| Ping An International Financial Leasing (Tianjing) Co., Ltd. (iii) | Tianjin, Corporation | Finance lease business Tianjin | - | 100.00% | 100.00% | 6,400,000,000 |
| Shenzhen Pingan Real Estate Industrial Logistics Company Limited | Shenzhen, Corporation | Logistics, Shenzhen | - | 99.59% | 100.00% | 2,000,000,000 |
| Beijing Shuangronghui Investment Co., Ltd. | Beijing, Corporation | Real estate investment, Beijing | - | 99.51% | 100.00% | 256,323,143 |
| Chengdu Ping An Property Investment Company Co., Ltd. | Chengdu, Corporation | Real estate investment, Chengdu | - | 99.51% | 100.00% | 840,000,000 |
| Hangzhou Pingjiang Investment Co., Ltd. | Hangzhou, Corporation | Real estate development, Hangzhou | - | 99.51% | 100.00% | 1,600,000,000 |
| Beijing Jingxinlize Investment Co., Ltd. | Beijing, Corporation | Real estate investment, Beijing | - | 99.51% | 100.00% | 1,160,000,000 |

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## 5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2017 are set out below (continued):

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Proportion of ordinary shares directly held by the Group (%) | Proportion of ordinary shares indirectly held by the Group (%) | Proportion of votes (%) (i) | Registered/authorized capital (RMB unless otherwise stated) |
|---|---|---|---|---|---|---|
| Anbon Allied Investment Company Limited | Hong Kong, Corporation | Real estate investment, United Kingdom | - | 99.51% | 100.00% | GBP160 |
| Talent Bronze Limited | Hong Kong, Corporation | Real estate investment, Hong Kong | - | 99.51% | 100.00% | GBP133,000,000 |
| Ping An Pioneer Capital Co., Ltd. | Shenzhen, Corporation | Asset management, Shenzhen | - | 96.55% | 100.00% | 1,000,000,000 |
| Shenzhen Pingke Information Consulting Co., Ltd. (iii) | Shenzhen, Corporation | Management consulting, Shenzhen | - | 100.00% | 100.00% | 3,115,150,000 |
| Beijing Jingping Shangdi Investment Co., Ltd. | Beijing, Corporation | Property leasing, Beijing | - | 99.51% | 100.00% | 45,000,000 |
| Guangzhou Xinping Property Investment Co., Ltd. | Guangzhou, Corporation | Property leasing, Guangzhou | - | 99.51% | 100.00% | 50,000,000 |
| Shanghai Jahwa (Group) Company Ltd. ('Shanghai Jahwa') | Shanghai, Corporation | Production and sale of consumer chemicals, Shanghai | - | 99.51% | 100.00% | 268,261,234 |
| Shanghai Jahwa United Co., Ltd. | Shanghai, Corporation | Industry, Shanghai | - | 51.69% | 52.02% | 673,416,467 |
| Shanghai Zean Investment Management Company Limited | Shanghai, Corporation | Asset management, Shanghai | - | 99.51% | 100.00% | 4,810,000,000 |
| Shanghai Pingan Automobile E-commerce Co., Ltd. | Shanghai, Corporation | E-commerce, Shanghai | - | 94.74% | 94.74% | 63,330,000 |
| Shanghai Gezhouba Yangming Property Co., Ltd. | Shanghai, Corporation | Real estate development and management, Shanghai | - | 99.51% | 100.00% | 20,000,000 |
| Shanghai Jinyao Investment Management Co., Ltd. | Shanghai, Corporation | Investment management, Shanghai | - | 99.05% | 100.00% | 1,290,000,000 |
| Shanghai PingXin Asset Management Co., Ltd. | Shanghai, Corporation | Asset management, Shanghai | - | 100.00% | 100.00% | 10,000,000 |

## 5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2017 are set out below (continued):

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Proportion of ordinary shares directly held by the Group (%) | Proportion of ordinary shares indirectly held by the Group (%) | Proportion of votes (%) (i) | Registered/authorized capital (RMB unless otherwise stated) |
|---|---|---|---|---|---|---|
| Shenzhen Qianhai Credit Service Centre Co., Ltd. | Shenzhen, Corporation | Personal and Enterprise Credit Information services, Shenzhen | - | 100.00% | 100.00% | 50,000,000 |
| Pingan Real Estate Capital Limited | Hong Kong, Corporation | Financing platform, Hong Kong | - | 99.59% | 100.00% | USD100,000,000 |
| Shenzhen Qianhai Inclusive Crowdfunding & Trading Co., Ltd. | Shenzhen, Corporation | Private equity Financing, Shenzhen | - | 79.14% | 80.00% | 100,000,000 |
| Value Success International Limited ('Value Success International') | British Virgin Islands, Corporation | Project investment, British Virgin Islands | - | 100.00% | 100.00% | USD50,000 |
| Shenzhen Ping An Chuangke Investment Management Co., Ltd. | Shenzhen, Corporation | Investment management, Shenzhen | - | 99.79% | 100.00% | 100,000,000 |
| Shenzhen Ping An Anchuang Investment Management Co., Ltd. | Shenzhen, Corporation | Investment management, Shenzhen | - | 99.79% | 100.00% | 100,000,000 |
| An Ke Technology Company Limited | Hong Kong, Corporation | Investment management and investment consulting, Hong Kong | - | 100.00% | 100.00% | USD335,000,000 |
| Ping An Pay Technology Service Co., Ltd. | Shenzhen, Corporation | Internet service, Shenzhen | - | 76.33% | 100.00% | 680,000,000 |
| Lianxin (Shenzhen) Investment Management Co., Ltd. | Shenzhen, Corporation | Investment management, Shenzhen | - | 99.79% | 100.00% | 100,000,000 |
| Tongxiang Anhao Investment Management Co., Ltd. (iv) | Tongxiang, Corporation | Investment management, Tongxiang | - | 99.79% | 100.00% | 300,000,000 |
| Mayborn Group Limited | United Kingdom, Corporation | Infant products, United Kingdom | - | 99.51% | 100.00% | GBP1,154,873 |
| Autohome Inc. (iii) | Cayman Islands, Corporation | Automotive internet platform, Beijing | - | 52.78% | 52.78% | USD1,161,623 |

## 5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2017 are set out below (continued):

Notes:

(i) The proportion of ordinary shares, as shown in the above table, is the sum product of direct holding by the Group and indirect holding by a multiplication of the proportion of shares held in each holding layer. The proportion of votes is the sum product of the proportion of votes held directly by the Group and indirectly via subsidiaries controlled by the Group.

(ii) For the year ended 31 December 2017, Ping An Bank's profit attributable to its non-controlling interest was RMB9,563 million (2016: RMB9,306 million), the dividend paid to its non-controlling interest was RMB1,507 million (2016: RMB1,085 million). As at 31 December 2017, Ping An Bank's equity attributable to its non-controlling interest was RMB92,414 million (2016: RMB84,235 million). Ping An Bank's summarized financial information is disclosed in 'Segment reporting' under the 'Banking' segment.

(iii) The registered capitals of these subsidiaries were changed in 2017.

(iv) These entities were newly in scope of consolidation in 2017.

(v) In 2017, the Group has completed the asset restructuring of Ping An Healthcare and Technology Company Limited ('Ping An Good Doctor') and signed equity transfer and option agreements ('the agreements') with outside investors. According to the agreements, the Group sold 2.6% shares in Ping An Good Doctor for a cash consideration of USD90 million (equivalent to RMB593 million), and meanwhile the Group acquired the repurchase options of the shares (the value of repurchase options was RMB210 million based on an independent valuation performed by a third-party valuation firm).

After the completion of the restructuring, the Group lost control over Ping An Good Doctor and its subsidiary, Ping An Health Cloud Company Limited. Then Ping An Good Doctor becomes an associate of the Group, and is excluded from the scope of consolidation. Under IAS 27, upon loss of control over the subsidiary by partially disposal of equity investments, the Group should re-measure the retained investments at its fair value in the consolidated financial statements. The gain from the disposal represented the sum of the disposal consideration and fair value of retained investments less the amount of net assets of the subsidiary attributable to the Group based on its shareholding. In summary, the Group recognized gain on disposal of RMB10,850 million (after the impact of income tax), mainly resulted from re-measurement of retained investments to fair value at the date the Group lost control.

Other than the changes above, there are no significant changes to the scope of consolidation as at 31 December 2017 as compared to 2016.

The Company and its subsidiaries are subject to the Company Law as well as various listing requirements, where applicable. Capital or asset transactions between the Company and its subsidiaries might be subject to regulatory requirements. Certain of the Company's subsidiaries are subject to regulatory capital requirements. As such, there are restrictions on the Group's ability to access or use the assets of these subsidiaries to settle the liabilities of the Group. Please refer to Note 46. (7) for detailed disclosure on the relevant regulatory capital requirements.

## 5. SCOPE OF CONSOLIDATION (CONTINUED)

(2) As at 31 December 2017, the Group consolidated the following principal structured entities:

| Name | Attributable equity interest | Paid-in capital (RMB) | Principal activities |
|---|---|---|---|
| Ping An Asset Xinxiang No.28 Assets Management | 99.51% | 26,425,812,763 | Investment in wealth management product |
| Huabao East Aggregated Fund Trust Scheme | 98.86% | 12,000,000,000 | Investment in debts |
| Shanghai Trust Changcheng Aggregated Fund Management Scheme | 59.71% | 10,000,000,000 | Investment in debts |
| Shanghai Trust Huarong Aggregated Fund Management Scheme | 99.51% | 9,500,000,000 | Investment in debts |
| Ping An Asset Xinxiang No.5 Assets Management | 96.53% | 9,220,000,000 | Investment in wealth management product |
| Ping An Asset Xinxiang No.19 Assets Management | 99.51% | 9,103,702,167 | Investment in wealth management product |
| Ping An Asset Xinxiang No.20 Assets Management | 99.51% | 8,068,893,684 | Investment in wealth management product |
| Ping An Asset Xinxiang No.18 Assets Management | 99.51% | 8,052,180,412 | Investment in wealth management product |
| Ping An Asset Xinxiang No.10 Assets Management | 99.51% | 7,296,884,848 | Investment in wealth management product |
| Ping An Asset Xinxiang No.14 Assets Management | 99.51% | 5,001,000,000 | Investment in wealth management product |
| Ping An Asset Xinxiang No.11 Assets Management | 99.51% | 3,050,198,071 | Investment in wealth management product |

## 6. SEGMENT REPORTING

In 2017, the Group reassessed the composition of operating segments in accordance with business operation and management reporting process. In view of the fast growing business in the other asset management segment and fintech&healthtech segment and their increasing significance to the Group, management has concluded that other asset management segment and fintech&healthtech segment should be separately reported. The overall presentation of the segment information was also enhanced. The segment businesses are separately presented as the insurance segment, the banking segment, the trust segment, the securities segment, the other asset management segment, the fintech&healthtech segment and the other businesses, based on the products and service offerings. The insurance segment is divided into the life insurance and health insurance and the property and casualty insurance segment in line with the nature of products, risk and asset portfolios. The types of products and services from which reportable segments derive revenue are listed below:

- The life and health 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 health care and medical insurance, reflecting performance summary of life insurance, annuity insurance and health insurance subsidiaries;

- 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, reflecting performance of property and casualty insurance subsidiary;

- The banking segment undertakes loan and intermediary business with corporate customers and retail business customers as well as wealth management and credit card services with individual customers, reflecting performance of banking subsidiary;

- The trust segment provides trust products services and undertake investing activities,;

- The securities segment undertakes brokerage, trading, investment banking and asset management services;

- The other asset management segment provides investment management services, finance lease business and other asset management services reflecting performance summary of asset management and financial leasing and the other asset management subsidiaries;

- The fintech&healthtech segment provides various financial and daily-life services through internet platforms such as financial transaction information service platform, health care service platform, reflecting performance summary of the fintech&healthtech business subsidiaries, associates and jointly controlled entities.

## 6. SEGMENT REPORTING (CONTINUED)

Except for the above business segments, the other segment did not have material impact on the Group's operating outcome, and as such are not separately presented. The comparative figures have been restated accordingly.

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 95% of the Group's revenue is derived from its operations in Mainland China. More than 95% of the Group's non-current assets are located in Mainland China.

During 2017 and 2016, the Group's top five customers in respect of total income are as follows:

| (in RMB million) | **2017** | 2016 |
|---|---|---|
| Total income from top five customers | **1,040** | 909 |
| Percentage of total income | **0.12%** | 0.13% |

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## 6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2017 and for the year then ended is as follows:

| (in RMB million) | Life and health insurance | Property and casualty insurance | Banking | Trust | Securities | Other asset management | Fintech& Healthtech | Other businesses and elimination | Total |
|---|---|---|---|---|---|---|---|---|---|
| Gross written premiums | 388,642 | 216,090 | - | - | - | - | - | 303 | 605,035 |
| Less: Premiums ceded to reinsurers | (3,028) | (14,294) | - | - | - | - | - | (98) | (17,420) |
| Change in unearned premium reserves | (1,047) | (13,577) | - | - | - | - | - | (1) | (14,625) |
| Net earned premiums | 384,567 | 188,219 | - | - | - | - | - | 204 | 572,990 |
| Reinsurance commission revenue | 482 | 6,226 | - | - | - | - | - | 20 | 6,728 |
| Interest revenue from banking operations | - | - | 148,068 | - | - | - | - | (682) | 147,386 |
| Fees and commission revenue from non-insurance operations | - | - | 35,725 | 4,292 | 4,255 | 1,728 | 145 | (1,738) | 44,407 |
| Including: Inter-segment fees and commission revenue from non-insurance operations | - | - | 1,496 | 272 | 139 | 48 | - | (1,955) | - |
| Investment income | 109,924 | 11,110 | (1,213) | 2,053 | 3,285 | 10,326 | 16,758 | (142) | 152,101 |
| Including: Inter-segment investment income | 2,100 | 532 | - | 144 | 114 | 1,012 | 58 | (3,960) | - |
| Impairment loss of investment assets | 96 | (51) | (1,819) | (38) | (39) | (662) | - | (188) | (2,701) |
| Share of profits and losses of associates and jointly controlled entities | 3,887 | 557 | - | 183 | - | 2,985 | 3,115 | (3,582) | 7,145 |
| Other revenues and other gains | 22,803 | 1,150 | 385 | 136 | 2,197 | 18,773 | 20,980 | (22,611) | 43,813 |
| Including: Inter-segment other revenues | 13,214 | 27 | 7 | 1 | - | 1,760 | 7,420 | (22,429) | - |
| Non-operating gains | 179 | 104 | 38 | 6 | 4 | 8 | 13 | 2 | 354 |
| Total revenue | 521,663 | 207,262 | 182,965 | 6,664 | 9,737 | 33,812 | 40,998 | (28,531) | 974,570 |
| Claims and policyholders' benefits | (320,957) | (106,474) | - | - | - | - | - | 188 | (427,243) |
| Commission expenses on insurance operations | (77,754) | (38,973) | - | - | - | - | - | 2,140 | (114,587) |
| Interest expenses on banking operations | - | - | (74,059) | - | - | - | - | 1,558 | (72,501) |
| Fees and commission expenses on non-insurance operations | - | - | (5,051) | (276) | (811) | (563) | - | 102 | (6,599) |
| Loan loss provisions, net of reversals | - | - | (40,803) | - | - | - | - | (11) | (40,814) |
| Foreign exchange (losses)/gains | 477 | (59) | 166 | - | - | (241) | (152) | (319) | (128) |
| Investment expenses | (2,265) | (268) | - | - | - | - | - | 2,533 | - |
| Administrative expenses | (47,569) | (41,886) | (32,941) | (1,319) | (3,632) | (9,025) | (13,138) | 4,384 | (145,126) |
| Including: Taxes and surcharges | (742) | (1,349) | (1,022) | (70) | (27) | (246) | (226) | (53) | (3,735) |
| Impairment loss of other assets | (61) | (743) | (303) | (14) | (19) | (562) | (3) | (31) | (1,736) |
| Finance costs | (2,282) | (351) | - | (91) | (580) | (6,096) | (453) | (1,314) | (11,167) |
| Other expenses | (20,642) | (352) | (120) | (3) | (2,135) | (5,676) | (8,654) | 15,917 | (21,665) |
| Total expenses | (470,992) | (188,363) | (152,808) | (1,689) | (7,158) | (21,601) | (22,397) | 25,178 | (839,830) |
| Profit before tax | 50,671 | 18,899 | 30,157 | 4,975 | 2,579 | 12,211 | 18,601 | (3,353) | 134,740 |
| Income tax | (14,528) | (5,527) | (6,968) | (1,018) | (456) | (1,888) | (3,912) | (465) | (34,762) |
| Profit for the period | 36,143 | 13,372 | 23,189 | 3,957 | 2,123 | 10,323 | 14,689 | (3,818) | 99,978 |

## 6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2017 and for the year then ended is as follows (continued):

| (in RMB million) | Life and health insurance | Property and casualty insurance | Banking | Trust | Securities | Other asset management | Fintech& Healthtech | Other businesses and elimination | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cash and amounts due from banks and other financial institutions | 175,729 | 37,844 | 193,448 | 8,594 | 30,568 | 32,681 | 25,159 | (20,132) | 483,891 |
| Balances with the Central Bank and statutory deposits | 8,043 | 4,205 | 305,986 | - | - | - | - | 2 | 318,236 |
| Fixed maturity investments | 1,381,743 | 138,293 | 842,473 | - | 46,899 | 127,868 | 11,002 | 10,859 | 2,559,137 |
| Equity investments | 513,706 | 62,990 | 6,462 | 11,814 | 5,510 | 56,204 | 10,887 | (36,897) | 630,676 |
| Loans and advances to customers | 3,593 | - | 1,660,420 | - | - | - | - | (3,149) | 1,660,864 |
| Accounts receivable | 1,299 | - | 52,886 | - | - | 14,352 | 4,250 | (864) | 71,923 |
| Finance lease receivable | - | - | - | - | - | 112,028 | - | - | 112,028 |
| Investments in associates and jointly controlled entities | 48,344 | 8,280 | - | 1,326 | 59 | 31,818 | 27,597 | (31,217) | 86,207 |
| Others | 165,074 | 84,461 | 186,800 | 4,086 | 14,636 | 77,367 | 27,635 | 10,054 | 570,113 |
| **Segment assets** | 2,297,531 | 336,073 | 3,248,475 | 25,820 | 97,672 | 452,318 | 106,530 | (71,344) | 6,493,075 |
| Due to banks and other financial institutions | 27,724 | 4,357 | 589,580 | - | 241 | 135,884 | 2,189 | 20,555 | 780,530 |
| Assets sold under agreements to repurchase | 82,370 | 11,714 | 6,359 | - | 23,176 | 10,027 | - | 335 | 133,981 |
| Customer deposits and payables to brokerage customers | - | - | 2,000,420 | - | 22,307 | - | - | (70,032) | 1,952,695 |
| Accounts payable | 2,949 | - | - | - | - | 2,053 | 1,353 | (887) | 5,468 |
| Insurance payables | 90,083 | 25,201 | - | - | - | - | - | (1,176) | 114,108 |
| Insurance contract liabilities | 1,744,070 | 188,405 | - | - | - | - | - | 494 | 1,932,969 |
| Investment contract liabilities for policyholders | 50,268 | 41 | - | - | - | - | - | - | 50,309 |
| Policyholder dividend payable | 45,622 | - | - | - | - | - | - | - | 45,622 |
| Bonds payable | 31,174 | 8,543 | 342,492 | - | 9,500 | 59,574 | - | - | 451,283 |
| Others | 56,879 | 27,668 | 87,570 | 6,288 | 15,256 | 178,968 | 58,629 | 6,935 | 438,193 |
| **Segment liabilities** | 2,131,139 | 265,929 | 3,026,421 | 6,288 | 70,480 | 386,506 | 62,171 | (43,776) | 5,905,158 |
| **Segment equity** | 166,392 | 70,144 | 222,054 | 19,532 | 27,192 | 65,812 | 44,359 | (27,568) | 587,917 |
| **Other segment information:** | | | | | | | | | |
| Capital expenditures | 4,858 | 1,788 | 3,056 | - | 299 | 7,518 | 1,677 | 228 | 19,424 |
| Depreciation and amortization | 3,365 | 580 | 2,691 | 7 | 164 | 375 | 957 | 468 | 8,607 |
| Total other non-cash expenses charged to consolidated results | (35) | 794 | 42,925 | 47 | 58 | 411 | 856 | 195 | 45,251 |

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## 6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2016 and for the year then ended is as follows:

| (in RMB million) | Life and health insurance | Property and casualty insurance | Banking | Trust | Securities | Other asset management | Fintech& Healthtech | Other businesses and elimination | Total |
|---|---|---|---|---|---|---|---|---|---|
| Gross written premiums | 291,264 | 177,996 | – | – | – | – | – | 295 | 469,555 |
| Less: Premiums ceded to reinsurers | (2,014) | (15,715) | – | – | – | – | – | (98) | (17,827) |
| Change in unearned premium reserves | (1,186) | (8,936) | – | – | – | – | – | 14 | (10,108) |
| Net earned premiums | 288,064 | 153,345 | – | – | – | – | – | 211 | 441,620 |
| Reinsurance commission revenue | 275 | 6,059 | – | – | – | – | – | 19 | 6,353 |
| Interest revenue from banking operations | – | – | 131,119 | – | – | – | – | (44) | 131,075 |
| Fees and commission revenue from non-insurance operations | – | – | 31,309 | 3,600 | 4,966 | 963 | 506 | (1,485) | 39,859 |
| Including: Inter-segment fees and commission revenue from non-insurance operations | – | – | 1,189 | 330 | 110 | – | – | (1,629) | – |
| Investment income | 82,191 | 8,787 | 1,738 | 1,675 | 2,589 | 7,310 | 10,443 | 320 | 115,053 |
| Including: Inter-segment investment income | 1,882 | 32 | – | 20 | 140 | 1,724 | 502 | (4,300) | – |
| Impairment loss of investment assets | (617) | 104 | (857) | (111) | (3) | (225) | – | 61 | (1,648) |
| Share of profits and losses of associates and jointly controlled entities | 2,676 | 388 | (141) | 197 | (1) | (625) | (1,121) | (2,743) | (1,370) |
| Other revenues and other gains | 17,311 | 873 | 331 | 225 | 1,295 | 17,549 | 19,335 | (15,021) | 41,898 |
| Including: Inter-segment other revenues | 7,931 | 19 | – | 1 | – | 1,665 | 3,856 | (13,472) | – |
| Non-operating gains | 230 | 267 | 221 | 34 | 164 | 279 | 103 | 104 | 1,402 |
| Total revenue | 390,517 | 169,452 | 164,356 | 5,697 | 8,849 | 25,197 | 29,163 | (18,743) | 774,488 |
| Claims and policyholders' benefits | (241,283) | (83,398) | – | – | – | – | – | (133) | (324,814) |
| Commission expenses on insurance operations | (56,249) | (25,414) | – | – | – | – | – | 2,909 | (78,754) |
| Interest expenses on banking operations | – | – | (54,709) | – | – | – | – | 1,772 | (52,937) |
| Fees and commission expenses on non-insurance operations | – | – | (3,450) | (615) | (818) | (184) | – | 675 | (4,392) |
| Loan loss provisions, net of reversals | – | – | (45,435) | 6 | – | – | – | (62) | (45,491) |
| Foreign exchange (losses)/gains | (226) | 91 | 882 | – | – | 280 | 255 | 119 | 1,401 |
| Investment expenses | (1,041) | (125) | – | – | – | – | – | 1,166 | – |
| Administrative expenses | (40,349) | (44,358) | (31,644) | (1,704) | (3,675) | (7,566) | (12,355) | 644 | (141,007) |
| Including: Taxes and surcharges | (791) | (4,006) | (3,445) | (100) | (131) | (380) | (266) | (149) | (9,268) |
| Impairment loss of other assets | (42) | (658) | (226) | – | (5) | (624) | (141) | (59) | (1,755) |
| Finance costs | (2,747) | (451) | – | (374) | (514) | (5,593) | (155) | (2,310) | (12,144) |
| Other expenses | (15,386) | (483) | (65) | (259) | (1,130) | (3,926) | (11,219) | 10,529 | (21,939) |
| Total expenses | (357,281) | (154,138) | (134,421) | (2,946) | (6,137) | (16,989) | (23,474) | 15,309 | (680,077) |
| Profit before tax | 33,236 | 15,314 | 29,935 | 2,751 | 2,712 | 8,208 | 5,689 | (3,434) | 94,411 |
| Income tax | (8,203) | (2,614) | (7,336) | (429) | (497) | (3,096) | 233 | (101) | (22,043) |
| Profit for the period | 25,033 | 12,700 | 22,599 | 2,322 | 2,215 | 5,112 | 5,922 | (3,535) | 72,368 |

## 6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2016 and for the year then ended is as follows (continued):

| (in RMB million) | Life and health insurance | Property and casualty insurance | Banking | Trust | Securities | Other asset management | Fintech& Healthtech | Other businesses and elimination | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cash and amounts due from banks and other financial institutions | 204,304 | 36,100 | 268,827 | 7,876 | 34,244 | 21,964 | 16,685 | (28,857) | 561,143 |
| Balances with the Central Bank and statutory deposits | 7,894 | 4,201 | 306,762 | – | – | – | – | 3 | 318,860 |
| Fixed maturity investments | 1,137,450 | 120,553 | 767,741 | – | 38,111 | 73,820 | 623 | 17,993 | 2,156,291 |
| Equity investments | 339,133 | 45,840 | 572 | 13,299 | 8,910 | 23,315 | 3,434 | (7,595) | 426,908 |
| Loans and advances to customers | 9,985 | – | 1,435,869 | 90 | – | 13,240 | – | (893) | 1,458,291 |
| Accounts receivable | 1,244 | – | 5,568 | – | – | 9,382 | 4,562 | 1,597 | 22,353 |
| Finance lease receivable | – | – | – | – | – | 78,056 | – | – | 78,056 |
| Investments in associates and jointly controlled entities | 38,200 | 7,620 | – | 1,451 | 50 | 21,987 | 9,331 | (29,684) | 48,955 |
| Others | 156,878 | 69,309 | 168,095 | 4,500 | 9,764 | 61,670 | 19,926 | 15,904 | 506,046 |
| **Segment assets** | 1,895,088 | 283,623 | 2,953,434 | 27,216 | 91,079 | 303,434 | 54,561 | (31,532) | 5,576,903 |
| Due to banks and other financial institutions | 18,774 | 2,460 | 464,073 | 2,562 | 45 | 90,453 | 1,918 | 4,509 | 584,794 |
| Assets sold under agreements to repurchase | 37,126 | 9,198 | 18,941 | – | 19,655 | 2,922 | – | 1,324 | 89,166 |
| Customer deposits and payables to brokerage customers | – | – | 1,921,835 | – | 26,862 | – | – | (54,320) | 1,894,377 |
| Accounts payable | 3,638 | – | – | – | – | 869 | 4,021 | 37 | 8,565 |
| Insurance payables | 85,121 | 29,314 | – | – | – | – | – | (1,048) | 113,387 |
| Insurance contract liabilities | 1,471,806 | 153,163 | – | – | – | – | – | 504 | 1,625,473 |
| Investment contract liabilities for policyholders | 44,860 | 70 | – | – | – | – | – | – | 44,930 |
| Policyholder dividend payable | 39,216 | – | – | – | – | – | – | – | 39,216 |
| Bonds payable | 40,862 | 8,129 | 263,464 | – | 5,500 | 31,870 | – | – | 349,825 |
| Others | 39,119 | 17,640 | 82,950 | 5,750 | 13,368 | 125,457 | 21,735 | 34,690 | 340,709 |
| **Segment liabilities** | 1,780,522 | 219,974 | 2,751,263 | 8,312 | 65,430 | 251,571 | 27,674 | (14,304) | 5,090,442 |
| **Segment equity** | 114,566 | 63,649 | 202,171 | 18,904 | 25,649 | 51,863 | 26,887 | (17,228) | 486,461 |
| **Other segment information:** | | | | | | | | | |
| Capital expenditures | 8,816 | 738 | 2,394 | 25 | 244 | 6,108 | 1,625 | 398 | 20,348 |
| Depreciation and amortization | 2,544 | 591 | 2,453 | 21 | 120 | 151 | 550 | 375 | 6,805 |
| Total other non-cash expenses charged to consolidated results | 659 | 554 | 46,518 | 104 | 8 | 758 | 487 | (194) | 48,894 |

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## 7. GROSS AND NET WRITTEN PREMIUMS

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| Gross written premiums and premium deposits | **692,288** | 552,072 |
| Less: Premium deposits of policies without significant insurance risk transfer | **(5,886)** | (5,311) |
| Premium deposits separated out from universal life and investment-linked products | **(81,367)** | (77,206) |
| Gross written premiums | **605,035** | 469,555 |

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| Long term life business gross written premiums | **364,490** | 271,287 |
| Short term life business gross written premiums | **24,152** | 19,977 |
| Property and casualty business gross written premiums | **216,393** | 178,291 |
| Gross written premiums | **605,035** | 469,555 |

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| **Gross written premiums** | | |
| Life insurance | | |
| Individual business | **373,139** | 275,179 |
| Group business | **15,503** | 16,085 |
| | **388,642** | 291,264 |
| Property and casualty insurance | | |
| Automobile insurance | **170,664** | 148,645 |
| Non-automobile insurance | **39,177** | 24,686 |
| Accident and health insurance | **6,552** | 4,960 |
| | **216,393** | 178,291 |
| Gross written premiums | **605,035** | 469,555 |

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| **Net of reinsurance premiums ceded** | | |
| Life insurance | | |
| Individual business | **370,327** | 272,915 |
| Group business | **15,287** | 16,334 |
| | **385,614** | 289,249 |
| Property and casualty insurance | | |
| Automobile insurance | **163,099** | 138,637 |
| Non-automobile insurance | **32,410** | 18,920 |
| Accident and health insurance | **6,492** | 4,922 |
| | **202,001** | 162,479 |
| Net written premiums | **587,615** | 451,728 |

## 8. NET INTEREST INCOME FROM BANKING OPERATIONS

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| **Interest revenue from banking operations** | | |
| Due from the Central Bank | **4,232** | 4,240 |
| Due from financial institutions | **10,726** | 8,787 |
| Loans and advances to customers | | |
| Corporate loans and advances to customers | **40,812** | 41,799 |
| Individual loans and advances to customers | **53,278** | 42,491 |
| Discounted bills | **201** | 427 |
| Bonds | **34,081** | 29,668 |
| Others | **4,056** | 3,663 |
| Subtotal | **147,386** | 131,075 |
| Interest revenue from listed investments | **34,078** | 29,665 |
| Interest revenue from unlisted investments | **113,308** | 101,410 |
| Subtotal | **147,386** | 131,075 |
| **Interest expenses on banking operations** | | |
| Due to the Central Bank | **2,671** | 948 |
| Due to financial institutions | **18,523** | 8,327 |
| Customer deposits | **36,949** | 34,328 |
| Bonds payable | **14,358** | 9,334 |
| Subtotal | **72,501** | 52,937 |
| Net interest income from banking operations | **74,885** | 78,138 |

The interest income accrued on impaired financial assets during the year 2017 amounted to RMB659 million (2016: RMB544 million).

## 9. NET FEES AND COMMISSION INCOME FROM NON-INSURANCE OPERATIONS

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| **Fees and commission revenue from non-insurance operations** | | |
| Brokerage commission revenue | **2,363** | 2,303 |
| Underwriting commission revenue | **794** | 1,178 |
| Trust service fees revenue | **5,723** | 3,815 |
| Fees and commission revenue from the banking business | **34,184** | 31,029 |
| Others | **1,343** | 1,534 |
| Subtotal | **44,407** | 39,859 |
| **Fees and commission expenses on non-insurance operations** | | |
| Brokerage fees expenses | **690** | 608 |
| Fees and commission expenses on the banking business | **5,034** | 3,248 |
| Others | **875** | 536 |
| Subtotal | **6,599** | 4,392 |
| Net fees and commission income from non-insurance operations | **37,808** | 35,467 |

## 10. INVESTMENT INCOME

| (in RMB million) | **2017** | 2016 |
| --- | --- | --- |
| Net investment income | **127,347** | 116,675 |
| Realized gains/(losses) from disposal | **24,184** | (3,805) |
| Unrealized gains | **3,271** | 3,831 |
| Impairment losses | **(2,701)** | (1,648) |
| Total investment income | **152,101** | 115,053 |
| Investment income from listed investments | **66,119** | 24,166 |
| Investment income from unlisted investments | **85,982** | 90,887 |
| Total investment income | **152,101** | 115,053 |

### (1) NET INVESTMENT INCOME

| (in RMB million) | **2017** | 2016 |
| --- | --- | --- |
| Interest income from non-banking operations on fixed maturity investments | | |
| Bonds and debt schemes | | |
| – Held-to-maturity | **37,220** | 31,507 |
| – Available-for-sale | **8,288** | 7,629 |
| – Carried at fair value through profit or loss | **1,087** | 197 |
| – Loans and receivables | **20,444** | 16,323 |
| Term deposits | | |
| – Loans and receivables | **8,368** | 9,868 |
| Current accounts | | |
| – Loans and receivables | **675** | 689 |
| Others | | |
| – Available-for-sale | **1,781** | 3,272 |
| – Carried at fair value through profit or loss | **275** | 310 |
| – Loans and receivables | **11,600** | 11,097 |
| Dividend income on equity investments | | |
| Securities investment funds | | |
| – Available-for-sale | **22,263** | 22,756 |
| – Carried at fair value through profit or loss | **1,589** | 4,137 |
| Equity securities and other equity investments | | |
| – Available-for-sale | **13,386** | 8,044 |
| – Carried at fair value through profit or loss | **1,070** | 948 |
| Operating lease income from investment properties | **2,757** | 1,822 |
| Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions | **(3,456)** | (1,924) |
| | **127,347** | 116,675 |

## 10. INVESTMENT INCOME (CONTINUED)

### (2) REALIZED (LOSSES)/GAINS FROM DISPOSAL

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| Fixed maturity investments | | |
| – Available-for-sale | **(637)** | 1,413 |
| – Carried at fair value through profit or loss | **(81)** | 97 |
| – Loans and receivables | **(358)** | (3) |
| Equity investments | | |
| – Available-for-sale | **4,089** | (16,343) |
| – Carried at fair value through profit or loss | **2,650** | (1,477) |
| – Subsidiaries, associates and jointly controlled entities (Note i) | **16,736** | 10,059 |
| Derivative financial instruments | **640** | 220 |
| Gain on disposals of bills | **525** | 1,586 |
| Income from precious metal transactions | **620** | 643 |
| | **24,184** | (3,805) |

Note i: This refers to gains/(losses) from disposals of subsidiaries, associates and jointly controlled entities.

### (3) UNREALIZED GAINS

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| Fixed maturity investments | | |
| – Carried at fair value through profit or loss | **(191)** | (189) |
| Equity investments | | |
| – Carried at fair value through profit or loss | **3,342** | 3,618 |
| Derivative financial instruments | **120** | 402 |
| | **3,271** | 3,831 |

### (4) IMPAIRMENT LOSSES

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| Fixed maturity investments | | |
| – Available-for-sale | **–** | (51) |
| – Held-to-maturity | **656** | 153 |
| – Loan and receivables | **(2,145)** | (736) |
| Equity investments | | |
| – Available-for-sale | **(1,212)** | (1,014) |
| Total | **(2,701)** | (1,648) |

## 11. OTHER REVENUES AND OTHER GAINS

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| Sales revenue | **13,756** | 7,779 |
| Management revenue from investment-linked products and revenue from investment contracts | **2,557** | 2,341 |
| Expressway toll fee revenue | **1,161** | 1,298 |
| Annuity management fee revenue | **595** | 643 |
| Consulting revenue | **7,829** | 8,965 |
| Finance lease revenue | **5,753** | 5,868 |
| Revenue from guarantees | **1,256** | 4,794 |
| Revenue from customer loyalty service | **2,694** | 2,439 |
| Others | **8,212** | 7,771 |
| | **43,813** | 41,898 |

## 12. CLAIMS AND POLICYHOLDERS' BENEFITS

**(1)**

| | 2017 | | |
|---|---|---|---|
| **(in RMB million)** | **Gross** | **Reinsurers' share** | **Net** |
| Claims and claim adjustment expenses | **146,840** | **(9,824)** | **137,016** |
| Surrenders | **20,519** | **–** | **20,519** |
| Annuities | **7,371** | **–** | **7,371** |
| Maturities and survival benefits | **27,709** | **–** | **27,709** |
| Policyholder dividends | **13,129** | **–** | **13,129** |
| Increase in policyholders' reserves | **197,217** | **409** | **197,626** |
| Interest credited to policyholder contract deposits | **23,873** | **–** | **23,873** |
| | **436,658** | **(9,415)** | **427,243** |

| | 2016 | | |
|---|---|---|---|
| (in RMB million) | Gross | Reinsurers' share | Net |
| Claims and claim adjustment expenses | 117,303 | (10,196) | 107,107 |
| Surrenders | 16,050 | – | 16,050 |
| Annuities | 5,907 | – | 5,907 |
| Maturities and survival benefits | 24,520 | – | 24,520 |
| Policyholder dividends | 11,236 | – | 11,236 |
| Increase in policyholders' reserves | 142,119 | 510 | 142,629 |
| Interest credited to policyholder contract deposits | 17,365 | – | 17,365 |
| | 334,500 | (9,686) | 324,814 |

## 12. CLAIMS AND POLICYHOLDERS' BENEFITS (CONTINUED)

### (2)

| (in RMB million) | 2017 Gross | 2017 Reinsurers' share | 2017 Net |
|---|---|---|---|
| Long term life insurance contract benefits | **309,297** | **(1,094)** | **308,203** |
| Short term life insurance claims | **13,279** | **(525)** | **12,754** |
| Property and casualty insurance claims | **114,082** | **(7,796)** | **106,286** |
| | **436,658** | **(9,415)** | **427,243** |

| (in RMB million) | 2016 Gross | 2016 Reinsurers' share | 2016 Net |
|---|---|---|---|
| Long term life insurance contract benefits | 232,009 | (1,457) | 230,552 |
| Short term life insurance claims | 11,157 | (426) | 10,731 |
| Property and casualty insurance claims | 91,334 | (7,803) | 83,531 |
| | 334,500 | (9,686) | 324,814 |

## 13. PROFIT BEFORE TAX

### (1) PROFIT BEFORE TAX IS ARRIVED AT AFTER CHARGING THE FOLLOWING ITEMS:

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| Employee costs (Note 13. (2)) | **64,071** | 58,790 |
| Interest expenses on policyholder contract deposits and investment contract reserves | **23,873** | 17,365 |
| Depreciation of investment properties | **1,233** | 737 |
| Depreciation of property and equipment | **4,385** | 3,304 |
| Amortization of intangible assets | **2,394** | 2,123 |
| Provision for doubtful debts, net | **581** | 723 |
| Provision for loans, net | **40,814** | 45,491 |
| Cost of sales | **4,325** | 4,585 |
| Auditors' remuneration – annual audit, half-year review and quarterly agreed-upon procedures | **80** | 73 |

### (2) EMPLOYEE COSTS

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| Wages, salaries and bonuses | **48,271** | 45,542 |
| Retirement benefits, social security contributions and welfare benefits | **14,006** | 11,544 |
| Others | **1,794** | 1,704 |
| | **64,071** | 58,790 |

## 14. INCOME TAX

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| Current income tax | | |
| – Charge for the year | **43,857** | 33,723 |
| – Adjustments in respect of current income tax of previous years | **(199)** | 85 |
| Deferred income tax | **(8,896)** | (11,765) |
| | **34,762** | 22,043 |

Certain subsidiaries enjoy tax preferential treatments. These subsidiaries are not material to the Group. Except for those subsidiaries enjoying tax preferential treatments, the applicable corporate income tax rate of the Group for 2017 was 25%.

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate of 25% (2016: 25%) is as follows:

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| Profit before tax | **134,740** | 94,411 |
| Tax at the applicable tax rate of 25% (2016: 25%) | **33,685** | 23,603 |
| Expenses not deductible for tax | **14,850** | 10,853 |
| Income not subject to tax | **(13,574)** | (12,498) |
| Adjustments in respect of current income tax of previous years | **(199)** | 85 |
| Income tax per consolidated statement of income | **34,762** | 22,043 |

Taxes for taxable income attained from outside of PRC are measured at the tax rates under local and PRC law, regulations and conventions. The income tax credited by the Group is verified by official tax bureau.

## 15. OTHER COMPREHENSIVE INCOME

| (in RMB million) | 2017 Before tax | 2017 Tax impact | 2017 After tax |
|---|---|---|---|
| Items that may be reclassified subsequently to profit or loss: | | | |
| Available-for-sale financial assets: | | | |
| Changes in fair value | **46,746** | **(14,732)** | **32,014** |
| Reclassification adjustments for losses included in the statement of income | | | |
| – (Gains)/losses on disposal | **(9,047)** | **2,230** | **(6,817)** |
| – Impairment losses | **954** | **(238)** | **716** |
| Shadow accounting adjustments | **(4,288)** | **1,087** | **(3,201)** |
| Exchange differences on translation of foreign operations | **(924)** | **–** | **(924)** |
| Share of other comprehensive income of associates and jointly controlled entities | **93** | **–** | **93** |
| | **33,534** | **(11,653)** | **21,881** |

| (in RMB million) | 2016 Before tax | 2016 Tax impact | 2016 After tax |
|---|---|---|---|
| Items that may be reclassified subsequently to profit or loss: | | | |
| Available-for-sale financial assets: | | | |
| Changes in fair value | (32,268) | 7,909 | (24,359) |
| Reclassification adjustments for losses included in the statement of income | | | |
| – Losses/(gains) on disposal | 15,486 | (3,853) | 11,633 |
| – Impairment losses | 756 | (188) | 568 |
| Shadow accounting adjustments | 4,625 | (1,176) | 3,449 |
| Exchange differences on translation of foreign operations | 1,190 | – | 1,190 |
| Share of other comprehensive income of associates and jointly controlled entities | (48) | – | (48) |
| | (10,259) | 2,692 | (7,567) |

## 16. DIVIDENDS

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| **In respect of previous year:** | | |
| 2016 final dividend (declared in 2017) – RMB0.55 (2015 final dividend, declared in 2016: RMB0.35) per ordinary share | **10,054** | 6,398 |
| **In respect of current year:** | | |
| 2017 interim dividend – RMB0.50 (2016 interim dividend: RMB0.20) per ordinary share | **9,140** | 3,656 |

(i) On 22 March 2017, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2016, and declared a final cash dividend in the amount of RMB0.55 per share based on the total shares of 18,280,241,410. The amount of the cash dividend for 2016 was RMB10,054 million accordingly. On 16 June 2017, the above profit appropriation plan was approved by the shareholders of the Company at the annual general meeting.

(ii) On 17 August 2017, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for Interim Dividend of 2017, agreeing to declare an interim cash dividend of RMB0.50 per share for 2017. The amount of the interim cash dividend for 2017 was RMB9,140 million.

(iii) On 20 March 2018, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2017, agreeing to declare a final cash dividend of RMB1.00 per share for 2017. It was not recognized as a liability as at 31 December 2017.

## 17. EARNINGS PER SHARE

### (1) BASIC

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group.

| | 2017 | 2016 |
|---|---|---|
| Profit attributable to owners of the parent (in RMB million) | **89,088** | 62,394 |
| Weighted average number of ordinary shares in issue (million shares) | **17,837** | 17,845 |
| Basic earnings per share (in RMB) | **4.99** | 3.50 |

| | 2017 | 2016 |
|---|---|---|
| Weighted average number of ordinary shares in issue (million shares) | | |
| Issued ordinary shares as at 1 January | **18,280** | 18,280 |
| Weighted average number of shares held by the share purchase scheme | **(26)** | (18) |
| Weighted average number of shares held by the consolidated assets management scheme (i) | **(417)** | (417) |
| Weighted average number of ordinary shares in issue | **17,837** | 17,845 |

(i) As at 31 December 2017, 417 million (31 December 2016: 417 million) shares were held by the consolidated assets management scheme.

## 17. EARNINGS PER SHARE (CONTINUED)

### (2) DILUTED

Diluted earnings per share was computed by dividing the adjusted profit attributable to the equity holders of the Company based on assuming conversion of all dilutive potential shares for the year by the adjusted weighted average number of ordinary shares in issue. The shares granted by the Company under the share purchase scheme (Note 36) have potential dilutive effect on the earnings per share.

| | 2017 | 2016 |
|---|---|---|
| Earnings (in RMB million) | | |
| Profit attributable to owners of the parent | **89,088** | 62,394 |
| Weighted average number of ordinary shares (million shares) | | |
| Weighted average number of ordinary shares in issue | **17,837** | 17,845 |
| Adjustments for: | | |
| – Assumed vesting of share purchase scheme | **26** | 18 |
| Weighted average number of ordinary shares for diluted earnings per share | **17,863** | 17,863 |
| Diluted earnings per share (in RMB) | **4.99** | 3.49 |

## 18. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Cash on hand | **4,228** | 4,499 |
| Term deposits | **161,850** | 191,660 |
| Due from banks and other financial institutions | **257,398** | 267,534 |
| Placements with banks and other financial institutions | **60,415** | 97,450 |
| | **483,891** | 561,143 |

Details of placements with banks and other financial institutions are as follows:

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Placements with banks | **54,512** | 95,998 |
| Placements with other financial institutions | **5,924** | 1,474 |
| Gross | **60,436** | 97,472 |
| Less: Provision for placements with banks and other financial institutions | **(21)** | (22) |
| Net | **60,415** | 97,450 |

As at 31 December 2017, cash and amounts due from banks and other financial institutions of RMB4,506 million (31 December 2016: RMB762 million) were restricted from use.

As at 31 December 2017, cash and amounts due from overseas banks and other financial institutions amounted to RMB20,306 million (31 December 2016: RMB16,411 million).

## 19. BALANCES WITH THE CENTRAL BANK AND STATUTORY DEPOSITS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Statutory reserve deposits with the Central Bank for banking operations | **271,259** | 254,116 |
| – Statutory reserve deposits with the Central Bank for banking operations-RMB | **266,802** | 250,470 |
| – Statutory reserve deposits with the Central Bank for banking operations-Foreign Currencies | **4,457** | 3,646 |
| Surplus reserve deposits with the Central Bank | **32,898** | 51,187 |
| Fiscal deposits with the Central Bank | **1,829** | 1,459 |
| Statutory deposits for insurance operations | **12,250** | 12,098 |
| | **318,236** | 318,860 |

In accordance with relevant regulations, subsidiaries of the Group engaged in bank operations is 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 2017, the mandatory deposits are calculated at 15% (31 December 2016: 14.5%) of customer deposits denominated in RMB and 5% (31 December 2016: 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.

Details of statutory deposits for insurance operations are as follows:

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Ping An Life | **6,760** | 6,760 |
| Ping An Property & Casualty | **4,200** | 4,200 |
| Ping An Annuity | **972** | 972 |
| Ping An Health | **310** | 160 |
| Others | **8** | 6 |
| | **12,250** | 12,098 |

Statutory deposits for insurance operations are placed with PRC national commercial banks in accordance with the relevant regulations issued by China Insurance Regulatory Commission (the 'CIRC') based on 20% of the registered capital for the insurance company subsidiaries and 5% of the registered capital for insurance sales agency subsidiaries within the Group, respectively. Statutory deposit for insurance operations can only be utilized to settle liabilities during liquidation of insurance companies.

## 20. FIXED MATURITY INVESTMENTS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Bonds | **1,628,508** | 1,342,866 |
| Asset management schemes | **239,351** | 329,256 |
| Debt schemes and trust schemes | **465,191** | 319,037 |
| Policy loans | **83,203** | 64,634 |
| Assets purchased under reverse repurchase agreements | **99,296** | 65,657 |
| Wealth management products | **43,588** | 34,841 |
| | **2,559,137** | 2,156,291 |

## 20. FIXED MATURITY INVESTMENTS (CONTINUED)

### (1) BONDS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Held-to-maturity | **1,243,768** | 1,009,714 |
| Available-for-sale, at fair value | **221,871** | 193,904 |
| Carried at fair value through profit or loss | **63,801** | 70,392 |
| Loans and receivables | **99,068** | 68,856 |
| | **1,628,508** | 1,342,866 |

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Government bonds | **638,859** | 479,637 |
| Finance bonds | **604,805** | 504,479 |
| Corporate bonds | **384,844** | 358,750 |
| | **1,628,508** | 1,342,866 |
| Listed | **471,018** | 372,701 |
| Unlisted | **1,157,490** | 970,165 |
| | **1,628,508** | 1,342,866 |

Note: Unlisted debt securities include those traded on the Chinese interbank market and those not publicly traded.

During 2013, the Group's subsidiary Ping An Bank reclassified bonds with a fair value of RMB91,675 million from available-for-sale financial investments to held-to-maturity financial assets reflecting its positive intention and ability to hold them until maturity. As at 31 December 2017, the carrying amount of these bonds was RMB44,060 million (31 December 2016: RMB59,371 million) while the corresponding fair value was RMB43,226 million (31 December 2016: RMB59,472 million). If these bonds were not reclassified, unrealized losses of RMB1,012 million (2016: Unrealized losses RMB931 million) would have been recognized in the available-for-sale financial assets reserves for the year ended 31 December 2017. During 2017, other comprehensive income in the amount of RMB427 million (2016: RMB582 million) recognized prior to the reclassification was reversed.

### (2) ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Trust beneficial rights | **-** | 1,867 |
| Bonds | **92,428** | 53,449 |
| Bills | **-** | 3,994 |
| Finance lease receivables | **-** | 15 |
| Other equity investments and their beneficial rights | **6,882** | 6,345 |
| Gross | **99,310** | 65,670 |
| Less: Provision for impairment losses | **(14)** | (13) |
| Net | **99,296** | 65,657 |

## 21. EQUITY AND OTHER INVESTMENTS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Security investment funds | **90,426** | 103,394 |
| Equity securities | **276,916** | 142,220 |
| Other equity investments | **263,334** | 181,294 |
| | **630,676** | 426,908 |

### (1) SECURITY INVESTMENT FUNDS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Available-for-sale, at fair value | **56,935** | 54,590 |
| Held for trading | **33,491** | 48,804 |
| | **90,426** | 103,394 |
| Listed | **10,806** | 14,595 |
| Unlisted | **79,620** | 88,799 |
| | **90,426** | 103,394 |

### (2) EQUITY SECURITIES

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Available-for-sale, at fair value | **259,938** | 119,563 |
| Held for trading | **16,978** | 22,657 |
| | **276,916** | 142,220 |
| Listed | **276,576** | 140,433 |
| Unlisted | **340** | 1,787 |
| | **276,916** | 142,220 |

### (3) OTHER EQUITY INVESTMENTS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Available-for-sale, at fair value | **236,228** | 162,486 |
| Available-for-sale, at cost | **126** | 6,698 |
| Carried at fair value through profit or loss | | |
| Held for trading | **9,475** | 6,077 |
| Designated at fair value through profit or loss | **17,505** | 6,033 |
| | **263,334** | 181,294 |
| Listed | **77,059** | 69,255 |
| Unlisted | **186,275** | 112,039 |
| | **263,334** | 181,294 |

Note: Unlisted equity securities include those not traded on stock exchanges, which are mainly open-ended funds with public market price quotation.

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

| | 31 December 2017 | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| (in RMB million) | Nominal amount | Fair value | Nominal amount | Fair value |
| Interest rate swaps | **1,035,712** | **225** | **1,351,287** | **100** |
| Currency forwards and swaps | **473,565** | **14,107** | **535,465** | **15,848** |
| Gold derivative instruments | **61,788** | **1,852** | **50,663** | **1,972** |
| Stock index options | **19,373** | **6** | **4** | **1** |
| Others | **23** | **2** | **176** | **29** |
| | **1,590,461** | **16,192** | **1,937,595** | **17,950** |

| | 31 December 2016 | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| (in RMB million) | Nominal amount | Fair value | Nominal amount | Fair value |
| Interest rate swaps | 397,404 | 422 | 754,028 | 354 |
| Currency forwards and swaps | 414,311 | 3,434 | 388,564 | 4,492 |
| Gold derivative instruments | 108,312 | 4,957 | 79,778 | 3,824 |
| Stock index options | 31,096 | 7 | – | – |
| Others | 550 | 16 | 1,094 | 45 |
| | 951,673 | 8,836 | 1,223,464 | 8,715 |

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 2017 | 31 December 2016 |
|---|---|---|
| Corporate customers | | |
| Loans | **835,864** | 941,937 |
| Discounted bills | **14,756** | 14,846 |
| Individual customers | | |
| Business loans | **124,153** | 97,534 |
| Credit cards | **303,628** | 181,444 |
| Property mortgages | **152,865** | 85,229 |
| Vehicle loans | **130,517** | 95,264 |
| Others | **143,403** | 82,262 |
| Gross | **1,705,186** | 1,498,516 |
| Less: Loan loss provisions | **(44,322)** | (40,225) |
| Net | **1,660,864** | 1,458,291 |

## 23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (2) ANALYZED BY INDUSTRY

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Corporate customers | | |
| Agriculture, husbandry and fishery | **9,291** | 16,266 |
| Extraction (heavy industry) | **58,048** | 70,361 |
| Manufacturing (light industry) | **141,976** | 172,255 |
| Energy | **25,854** | 38,188 |
| Transportation and communication | **53,274** | 58,447 |
| Commercial | **91,746** | 133,448 |
| Real estate | **163,765** | 163,018 |
| Social service, technology, culture and sanitary industries | **135,938** | 153,318 |
| Construction | **48,107** | 62,768 |
| Others | **107,865** | 73,868 |
| Subtotal of loans | **835,864** | 941,937 |
| Discounted bills | **14,756** | 14,846 |
| Subtotal of corporate customers | **850,620** | 956,783 |
| Individual customers | **854,566** | 541,733 |
| Gross | **1,705,186** | 1,498,516 |

### (3) ANALYZED BY TYPE OF COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Unsecured | **592,717** | 420,793 |
| Guaranteed | **227,376** | 283,486 |
| Secured by collateral | | |
| Secured by mortgages | **599,210** | 521,654 |
| Secured by monetary assets | **271,127** | 257,737 |
| Subtotal | **1,690,430** | 1,483,670 |
| Discounted bills | **14,756** | 14,846 |
| Gross | **1,705,186** | 1,498,516 |

## 23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (4) AGING ANALYSIS OF PAST DUE LOANS

| (in RMB million) | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | **Within 3 months** | **3 months to 1 year** | **1 to 3 years** | **More than 3 years** | **Total** |
| Unsecured | **7,980** | **7,747** | **763** | **25** | **16,515** |
| Guaranteed | **5,585** | **6,641** | **2,814** | **49** | **15,089** |
| Secured by collateral | | | | | |
| Secured by mortgages | **3,703** | **10,237** | **4,975** | **146** | **19,061** |
| Secured by monetary assets | **2,395** | **5,537** | **2,777** | **134** | **10,843** |
| | **19,663** | **30,162** | **11,329** | **354** | **61,508** |

| (in RMB million) | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | Within 3 months | 3 months to 1 year | 1 to 3 years | More than 3 years | Total |
| Unsecured | 5,578 | 6,321 | 413 | 300 | 12,612 |
| Guaranteed | 4,336 | 8,010 | 3,667 | 286 | 16,299 |
| Secured by collateral | | | | | |
| Secured by mortgages | 7,060 | 9,746 | 5,778 | 1,339 | 23,923 |
| Secured by monetary assets | 3,149 | 2,808 | 2,114 | 1,173 | 9,244 |
| | 20,123 | 26,885 | 11,972 | 3,098 | 62,078 |

Past due loans refer to the loans with either principal or interest being past due by one day or more.

### (5) ANALYZED BY REGION

| (in RMB million) | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **Amount** | **%** | Amount | % |
| Eastern China | **540,755** | **31.71%** | 469,914 | 31.36% |
| Southern China | **637,393** | **37.38%** | 477,147 | 31.84% |
| Western China | **190,016** | **11.14%** | 193,780 | 12.93% |
| Northern China | **285,757** | **16.76%** | 285,445 | 19.05% |
| Offshore business | **51,265** | **3.01%** | 72,230 | 4.82% |
| Gross | **1,705,186** | **100.00%** | 1,498,516 | 100.00% |

### (6) LOAN LOSS PROVISION

| (in RMB million) | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Individually assessed** | **Collectively assessed** | **Total** | Individually assessed | Collectively assessed | Total |
| As at 1 January | **8,445** | **31,780** | **40,225** | 3,501 | 26,117 | 29,618 |
| Charge for the year | **30,379** | **10,435** | **40,814** | 22,719 | 22,772 | 45,491 |
| Write-off and transfer during the year | **(27,820)** | **(11,582)** | **(39,402)** | (17,537) | (18,382) | (35,919) |
| Recovery of loans written off previously | **1,637** | **1,859** | **3,496** | 271 | 1,244 | 1,515 |
| Interest accrued on impaired loans and advances | **(659)** | **-** | **(659)** | (544) | – | (544) |
| Others | **(96)** | **(56)** | **(152)** | 35 | 29 | 64 |
| As at 31 December | **11,886** | **32,436** | **44,322** | 8,445 | 31,780 | 40,225 |

As at 31 December 2017, discounted bills with a carrying amount of RMB3,467 million (31 December 2016: RMB3,096 million) were pledged for amounts due to the Central Bank.

## 24. PREMIUM RECEIVABLES

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Premium receivables | **47,597** | 36,783 |
| Less: Provision for doubtful receivables | **(1,903)** | (1,458) |
| Premium receivables, net | **45,694** | 35,325 |
| Life insurance | **11,458** | 9,663 |
| Property and casualty insurance | **34,236** | 25,662 |
| Premium receivables, net | **45,694** | 35,325 |

The credit terms of premium receivables granted are generally from one to six months, and non-interest bearing.

An aging analysis of premium receivables is as follows:

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Within 3 months | **44,711** | 34,287 |
| Over 3 months but within 1 year | **1,350** | 1,554 |
| Over 1 year | **1,536** | 942 |
| | **47,597** | 36,783 |

## 25. ACCOUNTS RECEIVABLE

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Receivables under factoring | **65,868** | 14,744 |
| Others | **6,344** | 7,759 |
| Gross | **72,212** | 22,503 |
| Less: Provision for accounts receivable | **(289)** | (150) |
| Net | **71,923** | 22,353 |

## 26. REINSURERS' SHARE OF INSURANCE LIABILITIES

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Reinsurers' share of unearned premium reserves | **5,929** | 6,058 |
| Reinsurers' share of claim reserves | **8,835** | 7,933 |
| Reinsurers' share of policyholders' reserves | **869** | 1,278 |
| | **15,633** | 15,269 |

## 27. FINANCE LEASE RECEIVABLE

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Finance lease receivable, net of unearned finance income | **113,710** | 79,411 |
| Less: Provision for impairment losses | **(1,682)** | (1,355) |
| | **112,028** | 78,056 |

## 28. POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE/ INVESTMENT CONTRACTS

### (1) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE CONTRACTS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Cash and amounts due from banks and other financial institutions | **3,950** | 5,293 |
| Equity investments | **27,971** | 26,495 |
| Fixed maturity investments, at fair value | **6,448** | 6,756 |
| Fixed maturity investments, at amortized cost | **193** | 638 |
| Other assets | **213** | 524 |
| | **38,775** | 39,706 |

### (2) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INVESTMENT CONTRACTS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Cash and amounts due from banks and other financial institutions | **120** | 1,384 |
| Equity investments | **1,750** | 1,228 |
| Fixed maturity investments, at fair value | **2,016** | 1,106 |
| Fixed maturity investments, at amortized cost | **160** | 160 |
| Other assets | **63** | 206 |
| | **4,109** | 4,084 |

## 29. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The Group's investments in the principal associates and jointly controlled entities as at 31 December 2017 are as follows:

| | 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in RMB million) | As at 1 January | Additional investment | Increase/ (Decrease) in current year | As at 31 December | Provision balance as at 31 December | Change of provision in current Year | Cash dividends in current Year | Proportion of ordinary shares held by the Group (%) |
| **Associates** | | | | | | | | |
| Veolia Water (Kunming) Investment Co., Ltd. ('Veolia Kunming') | **266** | **-** | **(5)** | **261** | **-** | **-** | **-** | **23.88%** |
| Veolia Water (Yellow River) Investment Co., Ltd. ('Veolia Yellow River') | **240** | **-** | **(27)** | **213** | **(348)** | **-** | **-** | **48.76%** |
| Veolia Water (Liuzhou) Investment Co., Ltd. ('Veolia Liuzhou') | **120** | **-** | **(8)** | **112** | **-** | **-** | **-** | **44.78%** |
| Shanxi Taichang Expressway Co., Ltd. ('Shanxi Taichang') | **746** | **-** | **13** | **759** | **-** | **-** | **83** | **29.85%** |
| Beijing-Shanghai High-Speed Railway Equity Investment Scheme ('Beijing-Shanghai Railway') | **6,300** | **-** | **-** | **6,300** | **-** | **-** | **198** | **39.18%** |
| Lufax Holding Ltd.('Lufax') | **9,182** | **-** | **2,814** | **11,996** | **-** | **-** | **-** | **43.76%** |
| Foshan Huatai Property Development Co, Ltd. | **908** | **-** | **138** | **1,046** | **-** | **-** | **-** | **29.34%** |
| Massive Idea Investments Limited | **793** | **-** | **47** | **840** | **-** | **-** | **-** | **36.65%** |
| Guangzhou Jinglun Property Development Co, Ltd. | **523** | **-** | **(13)** | **510** | **-** | **-** | **-** | **39.92%** |
| Shenzhen Jinzheng Science & Technology Co., Ltd. | **1,648** | **-** | **16** | **1,664** | **-** | **-** | **-** | **6.00%** |
| Xuhui Holdings Co., Ltd. | **-** | **2,889** | **-** | **2,889** | **-** | **-** | **-** | **12.39%** |
| Ping An Good Doctor (5(1)(v)) | **-** | **-** | **15,710** | **15,710** | **-** | **-** | **-** | **46.20%** |
| Ping An Medical and Healthcare Management Co., Ltd. | **-** | **-** | **181** | **181** | **-** | **-** | **-** | **44.33%** |
| OneConnect Financial Technology Co., Ltd | **-** | **-** | **689** | **689** | **-** | **-** | **-** | **44.30%** |
| Shenzhen China Merchants-Ping An Asset Management Co., Ltd. | **-** | **1,170** | **20** | **1,190** | **-** | **-** | **-** | **38.81%** |
| Jiangsu Dezhan Investment Co., Ltd. | **-** | **1,974** | **27** | **2,001** | **-** | **-** | **-** | **23.65%** |
| Zhongan Online Property & Casualty Co., Ltd. | **848** | **-** | **907** | **1,755** | **-** | **-** | **-** | **10.21%** |
| Beijing Beiqi Penglong Automobile Service Co., Ltd. | **723** | **937** | **(245)** | **1,415** | **-** | **-** | **134** | **39.18%** |
| Others | **8,516** | **3,750** | **2,027** | **14,293** | **(98)** | **-** | **138** | |
| Subtotal | **30,813** | **10,720** | **22,291** | **63,824** | **(446)** | **-** | **553** | |
| **Jointly controlled entities** | | | | | | | | |
| Yunnan KunYu Highway Development Co., Ltd. ('Kunyu Highway') | **1,243** | **-** | **(96)** | **1,147** | **-** | **-** | **285** | **49.94%** |
| Nanjing Mingwan Property Development Co., Ltd. | **1,689** | **-** | **485** | **2,174** | **-** | **-** | **-** | **48.90%** |
| Beijing ZhaoTai Property Development Co., Ltd. | **1,243** | **-** | **56** | **1,299** | **-** | **-** | **-** | **24.95%** |
| Wuhan DAJT Property Development Co., Ltd. | **632** | **-** | **205** | **837** | **-** | **-** | **-** | **49.79%** |
| Xi'an Languang Meidu Enterprise Management Service Ltd. | **-** | **1,000** | **(8)** | **992** | **-** | **-** | **-** | **48.90%** |
| Others | **13,335** | **2,664** | **(65)** | **15,934** | **-** | **-** | **-** | |
| Subtotal | **18,142** | **3,664** | **577** | **22,383** | **-** | **-** | **285** | |
| Investment in associates and jointly controlled entities | **48,955** | **14,384** | **22,868** | **86,207** | **(446)** | **-** | **838** | |

## 29. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

The Group's investments in the principal associates and jointly controlled entities as at 31 December 2016 are as follows:

| (in RMB million) | As at 1 January | Additional investment | Increase/ (Decrease) in current year | As at 31 December | Provision balance as at 31 December | Change of Provision in current Year | Cash dividends in current Year | Proportion of ordinary shares held by the Group (%) |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | | | | | | |
| **Associates** | | | | | | | | |
| Veolia Kunming | 240 | – | 26 | 266 | – | – | – | 23.88% |
| Veolia Yellow River | 234 | – | 6 | 240 | (348) | – | – | 48.76% |
| Veolia Liuzhou | 112 | – | 8 | 120 | – | – | – | 44.78% |
| Shanxi Taichang | 702 | – | 44 | 746 | – | – | 16 | 29.85% |
| Beijing-Shanghai Railway | 6,300 | – | – | 6,300 | – | – | 14 | 39.18% |
| Lufax | 2,028 | – | 7,154 | 9,182 | – | – | – | 43.76% |
| Foshan Huatai Property Development Co, Ltd. | 932 | – | (24) | 908 | – | – | – | 29.34% |
| Massive Idea Investments Limited | 796 | – | (3) | 793 | – | – | – | 36.65% |
| Guangzhou Jinglun Property Development Co, Ltd. | 526 | – | (3) | 523 | – | – | – | 39.92% |
| Shenzhen Jinzheng Science & Technology Co., Ltd. | – | 1,644 | 4 | 1,648 | – | – | – | 6.00% |
| Others | 7,289 | 3,305 | (507) | 10,087 | (43) | (23) | 109 | |
| Subtotal | 19,159 | 4,949 | 6,705 | 30,813 | (391) | (23) | 139 | |
| **Jointly controlled entities** | | | | | | | | |
| KunYu Highway | 1,714 | – | (471) | 1,243 | – | – | 181 | 49.94% |
| Nanjing Mingwan Property Development Co., Ltd. | 1,715 | – | (26) | 1,689 | – | – | – | 48.90% |
| Beijing ZhaoTai Property Development Co, Ltd. | – | 1,250 | (7) | 1,243 | – | – | – | 24.95% |
| Wuhan DAJT Property Development Co, Ltd. | 576 | – | 56 | 632 | – | – | – | 49.79% |
| Others | 3,694 | 10,160 | (519) | 13,335 | – | – | – | |
| Subtotal | 7,699 | 11,410 | (967) | 18,142 | – | – | 181 | |
| Investment in associates and jointly controlled entities | 26,858 | 16,359 | 5,738 | 48,955 | (391) | (23) | 320 | |

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## 29. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

The financial information summary of the Group's principal associates and jointly controlled entities as at year end of 2017 are as follows:

| Name of the invested entity | Place of business | Place of incorporation | Principal activities | Significant to the Group's operation | Total assets as at 31 December | Total liabilities as at 31 December | Total revenue in current year | Net profit/ (loss) in current year |
|---|---|---|---|---|---|---|---|---|
| | | | | | | (in RMB million) | | |
| **Associates** | | | | | | | | |
| Veolia Kunming | Kunming | Hong Kong | Water plant operation | Yes | **1,157** | **48** | **66** | **58** |
| Veolia Yellow River | Lanzhou | Hong Kong | Water plant operation | Yes | **806** | **1** | **(24)** | **(27)** |
| Veolia Liuzhou | Liuzhou | Hong Kong | Water plant operation | Yes | **260** | **1** | **16** | **12** |
| Shanxi Taichang | Taiyuan | Taiyuan | Expressway operation | Yes | **6,272** | **3,340** | **1,033** | **346** |
| Beijing-Shanghai Railway | The PRC | The PRC | Railway investment | Yes | **16,001** | **-** | **519** | **503** |
| **Jointly controlled entities** | | | | | | | | |
| Kunyu Highway | Kunming | Kunming | Expressway operation | Yes | **1,992** | **85** | **1,733** | **1,070** |

The financial information summary of the Group's principal associates and jointly controlled entities as at year end of 2016 are as follows:

| Name of the invested entity | Place of business | Place of incorporation | Principal activities | Significant to the Group's operation | Total assets as at 31 December | Total liabilities as at 31 December | Total revenue in current year | Net profit/ (loss) in current year |
|---|---|---|---|---|---|---|---|---|
| | | | | | | (in RMB million) | | |
| **Associates** | | | | | | | | |
| Veolia Kunming | Kunming | Hong Kong | Water plant operation | Yes | 1,292 | 88 | 56 | 44 |
| Veolia Yellow River | Lanzhou | Hong Kong | Water plant operation | Yes | 957 | 5 | (35) | (39) |
| Veolia Liuzhou | Liuzhou | Hong Kong | Water plant operation | Yes | 303 | 4 | 13 | 10 |
| Shanxi Taichang | Taiyuan | Taiyuan | Expressway operation | Yes | 6,720 | 3,668 | 920 | 309 |
| Beijing-Shanghai Railway | The PRC | The PRC | Railway investment | Yes | 16,000 | - | 53 | 37 |
| **Jointly controlled entities** | | | | | | | | |
| Kunyu Highway | Kunming | Kunming | Expressway operation | Yes | 1,968 | 139 | 616 | 399 |

Associates and jointly controlled entities above have no significant contingent liabilities for the Group.

## 30. INVESTMENT PROPERTIES

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| **Cost** | | |
| As at 1 January | **41,180** | 28,753 |
| Acquisition of subsidiaries | **-** | 3,897 |
| Additions | **5,095** | 5,108 |
| Transfer from construction in progress | **761** | 6,194 |
| Transfer to property and equipment, net | **(1,199)** | (2,006) |
| Disposals | **(3)** | (766) |
| As at 31 December | **45,834** | 41,180 |
| **Accumulated depreciation** | | |
| As at 1 January | **4,611** | 3,923 |
| Acquisition of subsidiaries | **-** | 56 |
| Charge for the year | **1,233** | 737 |
| Transfer to property and equipment, net | **(118)** | (35) |
| Disposals | **(1)** | (70) |
| As at 31 December | **5,725** | 4,611 |
| **Impairment losses** | | |
| As at 1 January | **1** | 3 |
| Transfer out, net | **-** | (1) |
| Disposals | **-** | (1) |
| As at 31 December | **1** | 1 |
| **Net book value** | | |
| As at 31 December | **40,108** | 36,568 |
| As at 1 January | **36,568** | 24,827 |
| Fair value as at 31 December | **67,532** | 59,865 |

The fair values of the investment properties as at 31 December 2017 were estimated by the Group, based on valuation performed by independent valuers. It falls under level 3 in the fair value hierarchy.

The rental income arising from investment properties for the year 2017 amounted to RMB2,757 million (2016: RMB1,822 million), which is included in net investment income.

As at 31 December 2017, investment properties with a carrying amount of RMB11,298 million (31 December 2016: RMB11,115 million) were pledged as collateral for long term borrowings with a carrying amount of RMB4,507 million (31 December 2016: RMB6,491 million).

The Group was still in the process of applying for title certificates for certain investment properties with a carrying amount of RMB2,046 million as at 31 December 2017 (31 December 2016: RMB1,605 million).

## 31. PROPERTY AND EQUIPMENT

| (in RMB million) | 2017 Leasehold improvements | Buildings | Equipment, furniture and fixtures | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at 1 January 2017 | 7,733 | 30,974 | 11,906 | 4,102 | 2,765 | 57,480 |
| Additions | 495 | 233 | 3,064 | 5,599 | 2,130 | 11,521 |
| Transfer of construction in progress | 625 | 29 | 85 | - | (739) | - |
| Transfer from/(to) investment properties, net | - | 1,199 | - | - | (761) | 438 |
| Disposals of subsidiaries | - | - | (185) | - | - | (185) |
| Disposals | (78) | (34) | (1,317) | (270) | (219) | (1,918) |
| As at 31 December 2017 | 8,775 | 32,401 | 13,553 | 9,431 | 3,176 | 67,336 |
| **Accumulated depreciation** | | | | | | |
| As at 1 January 2017 | 3,737 | 6,057 | 6,290 | 1,167 | - | 17,251 |
| Charge for the year | 1,073 | 1,028 | 1,976 | 308 | - | 4,385 |
| Transfer from investment properties, net | - | 118 | - | - | - | 118 |
| Disposals of subsidiaries | 94 | - | (180) | - | - | (86) |
| Disposals | (159) | (6) | (1,131) | (210) | - | (1,506) |
| As at 31 December 2017 | 4,745 | 7,197 | 6,955 | 1,265 | - | 20,162 |
| **Impairment losses** | | | | | | |
| As at 1 January 2017 | - | 86 | - | - | - | 86 |
| Charge for the year | - | - | 15 | 6 | - | 21 |
| As at 31 December 2017 | - | 86 | 15 | 6 | - | 107 |
| **Net book value** | | | | | | |
| As at 31 December 2017 | 4,030 | 25,118 | 6,583 | 8,160 | 3,176 | 47,067 |
| As at 1 January 2017 | 3,996 | 24,831 | 5,616 | 2,935 | 2,765 | 40,143 |

## 31. PROPERTY AND EQUIPMENT (CONTINUED)

| (in RMB million) | Leasehold improvements | Buildings | Equipment, furniture and fixtures | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | 2016 | | | | | |
| **Cost** | | | | | | |
| As at 1 January 2016 | 6,313 | 21,120 | 10,299 | 2,150 | 10,508 | 50,390 |
| Acquisitions of subsidiaries | – | 956 | 427 | 16 | 18 | 1,417 |
| Additions | 1,933 | 438 | 2,570 | 2,344 | 5,891 | 13,176 |
| Transfer of construction in progress | 10 | 6,480 | 35 | – | (6,525) | – |
| Transfer from/(to) investment properties, net | – | 2,006 | – | – | (6,194) | (4,188) |
| Disposals of subsidiaries | (280) | (3) | (78) | – | – | (361) |
| Disposals | (243) | (23) | (1,347) | (408) | (933) | (2,954) |
| As at 31 December 2016 | 7,733 | 30,974 | 11,906 | 4,102 | 2,765 | 57,480 |
| **Accumulated depreciation** | | | | | | |
| As at 1 January 2016 | 3,446 | 5,063 | 5,758 | 882 | – | 15,149 |
| Acquisitions of subsidiaries | – | 72 | 255 | 4 | – | 331 |
| Charge for the year | 619 | 890 | 1,482 | 313 | – | 3,304 |
| Transfer from investment properties, net | – | 35 | – | – | – | 35 |
| Disposals of subsidiaries | (152) | (1) | (35) | – | – | (188) |
| Disposals | (176) | (2) | (1,170) | (32) | – | (1,380) |
| As at 31 December 2016 | 3,737 | 6,057 | 6,290 | 1,167 | – | 17,251 |
| **Impairment losses** | | | | | | |
| As at 1 January 2016 | – | 83 | – | – | – | 83 |
| Charge for the year | – | 2 | – | – | – | 2 |
| Transfer from investment properties, net | – | 1 | – | – | – | 1 |
| As at 31 December 2016 | – | 86 | – | – | – | 86 |
| **Net book value** | | | | | | |
| As at 31 December 2016 | 3,996 | 24,831 | 5,616 | 2,935 | 2,765 | 40,143 |
| As at 1 January 2016 | 2,867 | 15,974 | 4,541 | 1,268 | 10,508 | 35,158 |

The Group was still in the process of applying for title certificates for its buildings with a carrying amount of RMB390 million as at 31 December 2017 (31 December 2016: RMB476 million).

## 32. INTANGIBLE ASSETS

| | 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in RMB million) | Goodwill (i) | Expressway operating rights | Prepaid land premiums | Core deposits | Trademarks | Software and others | Total |
| **Cost** | | | | | | | |
| As at 1 January 2017 | 20,639 | 11,232 | 10,075 | 15,082 | 9,268 | 8,553 | 74,849 |
| Additions | 143 | - | 594 | - | 446 | 1,448 | 2,631 |
| Disposals of subsidiaries | - | (2,872) | - | - | - | (77) | (2,949) |
| Disposals | (275) | - | - | - | - | (380) | (655) |
| As at 31 December 2017 | 20,507 | 8,360 | 10,669 | 15,082 | 9,714 | 9,544 | 73,876 |
| **Accumulated amortization** | | | | | | | |
| As at 1 January 2017 | - | 2,717 | 737 | 4,147 | 346 | 3,885 | 11,832 |
| Charge for the year | - | 372 | 181 | 754 | 328 | 759 | 2,394 |
| Disposals of subsidiaries | - | (926) | - | - | - | (136) | (1,062) |
| Disposals | - | - | - | - | - | (269) | (269) |
| As at 31 December 2017 | - | 2,163 | 918 | 4,901 | 674 | 4,239 | 12,895 |
| **Net book value** | | | | | | | |
| As at 31 December 2017 | 20,507 | 6,197 | 9,751 | 10,181 | 9,040 | 5,305 | 60,981 |
| As at 1 January 2017 | 20,639 | 8,515 | 9,338 | 10,935 | 8,922 | 4,668 | 63,017 |

## 32. INTANGIBLE ASSETS (CONTINUED)

| (in RMB million) | Goodwill (i) | Expressway operating rights | Prepaid land premiums | Core Deposits | Trademarks | Software and others | Total |
|---|---|---|---|---|---|---|---|
| | 2016 | | | | | | |
| **Cost** | | | | | | | |
| As at 1 January 2016 | 12,460 | 11,232 | 8,331 | 15,082 | 2,442 | 5,091 | 54,638 |
| Acquisitions of subsidiaries | – | – | 914 | – | 7,113 | 2,427 | 10,454 |
| Additions | 8,468 | – | 830 | – | – | 1,234 | 10,532 |
| Disposals of subsidiaries | – | – | – | – | (287) | (75) | (362) |
| Disposals | (289) | – | – | – | – | (124) | (413) |
| As at 31 December 2016 | 20,639 | 11,232 | 10,075 | 15,082 | 9,268 | 8,553 | 74,849 |
| **Accumulated amortization** | | | | | | | |
| As at 1 January 2016 | – | 2,231 | 679 | 3,393 | 245 | 3,174 | 9,722 |
| Acquisitions of subsidiaries | – | – | – | – | 28 | 49 | 77 |
| Charge for the year | – | 486 | 58 | 754 | 73 | 752 | 2,123 |
| Disposals of subsidiaries | – | – | – | – | – | (30) | (30) |
| Disposals | – | – | – | – | – | (60) | (60) |
| As at 31 December 2016 | – | 2,717 | 737 | 4,147 | 346 | 3,885 | 11,832 |
| **Net book value** | | | | | | | |
| As at 31 December 2016 | 20,639 | 8,515 | 9,338 | 10,935 | 8,922 | 4,668 | 63,017 |
| As at 1 January 2016 | 12,460 | 9,001 | 7,652 | 11,689 | 2,197 | 1,917 | 44,916 |

As at 31 December 2017, expressway operating rights with a carrying amount of RMB5,711 million (31 December 2016: RMB8,515 million) were pledged as collateral for long term borrowings amounting to RMB2,939 million (31 December 2016: RMB3,921 million).

As at 31 December 2017, none prepaid land premiums (31 December 2016: RMB1,178 million) were pledged as collateral for long term borrowings (31 December 2016: RMB400 million).

As at 31 December 2017, prepaid land premiums with a carrying amount of 52 million (31 December 2016: RMB84 million) were still in progress of applying for title certificates.

## 32. INTANGIBLE ASSETS (CONTINUED)

### (I) GOODWILL

| (in RMB million) | 2017 As at 1 January 2017 | Additions | Disposals | As at 31 December 2017 |
|---|---|---|---|---|
| Ping An Bank | **8,761** | **–** | **–** | **8,761** |
| Shanghai Jahwa | **2,502** | **–** | **–** | **2,502** |
| Mayborn Group Limited | **2,106** | **–** | **(275)** | **1,831** |
| Ping An Securities | **328** | **–** | **–** | **328** |
| Shenzhen Ping An Commercial Property Investment Co., Ltd. | **66** | **–** | **–** | **66** |
| Beijing Shuangronghui Investment Co., Ltd. | **134** | **–** | **–** | **134** |
| Shanghai Gezhouba Yangming Property Co., Ltd. | **241** | **–** | **–** | **241** |
| Ping An E-wallet | **1,073** | **–** | **–** | **1,073** |
| Autohome Inc. | **5,265** | **–** | **–** | **5,265** |
| Other | **163** | **143** | **–** | **306** |
| Total | **20,639** | **143** | **(275)** | **20,507** |
| Less: Impairment losses | **–** | **–** | **–** | **–** |
| Net book value | **20,639** | **143** | **(275)** | **20,507** |

| (in RMB million) | 2016 As at 1 January 2016 | Increase | Decrease | As at 31 December 2016 |
|---|---|---|---|---|
| Ping An Bank | 8,761 | – | – | 8,761 |
| Shanghai Jahwa | 2,502 | – | – | 2,502 |
| Mayborn Group Limited | – | 2,106 | – | 2,106 |
| Ping An Securities | 328 | – | – | 328 |
| Shenzhen Ping An Commercial Property Investment Co., Ltd. | 66 | – | – | 66 |
| Beijing Shuangronghui Investment Co., Ltd. | 134 | – | – | 134 |
| Shanghai Gezhouba Yangming Property Co., Ltd. | 239 | 2 | – | 241 |
| Ping An E-wallet | – | 1,073 | – | 1,073 |
| Autohome Inc. | – | 5,265 | – | 5,265 |
| Other | 430 | 22 | (289) | 163 |
| Total | 12,460 | 8,468 | (289) | 20,639 |
| Less: Impairment losses | – | – | – | – |
| Net book value | 12,460 | 8,468 | (289) | 20,639 |

The primary valuation technique used is cash flow projections based on business plans approved by management covering a three to five year period and a risk adjusted discount rate. Cash flows beyond that period have been extrapolated using a steady growth rate and terminal value. Discount rates used by the Group range from 9% to 16% (2016: 9% to 15%) and growth rates, where applicable, range from 2% to 33% (2016: 2% to 34%).

The results of cash flow projections exceed the carrying amount of each related cash-generating unit or group of units. However, subsequent impairment tests may be based upon different assumptions and future cash flow projections, which may result in an impairment of these assets in the foreseeable future.

## 33. OTHER ASSETS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Interest receivables | **51,934** | 44,980 |
| Other receivables | **81,743** | 59,203 |
| Due from reinsurers | **8,001** | 12,365 |
| Foreclosed assets | **5,251** | 4,505 |
| Prepayments | **2,664** | 4,597 |
| Precious metals held for trading | **87,501** | 93,787 |
| Dividends receivable | **395** | 67 |
| Inventories | **4,868** | 5,380 |
| Liquidation receivables | **5,890** | 421 |
| Margin accounts receivables | **11,266** | 7,158 |
| Others | **4,488** | 4,470 |
| Gross | **264,001** | 236,933 |
| Less: Loss provisions | **(2,588)** | (2,127) |
| Including: Interest receivables | **(34)** | (30) |
| Other receivables | **(1,373)** | (1,283) |
| Due from reinsurers | **(12)** | (17) |
| Foreclosed assets | **(288)** | (300) |
| Prepayments | **(445)** | (406) |
| Inventories | **(45)** | (34) |
| Margin accounts receivables | **(40)** | (33) |
| Others | **(351)** | (24) |
| Net | **261,413** | 234,806 |

## 34. SHARE CAPITAL

| (million shares) | Domestic listed A shares, par value RMB1.00 per share | Overseas listed H shares, par value RMB1.00 per share | Total |
|---|---|---|---|
| 1 January 2017 | **10,832** | **7,448** | **18,280** |
| 31 December 2017 | **10,832** | **7,448** | **18,280** |

## 35. RESERVES, RETAINED PROFITS AND NON-CONTROLLING INTERESTS

| (in RMB million) | Share premium | Available-for-sale investment reserve | Shadow accounting adjustments | Others | Surplus reserve funds | General reserves | Exchange differences on translation of foreign operations | Retained profits | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| As at 1 January 2017 | 115,447 | 20,525 | (3,229) | 6,749 | 11,366 | 36,799 | 1,253 | 176,259 | 103,012 | 468,181 |
| Profit for the year | - | - | - | - | - | - | - | 89,088 | 10,890 | 99,978 |
| Other comprehensive income for the year | - | 25,564 | (3,187) | 92 | - | - | (885) | - | 297 | 21,881 |
| Total comprehensive income for the year | - | 25,564 | (3,187) | 92 | - | - | (885) | 89,088 | 11,187 | 121,859 |
| Dividend declared (Note 16) | - | - | - | - | - | - | - | (19,194) | - | (19,194) |
| Appropriations to surplus reserves | - | - | - | - | 798 | - | - | (798) | - | - |
| Appropriations to general reserves | - | - | - | - | - | 8,165 | - | (8,165) | - | - |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | (2,084) | (2,084) |
| Disposal of subsidiaries | - | - | - | - | - | - | - | - | (704) | (704) |
| Equity transactions with non-controlling interests | (4,150) | - | - | - | - | - | - | - | (2,525) | (6,675) |
| Contributions from non-controlling interests | 301 | - | - | - | - | - | - | - | 808 | 1,109 |
| Share purchase scheme | - | - | - | (46) | - | - | - | - | - | (46) |
| Other equity instruments issued by subsidiaries | - | - | - | - | - | - | - | - | 4,486 | 4,486 |
| Others | - | - | - | 2,319 | - | - | - | - | 386 | 2,705 |
| As at 31 December 2017 | 111,598 | 46,089 | (6,416) | 9,114 | 12,164 | 44,964 | 368 | 237,190 | 114,566 | 569,637 |

## 35. RESERVES, RETAINED PROFITS AND NON-CONTROLLING INTERESTS (CONTINUED)

| (in RMB million) | Share premium | Available-for-sale investment reserve | Shadow accounting adjustments | Others | Surplus reserve funds | General reserves | Exchange differences on translation of foreign operations | Retained profits | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| As at 1 January 2016 | 115,539 | 32,768 | (6,659) | 2,150 | 8,498 | 28,248 | 86 | 135,338 | 79,323 | 395,291 |
| Profit for the year | – | – | – | – | – | – | – | 62,394 | 9,974 | 72,368 |
| Other comprehensive income for the year | – | (12,243) | 3,430 | (38) | – | – | 1,167 | – | 117 | (7,567) |
| Total comprehensive income for the year | – | (12,243) | 3,430 | (38) | – | – | 1,167 | 62,394 | 10,091 | 64,801 |
| Dividend declared (Note 16) | – | – | – | – | – | – | – | (10,054) | – | (10,054) |
| Appropriations to surplus reserves | – | – | – | – | 2,868 | – | – | (2,868) | – | – |
| Appropriations to general reserves | – | – | – | – | – | 8,551 | – | (8,551) | – | – |
| Dividend paid to non-controlling interests | – | – | – | – | – | – | – | – | (1,640) | (1,640) |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | – | 6,219 | 6,219 |
| Equity transactions with non-controlling interests | (1,927) | – | – | – | – | – | – | – | (3,276) | (5,203) |
| Contributions from non-controlling interests | 1,835 | – | – | – | – | – | – | – | 2,059 | 3,894 |
| Share purchase scheme | – | – | – | (121) | – | – | – | – | – | (121) |
| Other equity instruments issued by subsidiaries | – | – | – | – | – | – | – | – | 10,236 | 10,236 |
| Others | – | – | – | 4,758 | – | – | – | – | – | 4,758 |
| As at 31 December 2016 | 115,447 | 20,525 | (3,229) | 6,749 | 11,366 | 36,799 | 1,253 | 176,259 | 103,012 | 468,181 |

(i) 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, fund businesses, finance lease and financial guarantee 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, the companies operating in the insurance should make appropriations for general reserves based on 10% of net profits, the company operating in banking should make appropriations based on 1.5% of risk assets, the company operating in securities should make appropriations based on 10% of net profits, the companies operating in trust should make appropriations based on 5% of trust claim reserves, the companies operating in futures should make appropriation based on 10% of net profits, and the companies operating in fund should make appropriation based on 10% of fund management fees 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 dividend distribution or transfer to share 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.

## 36. SHARE PURCHASE SCHEME

The Company has adopted an employee share purchase scheme (the "Scheme") for the key employees (including executive directors and senior management) of the Company and its subsidiaries. Shares shall be vested and awarded to the key employees approved for participation in the Scheme, subject to the achievement of certain performance targets.

Movement of reserves relating to the Scheme is as follows:

| (in RMB million) | Cost of shares held for share purchase | Value of employee services | Total |
|---|---|---|---|
| As at 1 January 2017 | **(679)** | **431** | **(248)** |
| Purchased (i) | **(603)** | **–** | **(603)** |
| Share-based compensation expenses (ii) | **–** | **524** | **524** |
| Exercised | **244** | **(244)** | **–** |
| Expired | **30** | **3** | **33** |
| As at 31 December 2017 | **(1,008)** | **714** | **(294)** |
| As at 1 January 2016 | (312) | 185 | (127) |
| Purchased (i) | (482) | – | (482) |
| Share-based compensation expenses (ii) | – | 342 | 342 |
| Exercised | 96 | (96) | – |
| Expired | 19 | – | 19 |
| As at 31 December 2016 | (679) | 431 | (248) |

(i) During the period from 23 March 2017 to 27 March 2017, 16,419,990 ordinary A shares were purchased from the market. The average price of shares purchased was RMB36.74 per share.

During the period from 17 March 2016 to 21 March 2016, 14,803,850 ordinary A shares were purchased from the market. The average price of shares purchased was RMB32.53 per share.

(ii) The share-based compensation expense of the Scheme and the total value of employee services during the year ended 31 December 2017 were RMB524 million (31 December 2016: RMB342 million) and RMB524 million (31 December 2016: RMB342 million) respectively.

## 37. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Deposits from other banks and financial institutions | **450,403** | 437,495 |
| Due to the Central Bank | **130,652** | 19,137 |
| Short term borrowings | **90,310** | 56,904 |
| Long term borrowings | **109,165** | 71,258 |
| | **780,530** | 584,794 |

Refer to Notes 23, 30 and 32 for the assets pledged as collateral to support the above borrowings.

## 38. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Bonds | **133,981** | 89,166 |

As at 31 December 2017, bonds with a carrying amount of RMB94,012 million (31 December 2016: RMB56,633 million) were pledged as collaterals for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market. The collaterals are restricted from trading during the period of the repurchase transaction.

As at 31 December 2017, the carrying amount of bonds deposited in the collateral pool was RMB118,607 million (31 December 2016: RMB106,230 million). The collaterals are restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool without delay provided that the value of certain bonds is no less than the balance of related repurchase transactions.

For bonds repurchase transactions through stock exchange, the Group is required to deposit certain exchange traded bonds and/or bonds transferred under new pledged repurchase transaction with fair value converted at a standard rate pursuant to stock exchange's regulation no less than the balance of related repurchase transaction into a collateral pool.

## 39. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Customer deposits | | |
| Current and savings accounts | | |
| – Corporate customers | **531,988** | 609,902 |
| – Individual customers | **175,268** | 160,708 |
| Term deposits | | |
| – Corporate customers | **778,685** | 620,134 |
| – Individual customers | **140,194** | 82,206 |
| Guarantee deposits | **218,900** | 320,255 |
| Time deposits from the Central Bank | **34,812** | 34,661 |
| Fiscal deposits | **32,729** | 33,448 |
| Remittance payables and outward remittance | **17,828** | 6,980 |
| | **1,930,404** | 1,868,294 |
| Payables to brokerage customers | | |
| – Individual customers | **19,123** | 20,095 |
| – Corporate customers | **3,168** | 5,988 |
| | **22,291** | 26,083 |
| | **1,952,695** | 1,894,377 |

As at 31 December 2017, bonds classified as held-to-maturity with a carrying amount of RMB21,326 million (31 December 2016: RMB29,928 million), and bonds classified as loans and receivables with a carrying amount of RMB14,624 million (31 December 2016: RMB5,542 million) were pledged as collaterals for term deposits from the Central Bank.

## 40. INSURANCE CONTRACT LIABILITIES

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Policyholders' reserves | **1,190,925** | 990,737 |
| Policyholder contract deposits | **502,646** | 431,711 |
| Policyholder account liabilities in respect of insurance contracts | **38,775** | 39,706 |
| Unearned premium reserves | **110,006** | 95,509 |
| Claim reserves | **90,617** | 67,810 |
| Total | **1,932,969** | 1,625,473 |

| | **31 December 2017** | | |
|---|---|---|---|
| **(in RMB million)** | **Insurance contract liabilities** | **Reinsurers' share** | **Net** |
| Long term life insurance contracts | **1,732,346** | **(869)** | **1,731,477** |
| Short term life insurance contracts | **11,723** | **(595)** | **11,128** |
| Property and casualty insurance contracts | **188,900** | **(14,169)** | **174,731** |
| | **1,932,969** | **(15,633)** | **1,917,336** |

| | 31 December 2016 | | |
|---|---|---|---|
| (in RMB million) | Insurance contract liabilities | Reinsurers' share | Net |
| Long term life insurance contracts | 1,462,154 | (1,278) | 1,460,876 |
| Short term life insurance contracts | 9,652 | (638) | 9,014 |
| Property and casualty insurance contracts | 153,667 | (13,353) | 140,314 |
| | 1,625,473 | (15,269) | 1,610,204 |

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Current portion* | | |
| Long term life | **(62,348)** | 1,150 |
| Short term life | **11,073** | 9,095 |
| Property and casualty | **106,569** | 90,057 |
| Non-current portion | | |
| Long term life | **1,794,694** | 1,461,004 |
| Short term life | **650** | 557 |
| Property and casualty | **82,331** | 63,610 |
| Total | **1,932,969** | 1,625,473 |

* Estimated net cash flows within 12 months from the end of the reporting period.

## 40. INSURANCE CONTRACT LIABILITIES (CONTINUED)

### (1) LONG TERM LIFE INSURANCE CONTRACTS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Policyholders' reserves | **1,190,925** | 990,737 |
| Policyholder contract deposits | **502,646** | 431,711 |
| Policyholder account liabilities in respect of insurance contracts | **38,775** | 39,706 |
| | **1,732,346** | 1,462,154 |

The policyholders' reserves are analyzed as follows:

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| As at 1 January | **990,737** | 851,486 |
| Increase during the year | **329,744** | 246,548 |
| Decrease during the year | | |
| – Claims and benefits paid | **(99,257)** | (81,794) |
| – Surrender | **(33,683)** | (27,198) |
| – Others | **3,384** | 1,695 |
| As at 31 December | **1,190,925** | 990,737 |

The policyholder contract deposits are analyzed as follows:

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| As at 1 January | **431,711** | 372,759 |
| Policyholder principal increased | **87,371** | 80,312 |
| Accretion of investment income | **24,490** | 16,476 |
| Liabilities released for benefits paid | **(27,787)** | (25,999) |
| Policy administration fees and guaranteed fees deducted | **(13,139)** | (11,837) |
| As at 31 December | **502,646** | 431,711 |

## 40. INSURANCE CONTRACT LIABILITIES (CONTINUED)

### (2) SHORT TERM LIFE INSURANCE CONTRACTS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Unearned premium reserves | **6,137** | 4,895 |
| Claim reserves | **5,586** | 4,757 |
| | **11,723** | 9,652 |

The unearned premium reserves of short term life insurance are analyzed as follows:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| (in RMB million) | Gross | Reinsurers' share | Net | Gross | Reinsurers' share | Net |
| As at 1 January | **4,895** | **(170)** | **4,725** | 3,872 | (333) | 3,539 |
| Premiums written during the year | **24,151** | **(2,948)** | **21,203** | 19,977 | (2,010) | 17,967 |
| Premiums earned during the year | **(22,909)** | **2,753** | **(20,156)** | (18,954) | 2,173 | (16,781) |
| As at 31 December | **6,137** | **(365)** | **5,772** | 4,895 | (170) | 4,725 |

The claim reserves of short term life insurance are analyzed as follows:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| (in RMB million) | Gross | Reinsurers' share | Net | Gross | Reinsurers' share | Net |
| As at 1 January | **4,757** | **(203)** | **4,554** | 4,075 | (96) | 3,979 |
| Claims incurred during the year | **13,279** | **(1,912)** | **11,367** | 11,150 | (2,231) | 8,919 |
| Claims paid during the year | **(12,450)** | **1,884** | **(10,566)** | (10,468) | 2,124 | (8,344) |
| As at 31 December | **5,586** | **(231)** | **5,355** | 4,757 | (203) | 4,554 |

## 40. INSURANCE CONTRACT LIABILITIES (CONTINUED)

### (3) PROPERTY AND CASUALTY INSURANCE CONTRACTS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Unearned premium reserves | **103,869** | 90,614 |
| Claim reserves | **85,031** | 63,053 |
| | **188,900** | 153,667 |

The unearned premium reserves of property and casualty insurance are analyzed as follows:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| (in RMB million) | Gross | Reinsurers' share | Net | Gross | Reinsurers' share | Net |
| As at 1 January | **90,614** | **(5,888)** | **84,726** | 82,610 | (6,806) | 75,804 |
| Premiums written during the year | **162,856** | **(9,443)** | **153,413** | 144,068 | (10,238) | 133,830 |
| Premiums earned during the year | **(149,601)** | **9,767** | **(139,834)** | (136,064) | 11,156 | (124,908) |
| As at 31 December | **103,869** | **(5,564)** | **98,305** | 90,614 | (5,888) | 84,726 |

The claim reserves of property and casualty insurance are analyzed as follows:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| (in RMB million) | Gross | Reinsurers' share | Net | Gross | Reinsurers' share | Net |
| As at 1 January | **63,053** | **(7,730)** | **55,323** | 56,253 | (8,849) | 47,404 |
| Claims incurred during the year | **114,407** | **(7,796)** | **106,611** | 91,322 | (7,803) | 83,519 |
| Claims paid during the year | **(92,429)** | **6,922** | **(85,507)** | (84,522) | 8,922 | (75,600) |
| As at 31 December | **85,031** | **(8,604)** | **76,427** | 63,053 | (7,730) | 55,323 |

## 41. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Policyholder account liabilities in respect of investment contracts | **4,109** | 4,084 |
| Investment contract reserves | **46,200** | 40,846 |
| | **50,309** | 44,930 |

The investment contract liabilities are analyzed as follows:

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| As at 1 January | **44,930** | 42,690 |
| Policyholder principal increased | **11,138** | 9,971 |
| Accretion of investment income | **2,264** | 719 |
| Liabilities released for benefits paid | **(7,949)** | (7,741) |
| Policy administration fees and guaranteed fees deducted | **(63)** | (84) |
| Others | **(11)** | (625) |
| As at 31 December | **50,309** | 44,930 |

As at 31 December 2016 and 2017, all reinsurance contracts of the Group transferred significant insurance risk.

## 42. BONDS PAYABLE

| Issuer | Type | Guarantee type | Maturity | Early redemption option | Par value (in RMB million) | Issued year | Interest type | Coupon rate (per annum) | **31 December 2017** | 31 December 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Value Success International | Offshore RMB bonds | Guaranteed (Note 1) | 5 years | None | 2,100 | 2013 | Fixed | 4.75% | **2,102** | 2,095 |
| Value Success International | Offshore RMB bonds | Guaranteed (Note 1) | 3-5 years | None | 1,600 | 2014 | Fixed | 4.15%-4.95% | **751** | 1,599 |
| Value Success International | Offshore SGD bonds | Guaranteed (Note 1) | 5.5 years | None | 1,779 | 2014 | Fixed | 4.13% | **1,806** | 1,755 |
| Value Success International | Offshore HKD bonds | Guaranteed (Note 1) | 5 years | None | 1,272 | 2016 | Fixed | 3.00% | **1,283** | 1,370 |
| Value Success International | Offshore USD bonds | Guaranteed (Note 1) | 5 years | None | 2,004 | 2016 | Fixed | 3.20% | **1,957** | 2,076 |
| Ping An Property & Casualty | Subordinated bonds | None | 10 years | End of the fifth year | 3,000 | 2012 | Fixed | First 5 years: 4.65% Next 5 years: 6.65% (If not redeemed) | **-** | 3,112 |
| Ping An Property & Casualty | Capital supplement bonds | None | 10 years | End of the fifth year | 5,000 | 2015 | Fixed | First 5 years: 4.79% Next 5 years: 5.79% (If not redeemed) | **5,043** | 5,017 |
| Ping An Property & Casualty | Capital supplement bonds | None | 10 years | End of the fifth year | 3,500 | 2017 | Fixed | First 5 years: 5.10% Next 5 years: 6.10% (If not redeemed) | **3,500** | - |
| Ping An Life | Subordinated bonds | None | 10 years | End of the fifth year | 9,000 | 2012 | Fixed | First 5 years: 5.00% Next 5 years: 7.00% (If not redeemed) | **-** | 9,385 |
| Ping An Life | Subordinated bonds | None | 10 years | End of the fifth year | 8,000 | 2014 | Fixed | First 5 years: 5.90% Next 5 years: 7.90% (If not redeemed) | **8,270** | 8,186 |

## 42. BONDS PAYABLE (CONTINUED)

| Issuer | Type | Guarantee type | Maturity | Early redemption option | Par value (in RMB million) | Issued year | Interest type | Coupon rate (per annum) | 31 December 2017 | 31 December 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Ping An Life | Capital supplement bonds | None | 10 years | End of the fifth year | 5,000 | 2015 | Fixed | First 5 years: 3.90%<br>Next 5 years:4,90%<br>(If not redeemed) | **5,037** | 5,012 |
| Ping An Life | Capital supplement bonds | None | 10 years | End of the fifth year | 10,000 | 2016 | Fixed | First 5 years: 3.82%<br>Next 5 years: 4.82%<br>(If not redeemed) | **10,059** | 10,011 |
| Ping An Life | Offshore USD bonds | None | 3 years | None | 4,592 | 2016 | Fixed | 2.38% | **4,559** | 4,825 |
| Ping An Life | Offshore USD bonds | None | 5 years | None | 3,280 | 2016 | Fixed | 2.88% | **3,248** | 3,443 |
| Ping An Bank | Hybrid capital debt instrument | None | 15 years | End of the tenth year | 1,500 | 2009 | Fixed | First 10 years: 5.70%<br>Next 5 years: 8.70%<br>(If not redeemed) | **1,500** | 1,465 |
| Ping An Bank | Hybrid capital debt instrument | None | 15 years | End of the tenth year | 3,650 | 2011 | Fixed | 7.50% | **3,650** | 3,650 |
| Ping An Bank | Tier-2 Capital bonds | None | 10 years | End of the fifth year | 6,000 | 2014 | Fixed | 6.50% | **6,000** | 6,000 |
| Ping An Bank | Tier-2 Capital bonds | None | 10 years | End of the fifth year | 9,000 | 2014 | Fixed | 6.80% | **9,000** | 9,000 |
| Ping An Bank | Interbank deposits | None | 1-3 years | None | 3,950 | 2016 | Floating | 2.95%-3.30% | **3,950** | 3,971 |
| Ping An Bank | Interbank deposits | None | Less than 1 year | None | 231,610 | 2016 | Discounted | 2.74%-5.10% | **231,610** | 229,378 |
| Ping An Bank | Tier-2 Capital bonds | None | 10 years | End of the fifth year | 10,000 | 2016 | Fixed | 3.85% | **10,000** | 10,000 |
| Ping An Bank | Interbank deposits | None | 1-3 years | None | 3,950 | 2017 | Floating | 2.95%-3.30% | **61,782** | - |
| Ping An Bank | Corporate bonds | None | 3 years | None | 15,000 | 2017 | Fixed | 4.20% | **15,000** | - |
| Ping An International Financial Co., Ltd | Private equity notes | None | 3 years | None | 445 | 2014 | Fixed | 4.40% | **-** | 445 |

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## 42. BONDS PAYABLE (CONTINUED)

| Issuer | Type | Guarantee type | Maturity | Early redemption option | Par value (in RMB million) | Issued year | Interest type | Coupon rate (per annum) | 31 December 2017 | 31 December 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Ping An Securities | Subordinated bonds | None | 2 years | None | 3,000 | 2014 | Fixed | 6.50% | **-** | 3,000 |
| Ping An Securities | Corporate bonds | None | 6 months-3 years | None or end of the second year | 2,500 | 2016 | Fixed | 3.50% | **1,500** | 2,500 |
| Ping An Securities | Corporate bonds | None | 6 months-3 years | None | 8,000 | 2017 | Fixed | 4.65%-5.48% | **8,000** | - |
| Ping An Financial Leasing | Corporate bonds | None | 270 days-4 years | None | 7,500 | 2016 | Fixed | 2.95%-4.35% | **5,000** | 7,500 |
| Ping An Financial Leasing | Private equity notes | None | 3 years | None | 4,000 | 2016 | Fixed | 3.35%-4.55% | **4,000** | 4,000 |
| Ping An Financial Leasing | Private equity notes | None | 3 years | None | 10,000 | 2017 | Fixed | 5.30%-6.10% | **10,000** | - |
| Ping An Financial Leasing | Corporate bonds | None | 270 days-3 years | None | 18,000 | 2017 | Fixed | 4.55%-5.50% | **18,000** | - |
| Ping An Real Estate | Corporate bonds | None | 3-7 years | None or end of the fifth year | 8,000 | 2016 | Fixed | 3.27%-3.60% | **7,983** | 7,974 |
| Ping An Real Estate | Corporate bonds | None | 5 years | None or end of the third year | 2,500 | 2017 | Fixed | 4.88%-5.27% | **2,492** | - |
| Fuqing Investment Management Limited | Offshore RMB Bonds | Guaranteed (Note 2) | 3 years | None | 1,000 | 2015 | Fixed | 4.85% | **998** | 994 |
| Fuxiang Investment Management Limited | Offshore USD Bonds | Guaranteed (Note 2) | 3 years | None | 2,709 | 2016 | Fixed | 3.63% | **1,950** | 2,062 |
| Fuxiang Investment Management Limited | Corporate bonds | None | 3 years | End of the third year | 1,254 | 2017 | Fixed | 3.80% | **1,253** | - |
| | | | | | | | | | **451,283** | 349,825 |

Note 1: The bonds are guaranteed by Ping An Overseas Holdings, which is the holding company of Value Success International Limited.

Note 2: The bonds are guaranteed by Pingan Real Estate Capital Limited, which is a subsidiary of Ping An Real Estate.

## 43. DEFERRED TAX ASSETS AND LIABILITIES

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Deferred tax assets | **40,141** | 28,292 |
| Deferred tax liabilities | **(25,891)** | (11,274) |
| Net | **14,250** | 17,018 |

The deferred tax assets are analyzed as follows:

| | **2017** | | | | | | |
|---|---|---|---|---|---|---|---|
| **(in RMB million)** | **As at 1 January** | **Acquisitions 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 | **825** | **-** | **190** | **-** | **-** | **1,015** | **(4,060)** |
| Fair value adjustments on available-for-sale investments | **90** | **-** | **-** | **570** | **-** | **660** | **(2,640)** |
| Insurance contract liabilities | **6,573** | **-** | **3,993** | **1,087** | **-** | **11,653** | **(46,612)** |
| Impairment loss provisions | **18,200** | **-** | **8,003** | **-** | **-** | **26,203** | **(104,812)** |
| Others | **7,671** | **-** | **830** | **-** | **-** | **8,501** | **(34,004)** |
| | **33,359** | **-** | **13,016** | **1,657** | **-** | **48,032** | **(192,128)** |

| | 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in RMB million) | As at 1 January | Acquisitions 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 | 36 | – | 781 | – | 8 | 825 | (3,300) |
| Fair value adjustments on available-for-sale investments | (131) | – | – | 221 | – | 90 | (360) |
| Insurance contract liabilities | 6,993 | – | 756 | (1,176) | – | 6,573 | (26,292) |
| Impairment loss provisions | 9,937 | – | 8,263 | – | – | 18,200 | (72,800) |
| Others | 6,655 | 60 | 1,742 | – | (786) | 7,671 | (30,684) |
| | 23,490 | 60 | 11,542 | (955) | (778) | 33,359 | (133,436) |

## 43. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The deferred tax liabilities are analyzed as follows:

| (in RMB million) | 2017<br>As at 1 January | Acquisitions 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 | **(197)** | **-** | **(658)** | **-** | **-** | **(855)** | **3,420** |
| Fair value adjustments on available-for-sale investments | **(7,687)** | **-** | **-** | **(13,310)** | **-** | **(20,997)** | **83,988** |
| Intangible assets-core deposits | **(2,731)** | **-** | **189** | **-** | **-** | **(2,542)** | **10,168** |
| Intangible assets evaluation premium from acquisition of Autohome Inc. | **(2,102)** | **-** | **30** | **-** | **-** | **(2,072)** | **8,288** |
| Assets evaluation premium from reorganization of Ping An Good Doctor | **-** | **-** | **(3,615)** | **-** | **-** | **(3,615)** | **14,465** |
| Others | **(3,624)** | **-** | **(66)** | **-** | **(11)** | **(3,701)** | **14,799** |
| | **(16,341)** | **-** | **(4,120)** | **(13,310)** | **(11)** | **(33,782)** | **135,128** |

| (in RMB million) | 2016<br>As at 1 January | Acquisitions 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 | (68) | – | (130) | – | 1 | (197) | 788 |
| Fair value adjustments on available-for-sale investments | (11,363) | – | – | 3,647 | 29 | (7,687) | 30,748 |
| Intangible assets-core deposits | (2,920) | – | 189 | – | – | (2,731) | 10,924 |
| Intangible assets evaluation premium from acquisition of Autohome Inc. | – | (2,102) | – | – | – | (2,102) | 8,408 |
| Others | (3,387) | (245) | 164 | – | (156) | (3,624) | 14,496 |
| | (17,738) | (2,347) | 223 | 3,647 | (126) | (16,341) | 65,364 |

As at 31 December 2017, unrecognized tax losses of the Group were RMB5,119 million (31 December 2016: RMB4,019 million).

## 43. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The following table shows unrecognized tax losses based on its expected expiry date:

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| 2017 | – | 294 |
| 2018 | **235** | 334 |
| 2019 | **114** | 330 |
| 2020 | **1,272** | 1,325 |
| 2021 | **1,662** | 1,736 |
| 2022 | **1,836** | – |
| | **5,119** | 4,019 |

## 44. OTHER LIABILITIES

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Other payables | **219,215** | 159,863 |
| Payable to holders of trust schemes and banking wealth management products | **4,150** | 3,019 |
| Salaries and welfare payable | **35,606** | 30,892 |
| Interest payable | **30,696** | 24,582 |
| Other tax payable | **6,610** | 6,845 |
| Receipts in advance | **9,791** | 6,582 |
| Contingency provision | **607** | 666 |
| Insurance guarantee fund | **992** | 708 |
| Accruals | **6,110** | 7,843 |
| Deferred income | **6,449** | 7,211 |
| Others | **31,291** | 24,623 |
| | **351,517** | 272,834 |

## 45. FIDUCIARY ACTIVITIES

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Assets under trust schemes | **621,518** | 656,437 |
| Assets under annuity investments and annuity schemes | **380,005** | 317,011 |
| Assets under asset management schemes | **540,787** | 491,361 |
| Entrusted loans of banking operations | **408,582** | 406,922 |
| Entrusted investments of banking operations | **501,062** | 742,477 |
| | **2,451,954** | 2,614,208 |

The above table showed main fiduciary activities of the Group. Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets held for fiduciary activities together with related undertakings on return such assets to customers, are recorded off-balance sheet, as risks and gains of such assets are assumed by customers. All of above are off-balance sheet items.

## 46. 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 insurance 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 discretionary participation features, 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' behavior 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 40.

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (1) INSURANCE RISK (CONTINUED)

**Assumptions and sensitivities**

*(a) Long term life insurance contracts*

Assumptions

Significant judgment is required in determining insurance contract reserves and in choosing discount rates/investment return, mortality, morbidity, lapse rates, policy dividend, 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;
- discount rate/investment return assumption decreased by 10 basis points;
- a 10% increase in mortality, morbidity, accident rates and etc. (a 10% increase in mortality rates of annuity policies before the payment period, a 10% decrease in the payment period);
- a 10% increase in policy lapse rates; and
- a 5% increase in maintenance expense rates.

| | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| (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** | **(4,957)** | **(4,957)** | **4,957** | **4,957** |
| Discount rate/investment return | **-10bps** | **5,093** | **5,093** | **(5,093)** | **(5,093)** |
| Mortality, morbidity, accident rates and etc. | **+10%** | **32,477** | **32,477** | **(32,477)** | **(32,477)** |
| Policy lapse rates | **+10%** | **10,391** | **10,391** | **(10,391)** | **(10,391)** |
| Maintenance expense rates | **+5%** | **2,563** | **2,563** | **(2,563)** | **(2,563)** |

Note: For long term life and health insurance contracts where the future insurance benefits are not affected by investment return of the underlying asset portfolio, the amounts above represent the results of sensitivity analysis calculated by the discount rates when the benchmarking yield curve for the measurement of insurance contact liabilities increases or decreases 10bps, with consideration of the Cai Kuai [2017] No. 637 issued by CIRC and other relevant regulations.

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| (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 | (8,577) | (8,568) | 8,568 | 8,568 |
| Discount rate/investment return | -10bps | 8,920 | 8,910 | (8,910) | (8,910) |
| Mortality, morbidity, accident rates and etc. | +10% | 22,342 | 22,304 | (22,304) | (22,304) |
| Policy lapse rates | +10% | 7,115 | 7,131 | (7,131) | (7,131) |
| Maintenance expense rates | +5% | 2,160 | 2,160 | (2,160) | (2,160) |

## 46. 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) | 2013 | 2014 | 2015 | 2016 | **2017** | Total |
|---|---|---|---|---|---|---|
| Estimated cumulative claims paid: | | | | | | |
| As at the end of current year | 60,361 | 69,852 | 83,767 | 94,445 | **112,013** | |
| One year later | 60,876 | 69,292 | 81,490 | 95,508 | **-** | |
| Two years later | 60,425 | 67,587 | 80,012 | – | **-** | |
| Three years later | 59,552 | 66,866 | – | – | **-** | |
| Four years later | 59,275 | – | – | – | **-** | |
| Estimated cumulative claims | 59,275 | 66,866 | 80,012 | 95,508 | **112,013** | 413,674 |
| Cumulative claims paid | (57,248) | (62,554) | (71,830) | (77,677) | **(64,634)** | (333,943) |
| Subtotal | | | | | | 79,731 |
| Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin | | | | | | 5,300 |
| Outstanding claim reserves | | | | | | 85,031 |

## 46. 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) | 2013 | 2014 | 2015 | 2016 | **2017** | Total |
|---|---|---|---|---|---|---|
| Estimated cumulative claims paid: | | | | | | |
| As at the end of current year | 52,810 | 59,864 | 72,724 | 85,558 | **104,195** | |
| One year later | 53,124 | 59,479 | 70,855 | 86,439 | **-** | |
| Two years later | 52,747 | 58,057 | 69,493 | – | **-** | |
| Three years later | 51,993 | 57,416 | – | – | **-** | |
| Four years later | 51,664 | – | – | – | **-** | |
| Estimated cumulative claims | 51,664 | 57,416 | 69,493 | 86,439 | **104,195** | 369,207 |
| Cumulative claims paid | (49,965) | (53,693) | (62,525) | (70,739) | **(60,790)** | (297,712) |
| Subtotal | | | | | | 71,495 |
| Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin | | | | | | 4,932 |
| Outstanding claim reserves | | | | | | 76,427 |

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) | 2013 | 2014 | 2015 | 2016 | **2017** | Total |
|---|---|---|---|---|---|---|
| Estimated cumulative claims paid: | | | | | | |
| As at the end of current year | 4,877 | 6,732 | 8,415 | 11,458 | **13,341** | |
| One year later | 5,066 | 6,786 | 7,904 | 10,875 | **-** | |
| Two years later | 4,917 | 6,715 | 7,900 | – | **-** | |
| Three years later | 4,917 | 6,758 | – | – | **-** | |
| Four years later | 4,922 | – | – | – | **-** | |
| Estimated cumulative claims | 4,922 | 6,758 | 7,900 | 10,875 | **13,341** | 43,796 |
| Cumulative claims paid | (4,922) | (6,758) | (7,831) | (10,373) | **(9,662)** | (39,546) |
| Subtotal | | | | | | 4,250 |
| Prior year adjustments, unallocated loss adjustment expenses and risk margin | | | | | | 1,336 |
| Outstanding claim reserves | | | | | | 5,586 |

## 46. 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) | 2013 | 2014 | 2015 | 2016 | **2017** | Total |
|---|---|---|---|---|---|---|
| Estimated cumulative claims paid: | | | | | | |
| As at the end of current year | 4,717 | 6,367 | 8,175 | 11,033 | **12,779** | |
| One year later | 4,862 | 6,574 | 7,673 | 10,544 | **-** | |
| Two years later | 4,804 | 6,536 | 7,663 | – | **-** | |
| Three years later | 4,792 | 6,551 | – | – | **-** | |
| Four years later | 4,797 | – | – | – | **-** | |
| Estimated cumulative claims | 4,797 | 6,551 | 7,663 | 10,544 | **12,779** | 42,334 |
| Cumulative claims paid | (4,797) | (6,551) | (7,594) | (10,056) | **(9,313)** | (38,311) |
| Subtotal | | | | | | 4,023 |
| Prior year adjustments, unallocated loss adjustment expenses and risk margin | | | | | | 1,332 |
| Outstanding claim reserves | | | | | | 5,355 |

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 2017** | | | | |
|---|---|---|---|---|---|
| **(in RMB million)** | **Change in assumptions** | **Impact on gross claim reserves Increase/ (decrease)** | **Impact on net claim reserves Increase/ (decrease)** | **Impact on profit before tax Increase/ (decrease)** | **Impact on equity before tax Increase/ (decrease)** |
| **Average claim costs** | | | | | |
| Property and casualty insurance | **+5%** | **4,252** | **3,821** | **(3,821)** | **(3,821)** |
| Short term life insurance | **+5%** | **279** | **268** | **(268)** | **(268)** |

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| (in RMB million) | Change in assumptions | Impact on gross claim reserves Increase/ (decrease) | Impact on net claim reserves Increase/ (decrease) | Impact on profit before tax Increase/ (decrease) | Impact on equity before tax Increase/ (decrease) |
| **Average claim costs** | | | | | |
| Property and casualty insurance | +5% | 3,159 | 2,770 | (2,770) | (2,770) |
| Short term life insurance | +5% | 238 | 228 | (228) | (228) |

## 46. 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 and due from reinsurers.

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 and HKD/RMB exchange rates. The Group set limitation to its position of foreign currency, monitor the size of foreign currency position, and limit the foreign currency position within the threshold set by utilizing hedging strategy.

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 2017 | | 31 December 2016 | |
|---|---|---|---|---|---|
| (in RMB million) | Change in variables | Increase/ (decrease) in profit before tax | Increase/ (decrease) in equity before tax | Increase/ (decrease) in profit before tax | Increase/ (decrease) in equity before tax |
| USD | +5% | **(1,282)** | **381** | 791 | 1,518 |
| HKD | +5% | **305** | **2,344** | 203 | 1,205 |
| Other currencies | +5% | **(5)** | **231** | (154) | 90 |
| | | **(982)** | **2,956** | 840 | 2,813 |
| USD | -5% | **1,282** | **(381)** | (791) | (1,518) |
| HKD | -5% | **(305)** | **(2,344)** | (203) | (1,205) |
| Other currencies | -5% | **5** | **(231)** | 154 | (90) |
| | | **982** | **(2,956)** | (840) | (2,813) |

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## 46. 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 2017 | | | | |
|---|---|---|---|---|---|
| (in RMB millions) | RMB | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | RMB equivalent total |
| **Assets** | | | | | |
| Cash and amounts due from banks and other financial institutions | 399,670 | 68,704 | 10,831 | 4,686 | 483,891 |
| Balances with the Central Bank and statutory deposits | 311,187 | 6,409 | 640 | - | 318,236 |
| Fixed maturity investments | 2,518,591 | 34,351 | 4,520 | 1,675 | 2,559,137 |
| Equity investments | 538,828 | 42,026 | 41,568 | 8,254 | 630,676 |
| Loans and advances to customers | 1,535,529 | 99,545 | 9,955 | 15,835 | 1,660,864 |
| Premium receivables | 44,776 | 874 | 44 | - | 45,694 |
| Accounts receivable | 71,923 | - | - | - | 71,923 |
| Reinsurers' share of insurance liabilities | 14,373 | 1,003 | 257 | - | 15,633 |
| Finance lease receivables | 112,028 | - | - | - | 112,028 |
| Other assets | 148,699 | 2,505 | 699 | 115 | 152,018 |
| | 5,695,604 | 255,417 | 68,514 | 30,565 | 6,050,100 |
| **Liabilities** | | | | | |
| Due to banks and other financial institutions | 676,008 | 93,289 | 1,054 | 10,179 | 780,530 |
| Other financial liabilities held for trading | 14,056 | 4 | - | - | 14,060 |
| Assets sold under agreements to repurchase | 123,964 | 9,697 | 320 | - | 133,981 |
| Customer deposits and payables to brokerage customers | 1,760,813 | 173,434 | 14,048 | 4,400 | 1,952,695 |
| Accounts payable | 5,468 | - | - | - | 5,468 |
| Insurance payables | 113,613 | 469 | 23 | 3 | 114,108 |
| Insurance contract liabilities | 1,930,484 | 1,680 | 788 | 17 | 1,932,969 |
| Investment contract liabilities for policyholders | 50,301 | 7 | - | 1 | 50,309 |
| Policyholder dividend payable | 45,603 | 17 | - | 2 | 45,622 |
| Bonds payable | 437,033 | 11,715 | 2,535 | - | 451,283 |
| Other liabilities | 204,629 | 11,425 | 421 | 1,280 | 217,755 |
| | 5,361,972 | 301,737 | 19,189 | 15,882 | 5,698,780 |
| Net position of foreign currency | | (46,320) | 49,325 | 14,683 | 17,688 |
| Notional amount of foreign exchange derivative financial instruments | | 53,939 | (2,444) | (10,070) | 41,425 |
| | | 7,619 | 46,881 | 4,613 | 59,113 |
| Off-balance sheet credit commitments | 308,826 | 42,808 | 1,626 | 697 | 353,957 |

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (2) MARKET RISK (CONTINUED)

#### (a) Foreign currency risk (continued)

| (in RMB millions) | RMB | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | RMB equivalent total |
|---|---|---|---|---|---|
| | 31 December 2016 | | | | |
| **Assets** | | | | | |
| Cash and amounts due from banks and other financial institutions | 473,241 | 77,183 | 7,815 | 2,904 | 561,143 |
| Balances with the Central Bank and statutory deposits | 305,057 | 13,533 | 270 | – | 318,860 |
| Fixed maturity investments | 2,128,150 | 17,706 | 10,058 | 377 | 2,156,291 |
| Equity investments | 376,666 | 27,256 | 18,098 | 4,888 | 426,908 |
| Loans and advances to customers | 1,309,332 | 119,755 | 17,712 | 11,492 | 1,458,291 |
| Premium receivables | 34,369 | 911 | 45 | – | 35,325 |
| Accounts receivable | 22,192 | 116 | – | 45 | 22,353 |
| Reinsurers' share of insurance liabilities | 13,862 | 1,120 | 287 | – | 15,269 |
| Finance lease receivables | 78,056 | – | – | – | 78,056 |
| Other assets | 118,776 | 1,990 | 2,371 | 31 | 123,168 |
| | 4,859,701 | 259,570 | 56,656 | 19,737 | 5,195,664 |
| **Liabilities** | | | | | |
| Due to banks and other financial institutions | 520,068 | 57,969 | 2,172 | 4,585 | 584,794 |
| Other financial liabilities held for trading | 25,860 | 23 | – | – | 25,883 |
| Assets sold under agreements to repurchase | 86,244 | – | 2,922 | – | 89,166 |
| Customer deposits and payables to brokerage customers | 1,701,494 | 179,466 | 8,538 | 4,879 | 1,894,377 |
| Accounts payable | 8,565 | – | – | – | 8,565 |
| Insurance payables | 112,747 | 613 | 25 | 2 | 113,387 |
| Insurance contract liabilities | 1,623,060 | 1,845 | 553 | 15 | 1,625,473 |
| Investment contract liabilities for policyholders | 44,922 | 7 | – | 1 | 44,930 |
| Policyholder dividend payable | 39,198 | 16 | – | 2 | 39,216 |
| Bonds payable | 332,855 | 8,713 | 8,257 | – | 349,825 |
| Other liabilities | 132,657 | 1,978 | 4,545 | 94 | 139,274 |
| | 4,627,670 | 250,630 | 27,012 | 9,578 | 4,914,890 |
| Net position of foreign currency | | 8,940 | 29,644 | 10,159 | 48,743 |
| Notional amount of foreign exchange derivative financial instruments | | 21,429 | (5,554) | (8,364) | 7,511 |
| | | 30,369 | 24,090 | 1,795 | 56,254 |
| Off-balance sheet credit commitments | 485,707 | 61,111 | 800 | 2,209 | 549,827 |

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## 46. 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 security 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 security investment funds with 10-day reasonable market fluctuation in using the VaR module in the normal market.

| (in RMB million) | **31 December 2017** | 31 December 2016 |
|---|---|---|
| Listed stocks and security investment funds | **9,455** | 8,297 |

The Group expects that current listed stocks and equity investments funds will not lose more than RMB9,455 million due to market price movements in a 10-trading-day holding period on 99% of occasions.

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (2) MARKET RISK (CONTINUED)

#### (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.

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 2017 Increase/ (decrease) in profit before tax | 31 December 2017 Increase/ (decrease) in equity before tax | 31 December 2016 Increase/ (decrease) in profit before tax | 31 December 2016 Increase/ (decrease) in equity before tax |
|---|---|---|---|---|---|
| Bonds carried at fair value through profit or loss and available-for-sale | -50 basis points | **101** | **4,026** | 257 | 5,664 |
| Bonds carried at fair value through profit or loss and available-for-sale | +50 basis points | **(101)** | **(4,026)** | (257) | (5,664) |

The following sensitivity analysis is based on the assumption that the floating rate bonds, floating rate term deposits and loans and advances 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 after 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.

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (2) MARKET RISK (CONTINUED)

#### (c) Interest rate risk (continued)

| (in RMB million) | Change in interest rate | 31 December 2017 Increase/(decrease) in profit before tax | 31 December 2017 Increase/(decrease) in equity before tax | 31 December 2016 Increase/(decrease) in profit before tax | 31 December 2016 Increase/(decrease) in equity before tax |
|---|---|---|---|---|---|
| Floating interest rate bonds | +50 basis points | **140** | **140** | 155 | 155 |
| Floating rate term deposits | +50 basis points | **18** | **18** | 68 | 68 |
| Loans and advances to customers | +50 basis points | **5,148** | **5,148** | 4,077 | 4,077 |
| Floating interest rate bonds | -50 basis points | **(140)** | **(140)** | (155) | (155) |
| Floating rate term deposits | -50 basis points | **(18)** | **(18)** | (68) | (68) |
| Loans and advances to customers | -50 basis points | **(5,148)** | **(5,148)** | (4,077) | (4,077) |

The following table sets out the Group's term deposits (excluding balances of investment-linked contracts) exposed to interest rate risk by maturity or repricing date (whichever is the earlier):

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Fixed interest rate | | |
| Less than 3 months (including 3 months) | **15,213** | 33,358 |
| 3 months to 1 year (including 1 year) | **9,770** | 46,697 |
| 1-2 years (including 2 years) | **43,370** | 17,090 |
| 2-3 years (including 3 years) | **40,537** | 41,441 |
| 3-4 years (including 4 years) | **20,570** | 16,892 |
| 4-5 years (including 5 years) | **27,890** | 22,102 |
| More than 5 years | **1,000** | 560 |
| Floating interest rate | **3,500** | 13,520 |
| | **161,850** | 191,660 |

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (2) MARKET RISK (CONTINUED)

#### (c) Interest rate risk (continued)

The following table sets out the Group's bonds, debt schemes and banking wealth management products (excluding balances of investment-linked contracts) by maturity or repricing date (whichever is the earlier):

| | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| **(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) | **100,201** | **27,846** | **21,249** | **26,704** | **176,000** |
| 3 months to 1 year (including 1 year) | **163,168** | **84,695** | **36,103** | **1,731** | **285,697** |
| 1-2 years (including 2 years) | **76,504** | **87,422** | **26,498** | **7,867** | **198,291** |
| 2-3 years (including 3 years) | **121,890** | **99,040** | **23,551** | **8,881** | **253,362** |
| 3-4 years (including 4 years) | **38,321** | **103,171** | **17,684** | **2,712** | **161,888** |
| 4-5 years (including 5 years) | **74,132** | **110,383** | **26,831** | **2,786** | **214,132** |
| More than 5 years | **153,567** | **703,584** | **73,165** | **4,626** | **934,942** |
| Floating interest rate | **119,415** | **27,627** | **15,944** | **18,915** | **181,901** |
| | **847,198** | **1,243,768** | **241,025** | **74,222** | **2,406,213** |

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| (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) | 155,299 | 9,514 | 11,574 | 21,386 | 197,773 |
| 3 months to 1 year (including 1 year) | 178,292 | 38,599 | 23,724 | 39,135 | 279,750 |
| 1-2 years (including 2 years) | 66,075 | 67,000 | 22,632 | 1,143 | 156,850 |
| 2-3 years (including 3 years) | 33,407 | 84,025 | 21,369 | 1,195 | 139,996 |
| 3-4 years (including 4 years) | 49,266 | 72,659 | 15,751 | 227 | 137,903 |
| 4-5 years (including 5 years) | 34,262 | 100,397 | 21,036 | 496 | 156,191 |
| More than 5 years | 124,712 | 597,455 | 82,679 | 1,081 | 805,927 |
| Floating interest rate | 110,677 | 40,065 | 17,275 | 7,634 | 175,651 |
| | 751,990 | 1,009,714 | 216,040 | 72,297 | 2,050,041 |

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.

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (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, reinsurance arrangements with reinsurers, policy loans, securities financing and direct loans, financial guarantees, loan commitments, etc. The Group uses a variety of controls to identify, measure, monitor and report credit risk.

**Credit risk of banking business**

The bank segment of the Group has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. 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.

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.

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 ('CBRC'), and applies different management policies to the loans in accordance with their respective loan categories. With the implementation of the New Capital Accord, the banking business will gradually establish a more scientific rating system in accordance with industry and regulatory requirements.

**Credit risk of investment business**

As to debt investments, the Group grades the existing investments according to internal credit rating policies and processes, chooses high credit quality counterparties and establishes strict selective criteria.

The Group's debt securities investment mainly includes domestic government bonds, Central Bank bills, financial institution bonds, corporate bonds and debt investment plans. As at 31 December 2017, 99.98% (31 December 2016: 99.55%) 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 2017, 99.34% (31 December 2016: 99.23%) of the 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. As at 31 December 2017, 82.67% (31 December 2016: 88.89%) of the debt investment plans are guaranteed by third parties or collateralized.

The Group's equity investments mainly include securities, security investment funds, trust products, wealth management products, asset management plans, equity investments and other investments. The Group conducts due diligence, reviews and evaluates counterparties' qualification in order to reduce and manage credit risks of existing equity investments.

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (3) CREDIT RISK (CONTINUED)

**Credit risk of insurance business**

The Group will evaluate the credit rating of the reinsurance companies before signing the reinsurance contracts, and choose the reinsurance companies with higher credit rating to reduce the credit risk.

The limit of policy loans are based on the cash value of valid insurance policy, with an appropriate discount, and the validity period of policy loan is within the validity period of insurance policy. The credit risk associated with policy loans did not have a material impact on the Group's consolidated financial statements as at 31 December 2017 and 31 December 2016.

**Credit quality of amounts due from banks and other financial institutions**

The following table sets forth aggregated amounts due from banks and other financial institutions placed with the PBOC and major commercial banks in the PRC held by the Group. The following analysis excludes balances of investment-linked contracts.

| (in RMB million) | 31 December 2017 |
|---|---|
| PBOC | **305,986** |
| Top five commercial banks | |
| Bank of China Limited | **40,974** |
| Bank of Communications Co., Ltd. | **34,358** |
| Industrial and Commercial Bank of China Limited | **29,051** |
| Industrial Bank Co., Ltd. | **21,984** |
| China Bohai Bank Co., Ltd. | **20,432** |
| Other major banks and financial institutions | |
| China Construction Bank Corporation | **18,434** |
| Bank of Shanghai Limited | **17,839** |
| China Zheshang Bank Co., Ltd. | **16,579** |
| Agricultural Bank of China Limited | **16,343** |
| China Minsheng Banking Corp. Ltd. | **16,070** |
| Others | **264,077** |
| | **802,127** |

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (3) CREDIT RISK (CONTINUED)

**Credit quality of amounts due from banks and other financial institutions** (continued)

| (in RMB million) | 31 December 2016 |
|---|---|
| PBOC | **306,763** |
| Top five commercial banks | |
| Bank of China Limited | **57,548** |
| China Merchants Bank Co., Ltd. | **52,002** |
| Bank of Communications Co., Ltd. | **43,499** |
| Agricultural Bank of China Limited | **30,033** |
| Industrial and Commercial Bank of China Limited | **27,434** |
| Other major banks and financial institutions | |
| China Bohai Bank Co., Ltd. | **25,200** |
| Industrial Bank Co., Ltd. | **19,227** |
| China Construction Bank Corporation | **17,578** |
| China CITIC Bank Corporation Limited | **17,426** |
| China Minsheng Banking Corp. Ltd. | **14,422** |
| Others | **268,871** |
| | **880,003** |

**Credit exposure**

Without taking collateral and other credit enhancements into consideration. For on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the financial statements. The Group also assumes credit risk due to credit commitments. The details are disclosed in Note 54. (3).

Please refer to Note 23. (2) and (5) for an analysis of concentration of loans and advances by industry and geographical region.

**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 to the 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, negotiable securities;
- for commercial lending, charges over real estate properties, inventories, equity investments or trade receivables, etc.; and
- for retail lending, residential properties mortgages.

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (3) CREDIT RISK (CONTINUED)

**Collateral and other credit enhancements** (continued)

Management monitors the market value of the collateral, requests additional collateral when needed according to contracts and performs an valuation for impairment valuation assessment 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**

| | 31 December 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Past due but not impaired | | | | | |
| (in RMB million) | Not due and not impaired | Overdue Less than 30 days | Overdue 31 to 90 days | Overdue More than 90 days | Total past due but not impaired | Impaired | Total |
| Cash and amounts due from banks and other financial institutions – due from and placements with banks and other financial institutions | 189,268 | 1,400 | - | - | 1,400 | 52 | 190,720 |
| Assets purchased under reverse repurchase agreements | 99,251 | 59 | - | - | 59 | - | 99,310 |
| Loans and advances to customers | 1,643,868 | 11,151 | 6,454 | 14,761 | 32,366 | 28,952 | 1,705,186 |
| Including: | | | | | | | |
| Corporate customers | 807,406 | 5,978 | 3,587 | 14,705 | 24,270 | 18,944 | 850,620 |
| Individual customers | 836,462 | 5,173 | 2,867 | 56 | 8,096 | 10,008 | 854,566 |
| Premium receivables | 42,674 | 11 | 19 | 5 | 35 | 4,888 | 47,597 |
| Due from reinsurers | 6,710 | 259 | 892 | 108 | 1,259 | 32 | 8,001 |
| Finance lease receivable | 112,028 | - | - | - | - | 1,682 | 113,710 |
| Gross total | 2,093,799 | 12,880 | 7,365 | 14,874 | 35,119 | 35,606 | 2,164,524 |

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (3) CREDIT RISK (CONTINUED)

**Aging analysis of financial assets** (continued)

| (in RMB million) | 31 December 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Past due but not impaired | | | | | |
| | Not due and not impaired | Overdue Less than 30 days | Overdue 31 to 90 days | Overdue More than 90 days | Total past due but not impaired | Impaired | Total |
| Cash and amounts due from banks and other financial institutions – due from and placements with banks and other financial institutions | 264,378 | – | – | – | – | 54 | 264,432 |
| Assets purchased under reverse repurchase agreements | 65,657 | – | – | – | – | 13 | 65,670 |
| Loans and advances to customers | 1,425,347 | 9,202 | 9,069 | 18,549 | 36,820 | 36,349 | 1,498,516 |
| Including: | | | | | | | |
| Corporate customers | 899,469 | 5,239 | 6,018 | 18,342 | 29,599 | 27,715 | 956,783 |
| Individual customers | 525,878 | 3,963 | 3,051 | 207 | 7,221 | 8,634 | 541,733 |
| Premium receivables | 33,781 | 11 | 17 | 2 | 30 | 2,972 | 36,783 |
| Due from reinsurers | 6,370 | 98 | 3,168 | 2,681 | 5,947 | 48 | 12,365 |
| Finance lease receivable | 78,056 | – | – | – | – | 1,355 | 79,411 |
| Gross total | 1,873,589 | 9,311 | 12,254 | 21,232 | 42,797 | 40,791 | 1,957,177 |

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 2017 was RMB13,319 million (31 December 2016: RMB37,549 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 2017 was RMB8,087 million (31 December 2016: RMB12,427 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 2017** | 31 December 2016 |
|---|---|---|
| Loans and advances to customers | **26,672** | 23,262 |

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (4) LIQUIDITY RISK

Liquidity risk is the risk of not having access to sufficient funds or being unable to realize an asset 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 utilizes multiple regulatory methods, establish comprehensive liquidity risk management framework, effectively recognize, measure, monitor and control liquidity risk, maintain sufficient liquidity level to satisfy various funds requirement and to face adverse market status. In case of monitoring liquidity risks effectively, the Group pays attentions to the funds resources and diversified utilization, keep relatively high liquidity assets consistently. The Group monitors the sourcing and usage of funds, deposit to loan ratio, and quick ratio on a daily basis. Moreover, when adopting various benchmarks for management of liquidity risk management measurement benchmarks, the Group compares the expected results against the ones derived from stress tests, critically assesses the potential impact to the future liquidity risk, and formulates remedial actions according to specific situations. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, and maintaining stable deposits, etc..

The table below summarizes the remaining contractual maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Group (excluding balances of investment-linked contracts) based on undiscounted contractual cash flows/expected cash flows.

| | 31 December 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in RMB million) | Repayable on demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Undated | Total |
| Cash and amounts due from banks and other financial institutions | 119,818 | 138,314 | 101,731 | 148,707 | 2,024 | - | 510,594 |
| Balances with the Central Bank and statutory deposits | 34,862 | 141 | 1,888 | 11,812 | 121 | 271,259 | 320,083 |
| Fixed maturity investments | 41,554 | 292,432 | 428,625 | 1,202,731 | 1,539,172 | - | 3,504,514 |
| Equity investments | 12,317 | 12,785 | 15,548 | 33,307 | 25,389 | 546,944 | 646,290 |
| Loans and advances to customers | 50,194 | 432,182 | 517,173 | 564,950 | 356,122 | - | 1,920,621 |
| Premium receivables | 4,043 | 15,912 | 12,371 | 13,314 | 54 | - | 45,694 |
| Accounts receivable | 1,545 | 7,956 | 51,641 | 12,760 | - | - | 73,902 |
| Finance lease receivable | - | 5,481 | 29,624 | 74,753 | 2,170 | - | 112,028 |
| Other assets | 28,602 | 35,743 | 16,967 | 28,391 | 571 | - | 110,274 |
| | 292,935 | 940,946 | 1,175,568 | 2,090,725 | 1,925,623 | 818,203 | 7,244,000 |

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (4) LIQUIDITY RISK (CONTINUED)

| | 31 December 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in RMB million) | Repayable on demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Undated | Total |
| Due to banks and other financial institutions | 140,112 | 222,766 | 340,249 | 84,563 | 8,526 | - | 796,216 |
| Assets sold under agreements to repurchase | - | 134,154 | - | - | - | - | 134,154 |
| Other financial liabilities held for trading | 4,255 | 4,329 | 5,049 | 568 | - | - | 14,201 |
| Customer deposits and payables to brokerage customers | 780,767 | 424,848 | 432,426 | 375,752 | 2,957 | - | 2,016,750 |
| Accounts payable | 24 | 1,635 | 3,809 | - | - | - | 5,468 |
| Insurance payables | 60,478 | 2,256 | 1,665 | 15 | - | - | 64,414 |
| Insurance contract liabilities | - | 23,790 | 9,125 | 2,257 | 5,158,102 | - | 5,193,274 |
| Investment contract liabilities for policyholders | - | 1,044 | 4,158 | 14,987 | 32,168 | - | 52,357 |
| Policyholder dividend payable | 45,622 | - | - | - | - | - | 45,622 |
| Bonds payable | - | 184,488 | 131,112 | 131,071 | 40,914 | - | 487,585 |
| Other liabilities | 26,894 | 71,442 | 53,005 | 112,552 | 9,493 | - | 273,386 |
| | 1,058,152 | 1,070,752 | 980,598 | 721,765 | 5,252,160 | - | 9,083,427 |
| Derivative cash flows | | | | | | | |
| Derivative financial instruments settled on a net basis | - | (2,493) | (1,400) | 395 | (17) | 21 | (3,494) |
| Derivative financial instruments settled on a gross basis | | | | | | | |
| – Cash inflow | 29,939 | 256,252 | 284,253 | 4,501 | - | - | 574,945 |
| – Cash outflow | (33,627) | (262,994) | (291,364) | (5,560) | - | - | (593,545) |
| | (3,688) | (6,742) | (7,111) | (1,059) | - | - | (18,600) |
| Credit commitments | 2,712 | 165,923 | 166,735 | 63,871 | 95,052 | - | 494,293 |

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (4) LIQUIDITY RISK (CONTINUED)

| (in RMB million) | 31 December 2016 Repayable on demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Undated | Total |
|---|---|---|---|---|---|---|---|
| Cash and amounts due from banks and other financial institutions | 117,588 | 215,329 | 142,351 | 111,867 | 1,771 | – | 588,906 |
| Balances with the Central Bank and statutory deposits | 52,780 | 5,527 | 1,614 | 6,257 | – | 254,116 | 320,294 |
| Fixed maturity investments | 26,165 | 298,335 | 398,111 | 928,015 | 1,323,323 | – | 2,973,949 |
| Equity investments | 6,786 | 9,992 | 21,915 | 11,279 | 7,133 | 393,006 | 450,111 |
| Loans and advances to customers | 45,651 | 349,707 | 499,454 | 508,345 | 252,309 | – | 1,655,466 |
| Premium receivables | 3,760 | 14,054 | 10,620 | 6,818 | 73 | – | 35,325 |
| Accounts receivable | 19 | 9,427 | 4,360 | 8,798 | – | – | 22,604 |
| Finance lease receivable | – | 3,819 | 20,641 | 52,084 | 1,512 | – | 78,056 |
| Other assets | 20,265 | 28,100 | 15,931 | 10,063 | 9,778 | – | 84,137 |
| | 273,014 | 934,290 | 1,114,997 | 1,643,526 | 1,595,899 | 647,122 | 6,208,848 |
| Due to banks and other financial institutions | 113,534 | 319,332 | 90,661 | 63,331 | 8,753 | – | 595,611 |
| Assets sold under agreements to repurchase | – | 89,266 | – | – | – | – | 89,266 |
| Other financial liabilities held for trading | 3,454 | 21,114 | 1,617 | – | – | – | 26,185 |
| Customer deposits and payables to brokerage customers | 832,094 | 358,233 | 433,847 | 320,893 | 3,109 | – | 1,948,176 |
| Accounts payable | 7 | 48 | 8,510 | – | – | – | 8,565 |
| Insurance payables | 51,302 | 8,231 | 1,603 | 12 | – | – | 61,148 |
| Insurance contract liabilities | – | 53,502 | 29,091 | 43,488 | 4,316,483 | – | 4,442,564 |
| Investment contract liabilities for policyholders | – | 1,242 | 4,233 | 13,797 | 32,296 | – | 51,568 |
| Policyholder dividend payable | 39,216 | – | – | – | – | – | 39,216 |
| Bonds payable | – | 148,046 | 115,658 | 79,226 | 48,714 | – | 391,644 |
| Other liabilities | 20,693 | 30,119 | 100,355 | 52,275 | 1,725 | – | 205,167 |
| | 1,060,300 | 1,029,133 | 785,575 | 573,022 | 4,411,080 | – | 7,859,110 |
| Derivative cash flows | | | | | | | |
| Derivative financial instruments settled on a net basis | (29) | (587) | (38) | (131) | – | – | (785) |
| Derivative financial instruments settled on a gross basis | | | | | | | |
| – Cash inflow | 65,778 | 250,657 | 196,367 | 22,833 | – | – | 535,635 |
| – Cash outflow | (64,984) | (250,622) | (196,763) | (23,105) | – | – | (535,474) |
| | 794 | 35 | (396) | (272) | – | – | 161 |
| Credit commitments | 3,425 | 236,106 | 283,237 | 71,416 | 54,930 | – | 649,114 |

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## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (4) LIQUIDITY RISK (CONTINUED)

Management expects the credit commitments will not be entirely used during the commitment period.

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 record keeping purposes. As the investment risks of investment-linked contracts were fully borne by policyholders, the assets and liabilities related to investment-linked contracts were not included in the analysis of risk management. Investment-linked contracts are repayable on demand. The Group manages liquidity risk related to the investment-linked contracts by investing mainly in assets with high liquidity, as disclosed in Note 28.

### (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. Operational risk in this context includes legal risk, but does not include strategic risk and reputational risk. The Group is exposed to many types of operational risks in the conduct of its business. The Group manages operational risk by establishing and continuously improving risk management framework, formalizing policies and standards, using management tools and reporting mechanism, strengthening communication and enhancing training to staff members.

### (7) CAPITAL MANAGEMENT

The Group's capital requirements are primarily dependent on the scale and products of insurance business, 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 has formally implemented China Risk Oriented Solvency System since 1 January 2016 by reference to the 'Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC. The Group adjusted the objective, policy and process of capital management. As at 31 December 2017, the Group was compliant with the relevant regulatory capital requirements.

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (7) CAPITAL MANAGEMENT (CONTINUED)

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 2017 | | |
|---|---|---|---|
| | The Group | Ping An Life | Ping An Property & Casualty |
| Core capital | **1,115,365** | **680,450** | **70,095** |
| Regulatory capital held | **1,146,865** | **703,450** | **78,595** |
| Minimum regulatory capital | **533,775** | **300,453** | **36,141** |
| Core Solvency margin ratio | **209.0%** | **226.5%** | **194.0%** |
| Comprehensive solvency margin ratio | **214.9%** | **234.1%** | **217.5%** |

| | 31 December 2016 | | |
|---|---|---|---|
| | The Group | Ping An Life | Ping An Property & Casualty |
| Core capital | 889,883 | 501,710 | 63,439 |
| Regulatory capital held | 929,883 | 533,710 | 71,439 |
| Minimum regulatory capital | 442,729 | 236,304 | 26,725 |
| Core Solvency margin ratio | 201.0% | 212.3% | 237.4% |
| Comprehensive solvency margin ratio | 210.0% | 225.9% | 267.3% |

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.

The banking business measures the capital adequacy ratio in accordance with the 'Capital Rules for Commercial Banks (Provisional)' issued by the CBRC in June 2012. According to the requirements, Risk weighted assets for credit risk is measured by Weighted Approach, Risk weighted assets for market risk is measured by Standardised Approach, and risk weighted assets for operation risk is measured by the Basic Indicator Approach.

The banking operation's core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio are shown below:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Core Tier 1 capital adequacy ratio | **8.28%** | 8.36% |
| Tier 1 capital adequacy ratio | **9.18%** | 9.34% |
| Capital adequacy ratio | **11.20%** | 11.53% |

### (8) THE GROUP'S MAXIMUM EXPOSURE TO STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for customers, to provide finance to public and private sector infrastructure projects, and to generate fees from managing assets on behalf of third-party investors. These structured entities are financed through the issue of notes or units to investors. Refer to Note 4. (6) for the Group's consolidation consideration related to structured entities.

## 46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (8) THE GROUP'S MAXIMUM EXPOSURE TO STRUCTURED ENTITIES (CONTINUED)

The following table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of direct investments made by the Group.

The size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

| 31 December 2017 (in RMB million) | Unconsolidated structured entities Size | Carrying amount | The Group's maximum exposure | Interest held by the Group |
|---|---|---|---|---|
| Securitization | **59,223** | **2,426** | **2,426** | Investment income and service fee |
| Assets management products managed by affiliated entities | **1,337,658** | **175,338** | **175,338** | Investment income and service fee |
| Assets management products managed by third parties | **Note 1** | **476,103** | **476,103** | Investment income |
| Wealth management products managed by affiliated entities | **508,770** | **3,030** | **3,030** | Investment income and service fee |
| Wealth management products managed by third parties | **Note 1** | **26,545** | **26,545** | Investment income |

| 31 December 2016 (in RMB million) | Unconsolidated structured entities Size | Carrying amount | The Group's maximum exposure | Interest held by the Group |
|---|---|---|---|---|
| Securitization | 50,273 | 520 | 520 | Investment income and service fee |
| Assets management products managed by affiliated entities | 1,372,960 | 148,446 | 148,446 | Investment income and service fee |
| Assets management products managed by third parties | Note 1 | 345,414 | 345,414 | Investment income |
| Wealth management products managed by affiliated entities | 744,043 | 550 | 550 | Investment income and service fee |
| Wealth management products managed by third parties | Note 1 | 20,415 | 20,415 | Investment income |

Note 1: These assets management products and wealth management products are sponsored by third party financial institutions and the information related to size of these structured entities were not publicly available.

The Group's interest in unconsolidated structured entities are recorded as other equity investments under equity investments and trust schemes, asset management schemes, debt schemes, wealth management products under fixed maturity investments and beneficial right of loans and receivables purchased under trust schemes under assets purchased under reverse repurchase agreements.

## 47. 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, due from reinsurers and 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 2017** | 31 December 2016 | **31 December 2017** | 31 December 2016 |
| **Financial assets** | | | | |
| Available-for-sale | | | | |
| Bonds | **221,871** | 193,904 | **221,871** | 193,904 |
| Funds | **56,935** | 54,590 | **56,935** | 54,590 |
| Stocks | **259,938** | 119,563 | **259,938** | 119,563 |
| Others | **236,228** | 162,486 | **236,228** | 162,486 |
| Carried at fair value through profit or loss | | | | |
| Bonds | **63,801** | 70,392 | **63,801** | 70,392 |
| Funds | **33,491** | 48,804 | **33,491** | 48,804 |
| Stocks | **16,978** | 22,657 | **16,978** | 22,657 |
| Others | **26,980** | 12,110 | **26,980** | 12,110 |
| Derivative financial assets | **16,192** | 8,836 | **16,192** | 8,836 |
| Held-to-maturity | | | | |
| Bonds | **1,243,768** | 1,009,714 | **1,206,471** | 1,049,062 |
| Loans and receivables | | | | |
| Cash and amounts due from banks and other financial institutions | **483,891** | 561,143 | **483,891** | 561,143 |
| Balances with the Central Bank and statutory deposits | **318,236** | 318,860 | **318,236** | 318,860 |
| Loans and advances to customers | **1,660,864** | 1,458,291 | **1,661,301** | 1,460,853 |
| Bonds | **99,068** | 68,856 | **99,068** | 68,856 |
| Debt schemes | **704,542** | 648,266 | **708,854** | 649,922 |
| Policy loans | **83,203** | 64,634 | **83,203** | 64,634 |
| Assets purchased under reverse repurchase agreements | **99,296** | 65,657 | **99,296** | 65,657 |
| Wealth management products | **43,588** | 34,841 | **43,588** | 34,841 |
| Premium receivables | **45,694** | 35,325 | **45,694** | 35,325 |
| Accounts receivable | **71,923** | 22,353 | **71,923** | 22,353 |
| Finance lease receivable | **112,028** | 78,056 | **112,028** | 78,056 |
| Other assets | **152,018** | 123,196 | **152,018** | 123,196 |
| Total financial assets | **6,050,533** | 5,182,534 | **6,017,985** | 5,226,100 |

## 47. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (1) CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

| (in RMB million) | Carrying values 31 December 2017 | Carrying values 31 December 2016 | Fair values 31 December 2017 | Fair values 31 December 2016 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Derivative financial liabilities | **17,950** | 8,715 | **17,950** | 8,715 |
| Other financial liabilities | | | | |
| Due to banks and other financial institutions | **780,530** | 584,794 | **780,530** | 584,794 |
| Assets sold under agreements to repurchase | **133,981** | 89,166 | **133,981** | 89,166 |
| Other financial liabilities held for trading | **14,060** | 25,883 | **14,060** | 25,883 |
| Customer deposits and payables to brokerage customers | **1,952,695** | 1,894,377 | **1,952,695** | 1,894,377 |
| Accounts payable | **5,468** | 8,565 | **5,468** | 8,565 |
| Insurance payables | **64,414** | 61,148 | **64,414** | 61,148 |
| Investment contract liabilities for policyholders | **46,200** | 40,846 | **46,200** | 40,846 |
| Policyholder dividend payable | **45,622** | 39,216 | **45,622** | 39,216 |
| Bonds payable | **451,283** | 349,825 | **450,142** | 350,868 |
| Other liabilities | **281,337** | 211,181 | **281,337** | 211,181 |
| Total financial liabilities | **3,793,540** | 3,313,716 | **3,792,399** | 3,314,759 |

The assets and liabilities of the investment-linked business are not included in the above financial assets and liabilities.

#### 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.

#### Financial assets and liabilities 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 market rate since the instrument was first recognized.

Floating rate 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 financial products 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.

## 47. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (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. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The primary quoted market price used for financial assets held by the Group is the current bid price. Financial instruments included in Level 1 comprise primarily equity investments, fund investments and bond investments traded on stock exchanges and open-ended mutual funds;

Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly (such as price) or indirectly. (such as calculated based on price). These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates;

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 (unobservable inputs).

The level of fair value calculation is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

**Valuation methods for Level 2 and Level 3 financial instruments**

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. The fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. As at 31 December 2017, the key assumptions adopted for majority of the Group's financial instruments within Level 3 were expected returns, ranged from 3.8% to 6.0%.

## 47. 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 2017 | | | |
|---|---|---|---|---|
| (in RMB million) | Level 1 | Level 2 | Level 3 | Total fair value |
| **Financial assets** | | | | |
| Carried at fair value through profit or loss | | | | |
| Bonds | 4,140 | 59,661 | – | 63,801 |
| Security investment funds | 21,528 | 10,993 | 970 | 33,491 |
| Equity securities | 16,697 | 281 | – | 16,978 |
| Other equity investments | – | 19,832 | 7,148 | 26,980 |
| | 42,365 | 90,767 | 8,118 | 141,250 |
| Derivative financial assets | | | | |
| Interest rate swaps | – | 225 | – | 225 |
| Currency forwards and swaps | – | 14,107 | – | 14,107 |
| Others | – | 1,860 | – | 1,860 |
| | – | 16,192 | – | 16,192 |
| Available-for-sale financial assets | | | | |
| Bonds | 42,676 | 179,155 | 40 | 221,871 |
| Security investment funds | 51,555 | 5,380 | – | 56,935 |
| Equity securities | 254,328 | 5,610 | – | 259,938 |
| Other equity investments | – | 64,969 | 171,259 | 236,228 |
| | 348,559 | 255,114 | 171,299 | 774,972 |
| Total financial assets | 390,924 | 362,073 | 179,417 | 932,414 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | | | | |
| Interest rate swaps | – | 100 | – | 100 |
| Currency forwards and swaps | – | 15,848 | – | 15,848 |
| Others | – | 2,002 | – | 2,002 |
| | – | 17,950 | – | 17,950 |
| Other financial liabilities held for trading | 9,076 | 4,370 | 614 | 14,060 |
| Total financial liabilities | 9,076 | 22,320 | 614 | 32,010 |

## 47. 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 (continued):

| | 31 December 2016 | | | |
|---|---|---|---|---|
| (in RMB million) | Level 1 | Level 2 | Level 3 | Total fair value |
| **Financial assets** | | | | |
| Carried at fair value through profit or loss | | | | |
| Bonds | 2,206 | 68,186 | – | 70,392 |
| Security investment funds | 40,710 | 8,076 | 18 | 48,804 |
| Equity securities | 22,412 | 245 | – | 22,657 |
| Other equity investments | 116 | 7,291 | 4,703 | 12,110 |
| | 65,444 | 83,798 | 4,721 | 153,963 |
| Derivative financial assets | | | | |
| Interest rate swaps | – | 422 | – | 422 |
| Currency forwards and swaps | – | 3,434 | – | 3,434 |
| Others | – | 4,980 | – | 4,980 |
| | – | 8,836 | – | 8,836 |
| Available-for-sale financial assets | | | | |
| Bonds | 41,608 | 152,296 | – | 193,904 |
| Security investment funds | 49,161 | 5,429 | – | 54,590 |
| Equity securities | 116,141 | 3,422 | – | 119,563 |
| Other equity investments | – | 43,339 | 119,147 | 162,486 |
| | 206,910 | 204,486 | 119,147 | 530,543 |
| Total financial assets | 272,354 | 297,120 | 123,868 | 693,342 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | | | | |
| Interest rate swaps | – | 354 | – | 354 |
| Currency forwards and swaps | – | 4,492 | – | 4,492 |
| Others | – | 3,869 | – | 3,869 |
| | – | 8,715 | – | 8,715 |
| Other financial liabilities held for trading | 22,326 | 3,361 | 196 | 25,883 |
| Total financial liabilities | 22,326 | 12,076 | 196 | 34,598 |

## 47. 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 not recorded at fair value but for which fair value is disclosed by level of the fair value hierarchy:

| | 31 December 2017 | | | |
|---|---|---|---|---|
| (in RMB million) | Level 1 | Level 2 | Level 3 | Total fair value |
| **Financial assets** | | | | |
| Held-to-maturity | | | | |
| Bonds | **48,656** | **1,157,439** | **376** | **1,206,471** |
| Total financial assets | **48,656** | **1,157,439** | **376** | **1,206,471** |
| **Financial liabilities** | | | | |
| Bonds payable | **68,972** | **381,170** | **–** | **450,142** |
| Total financial liabilities | **68,972** | **381,170** | **–** | **450,142** |

| | 31 December 2016 | | | |
|---|---|---|---|---|
| (in RMB million) | Level 1 | Level 2 | Level 3 | Total fair value |
| **Financial assets** | | | | |
| Held-to-maturity | | | | |
| Bonds | 42,993 | 1,004,869 | 1,200 | 1,049,062 |
| Total financial assets | 42,993 | 1,004,869 | 1,200 | 1,049,062 |
| **Financial liabilities** | | | | |
| Bonds payable | 25,400 | 325,468 | – | 350,868 |
| Total financial liabilities | 25,400 | 325,468 | – | 350,868 |

Financial assets and liabilities for which fair value approximates carry value are not included in the above disclosure.

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

| | Carried at fair value through profit or loss | |
|---|---|---|
| (in RMB million) | 2017 | 2016 |
| At 1 January | **4,721** | 945 |
| Additions | **2,756** | 4,719 |
| Disposals | **(775)** | (1,156) |
| Total gains in income | **1,416** | 213 |
| At 31 December | **8,118** | 4,721 |

## 47. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

| (in RMB million) | Available-for-sale financial assets 2017 | 2016 |
|---|---|---|
| At 1 January | **119,147** | 74,219 |
| Additions | **100,232** | 129,882 |
| Disposals | **(61,072)** | (87,714) |
| Transfers into Level 3 | **14,096** | 1,021 |
| Transfers out of Level 3 | **(3,302)** | – |
| Total gains in income | **30** | 77 |
| Total gains in other comprehensive income | **2,168** | 1,662 |
| At 31 December | **171,299** | 119,147 |

The gains or losses of level 3 financial instruments included in the statement of income for the year are presented as follows:

| | 2017 | | |
|---|---|---|---|
| (in RMB million) | Realized gains | Unrealized gains | Total |
| Carried at fair value through profit or loss | **1** | **1,415** | **1,416** |
| Available-for-sale | **30** | **–** | **30** |
| | **31** | **1,415** | **1,446** |

| | 2016 | | |
|---|---|---|---|
| (in RMB million) | Realized gains | Unrealized gains | Total |
| Carried at fair value through profit or loss | (6) | 219 | 213 |
| Available-for-sale | 77 | – | 77 |
| | 71 | 219 | 290 |

**Transfers**

During the year 2017, there were no significant transfers between Level 1 and Level 2 fair value measurements. Transfer into level 3 is due to change of input value for part of financial instruments and valuation performed on part of equity investments previously stated at cost.

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## 48. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred financial assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these financial assets, the Group continued to recognize the transferred financial assets.

Transferred financial assets that do not qualify for derecognition include securitized loans and debt securities held by counterparties as collateral under repurchase agreement.

The Group's subsidiaries, Ping An Bank, Ping An Securities and Ping An Financial Leasing, entered into loan securitization transactions. The Group has determined that it retains substantially all the risks and rewards of certain securitized loans and therefore has not derecognized them.

Other transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to provide additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them.

The following table analyses the carrying amount of the abovementioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| (in RMB million) | Carrying amount assets | Carrying amount associated liabilities | Carrying amount assets | Carrying amount associated liabilities |
| Repurchase transactions | **4,299** | **4,299** | 298 | 298 |
| Assets securitization | **2,112** | **2,112** | 735 | 735 |

## 49. CASH AND CASH EQUIVALENTS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Cash and amounts due from banks and other financial institutions | | |
| Cash on hand | **4,228** | 4,499 |
| Term deposits | **7,773** | 1,710 |
| Due from banks and other financial institutions | **127,569** | 156,883 |
| Placements with banks and other financial institutions | **30,003** | 86,492 |
| Balances with the Central Bank | **32,898** | 51,973 |
| Bonds | **13,185** | 7,229 |
| Assets purchased under reverse repurchase agreements | **93,008** | 58,766 |
| Total | **308,664** | 367,552 |

The carrying amounts disclosed above approximate their fair values at year end.

## 50. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (1) RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES:

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| Profit before tax | **134,740** | 94,411 |
| Adjustments for: | | |
| Depreciation | **5,618** | 4,041 |
| Amortization of intangible assets | **2,394** | 2,123 |
| Losses on disposal of investment properties, property and equipment, intangible assets and settled assets | **1** | – |
| Investment income | **(192,757)** | (141,168) |
| Fair value gains on investments at fair value through profit or loss | **(3,271)** | (3,831) |
| Fair value losses on available-for-sale equity investments (transfer from equity) | **716** | 568 |
| Finance costs | **11,167** | 12,144 |
| Foreign exchange losses/(gains) | **128** | (1,401) |
| Provision for doubtful debts and others, net | **581** | 723 |
| Loan loss provisions, net of reversals | **40,814** | 45,491 |
| Operating profit before working capital changes | **131** | 13,101 |
| Changes in operating assets and liabilities: | | |
| Increase in balances with the Central Bank and statutory deposits | **(18,299)** | (14,103) |
| Increase in amounts due from banks and other financial institutions | **(41,146)** | (28,305) |
| Increase in premium receivables | **(10,369)** | (1,253) |
| Increase in accounts receivable | **(49,709)** | (4,739) |
| Decrease/(Increase) in inventories | **523** | (1,210) |
| (Increase)/Decrease in reinsurers' share of insurance liabilities | **(364)** | 2,376 |
| Increase in loans and advances to customers | **(206,451)** | (223,768) |
| Decrease in assets purchased under reverse repurchase agreements of the banking and securities business | **625** | 33,688 |
| Increase in other assets | **(78,685)** | (97,276) |
| Increase in amounts due to banks and other financial institutions | **124,423** | 141,374 |
| Increase in customer deposits and payables to brokerage customers | **62,110** | 187,201 |
| Increase in insurance payables | **721** | 30,902 |
| Increase in insurance contract liabilities | **234,521** | 158,867 |
| Increase in investment contract liabilities for policyholders | **76,289** | 62,192 |
| Increase in policyholder dividend payable | **6,406** | 6,188 |
| Increase/(Decrease) in assets sold under agreements to repurchase of the banking and securities business | **7,787** | (4,093) |
| Increase/(Decrease) in other liabilities | **49,656** | (7,412) |
| Cash generated from operations | **158,169** | 253,730 |
| Income tax paid | **(36,886)** | (25,909) |
| Net cash flows from operating activities | **121,283** | 227,821 |

## 50. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### (2) NET DEBT RECONCILIATION:

This section sets out an analysis of net debt and movements in net debt of current year.

| Net debt | 31 December 2017 |
|---|---|
| Cash and cash equivalents | **308,664** |
| Liquid investments (i) | **141,250** |
| Borrowings – repayable within 1 year | **(332,920)** |
| Borrowings – repayable after 1 year | **(317,838)** |
| | **(200,844)** |
| Cash and liquid investment | **449,914** |
| Gross debt – fixed interest rates | **(242,476)** |
| Gross debt – variable interest rates | **(408,282)** |
| | **(200,844)** |

| | Other assets | | Liabilities from financing activities | | Total |
|---|---|---|---|---|---|
| | Cash and cash equivalents | Liquid investments | Borrowings – repayable within 1 year | Borrowings – repayable after 1 year | |
| Balance as at 1 January 2017 | **367,552** | **153,963** | **(289,782)** | **(188,205)** | **43,528** |
| Cash flows | **(54,896)** | **(15,864)** | **(43,138)** | **(111,292)** | **(225,190)** |
| Foreign exchange adjustments | **(3,992)** | **–** | **–** | **2,963** | **(1,029)** |
| Other non-cash movements | **–** | **3,151** | **–** | **(21,304)** | **(18,153)** |
| Balance as at 31 December 2017 | **308,664** | **141,250** | **(332,920)** | **(317,838)** | **(200,844)** |

(i) Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

## 51. 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) | 2017 | 2016 |
|---|---|---|
| Salaries and other short term employee benefits after tax | **73** | 65 |
| Individual income tax | **49** | 43 |

The estimated amount of total compensation has been provided in the Group's 2017 financial statements. The total compensation for certain key management personnel has not yet been finalized in accordance with relevant policies. The remaining compensation will be disclosed in a separate announcement when approved.

Part of compensation of key management personnel is subject to deferred payment requirement for a period of 3 years in accordance with the 'Guidance of insurance company's compensation management' issued by the CIRC. Unpaid balances subject to deferred payment requirement were included in the total compensation payable to the key management personnel.

### (2) COMPENSATION OF KEY MANAGEMENT PERSONNEL OTHER THAN DIRECTORS AND SUPERVISORS IS AS FOLLOWS:

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| Salaries and other short term employee benefits after tax | **32** | 28 |
| Individual income tax | **23** | 20 |

The long-term benefits attributed to year 2014 for key management personnel other than directors and supervisors were paid in 2017 as the required payment conditions had been fulfilled. The amount paid after tax was RMB2,447.5 thousand and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 17 August 2017.

The long-term benefits attributed to year 2013 for key management personnel other than directors and supervisors were paid in 2016 as the required payment conditions had been fulfilled. The amount paid after tax was RMB3,135.0 thousand and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 17 August 2016.

## 51. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

### (3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The remuneration of every director and supervisor is set out below:

**For the year ended 31 December 2017:**

| | 2017 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in RMB thousand) | Fees | Salaries | Discretionary bonuses (ii) | Housing allowance | Other employee benefits | Employer's contribution to a retirement benefit scheme | Remunerations received or receivable in respect of accepting office as director | Emoluments received or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking | Total | Individual income tax |
| **Directors** | | | | | | | | | | |
| MA Mingzhe (iii) | - | 2,817 | 2,258 | 2 | 7 | - | - | - | 5,084 | 3,806 |
| SUN Jianyi (iv) | - | 2,102 | 1,939 | 2 | 6 | - | - | - | 4,049 | 2,959 |
| REN Huichuan (iv) | - | 2,119 | 1,829 | 32 | 23 | 65 | - | - | 4,068 | 2,853 |
| YAO Jason Bo (iv) | - | 3,222 | 3,039 | - | 3 | 33 | - | - | 6,297 | 4,740 |
| LEE Yuansiong (iv) | - | 3,772 | 3,589 | - | 3 | 33 | - | - | 7,397 | 5,640 |
| CAI Fangfang (iv) | - | 2,118 | 1,939 | 30 | 24 | 58 | - | - | 4,169 | 2,944 |
| LIN Lijun (iv) | - | 487 | 181 | 32 | 23 | 55 | - | - | 778 | 187 |
| Soopakij CHEARAVANONT | 495 | - | - | - | - | - | - | - | 495 | 125 |
| YANG Xiaoping | 518 | - | - | - | - | - | - | - | 518 | 132 |
| WOO Ka Biu Jackson (v) | 311 | - | - | - | - | - | - | - | 311 | 79 |
| Stephen Thomas Meldrum | 518 | - | - | - | - | - | - | - | 518 | 132 |
| OUYANG Hui (v) | 208 | - | - | - | - | - | - | - | 208 | 53 |
| XIONG Peijin | 503 | - | - | - | - | - | - | - | 503 | 127 |
| LIU Chong | 518 | - | - | - | - | - | - | - | 518 | 132 |
| YIP Dicky Peter | 518 | - | - | - | - | - | - | - | 518 | 132 |
| WONG Oscar Sai Hung | 518 | - | - | - | - | - | - | - | 518 | 132 |
| SUN Dongdong | 518 | - | - | - | - | - | - | - | 518 | 132 |
| GE Ming | 518 | - | - | - | - | - | - | - | 518 | 132 |
| Subtotal | 5,143 | 16,637 | 14,774 | 98 | 89 | 244 | - | - | 36,985 | 24,437 |
| **Supervisors** | | | | | | | | | | |
| PAN Zhongwu (iv) | - | 597 | 370 | 32 | 24 | 62 | - | - | 1,085 | 332 |
| GAO Peng (vi) | - | 488 | 397 | 18 | 13 | 38 | - | - | 954 | 496 |
| WANG Zhiliang (vi) | - | 321 | 263 | 7 | 13 | 30 | - | - | 634 | 155 |
| GU Liji | 518 | - | - | - | - | - | - | - | 518 | 132 |
| ZHANG Wangjin | 480 | - | - | - | - | - | - | - | 480 | 120 |
| HUANG Baokui | 518 | - | - | - | - | - | - | - | 518 | 132 |
| Subtotal | 1,516 | 1,406 | 1,030 | 57 | 50 | 130 | - | - | 4,189 | 1,367 |
| Total | 6,659 | 18,043 | 15,804 | 155 | 139 | 374 | - | - | 41,174 | 25,804 |

## 51. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

### (3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2016:

| | 2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in RMB thousand) | Fees | Salaries | Discretionary bonuses (ii) | Housing allowance | Other employee benefits | Employer's contribution to a retirement benefit scheme | Remunerations received or receivable in respect of accepting office as director | Emoluments received or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking | Total | Individual income tax |
| **Directors** | | | | | | | | | | |
| MA Mingzhe (iii) | – | 2,816 | 2,692 | 8 | 7 | – | – | – | 5,523 | 4,162 |
| SUN Jianyi (vii) | – | 2,102 | 1,939 | 2 | 6 | – | – | – | 4,049 | 2,960 |
| REN Huichuan (vii) | – | 2,115 | 1,939 | 29 | 22 | 63 | – | – | 4,168 | 2,946 |
| YAO Jason Bo (vii) | – | 2,808 | 2,626 | – | 3 | 30 | – | – | 5,467 | 4,066 |
| LEE Yuansiong (vii) | – | 2,945 | 2,764 | – | 3 | 30 | – | – | 5,742 | 4,291 |
| CAI Fangfang | – | 1,564 | 1,389 | 27 | 18 | 52 | – | – | 3,050 | 2,047 |
| LIN Lijun (vii) | – | 484 | 151 | 29 | 24 | 55 | – | – | 743 | 174 |
| Soopakij CHEARAVANONT | 470 | – | – | – | – | – | – | – | 470 | 170 |
| YANG Xiaoping | 477 | – | – | – | – | – | – | – | 477 | 173 |
| WOO Ka Biu Jackson | 515 | – | – | – | – | – | – | – | 515 | 145 |
| Stephen Thomas Meldrum | 507 | – | – | – | – | – | – | – | 507 | 143 |
| FAN Mingchun (ix) | – | – | – | – | – | – | – | – | – | – |
| LU Hua (ix) | – | – | – | – | – | – | – | – | – | – |
| XIONG Peijin (ix) | 468 | – | – | – | – | – | – | – | 468 | 169 |
| LIU Chong (ix) | 468 | – | – | – | – | – | – | – | 468 | 169 |
| YIP Dicky Peter | 515 | – | – | – | – | – | – | – | 515 | 145 |
| WONG Oscar Sai Hung | 507 | – | – | – | – | – | – | – | 507 | 143 |
| SUN Dongdong | 515 | – | – | – | – | – | – | – | 515 | 145 |
| GE Ming | 515 | – | – | – | – | – | – | – | 515 | 145 |
| Subtotal | 4,957 | 14,834 | 13,500 | 95 | 83 | 230 | – | – | 33,699 | 22,193 |
| **Supervisors** | | | | | | | | | | |
| GU Liji | 503 | – | – | – | – | – | – | – | 503 | 147 |
| ZHANG Wangjin | 470 | – | – | – | – | – | – | – | 470 | 170 |
| PAN Zhongwu (vii) | – | 581 | 294 | 28 | 23 | 60 | – | – | 986 | 267 |
| GAO Peng | – | 819 | 519 | 29 | 24 | 60 | – | – | 1,451 | 585 |
| PENG Zhijian (viii) (x) | – | – | – | – | – | – | – | – | – | – |
| HUANG Baokui (x) | 257 | – | – | – | – | – | – | – | 257 | 70 |
| Subtotal | 1,230 | 1,400 | 813 | 57 | 47 | 120 | – | – | 3,667 | 1,239 |
| Total | 6,187 | 16,234 | 14,313 | 152 | 130 | 350 | – | – | 37,366 | 23,432 |

## 51. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

### (3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

(i) Other non-monetary benefits include share purchase scheme, in 2015, the Company has adopted an employee share purchase scheme for the key employees of the Company and its subsidiaries. In 2017, the shares purchased during the year 2015 and 2016 began to vest, and the vesting conditions of employee share purchase scheme for MA Mingzhe, SUN Jianyi, REN Huichuan, YAO Jason Bo, LEE Yuansiong, CAI Fangfang, LIN Lijun, PAN Zhongwu, Gao Peng and WANG Zhiliang had been fulfilled in 2017. As at 28 April 2017, the shares were allocated to personal accounts at respective employee's request and the closing price was RMB37.96 per share, and the vested shares net of tax are summarised as follows:

| Name | Shares |
|---|---|
| MA Mingzhe | 717,256 |
| SUN Jianyi | 163,197 |
| REN Huichuan | 123,564 |
| YAO Jason Bo | 48,223 |
| LEE Yuansiong | 40,601 |
| CAI Fangfang | 16,530 |
| LIN Lijun | 1,140 |
| PAN Zhongwu | 5,797 |
| GAO Peng | 13,875 |
| WANG Zhiliang | 9,746 |

(ii) Discretionary bonuses are determined on the achievement of targeted profit of the Company, the personal performance and approved by the compensation committee of the board of directors.

(iii) MA Mingzhe is the Chief Executive Officer of the Company.

(iv) The long-term benefits attributed to year 2014 for SUN Jianyi, REN Huichuan, YAO Jason Bo, LEE Yuansiong, CAI Fangfang, LIN Lijun, PAN Zhongwu and SUN Jianping were paid in 2017 as the required payment conditions had been fulfilled. The amount after tax paid to SUN Jianyi, REN Huichuan, YAO Jason Bo, LEE Yuansiong, CAI Fangfang, LIN Lijun, PAN Zhongwu and SUN Jianping were RMB4,125.0 thousand, RMB4,125.0 thousand, RMB825.0 thousand, RMB605.0 thousand, RMB275.0 thousand, RMB54.5 thousand, RMB177.2 thousand and RMB804.2 thousand respectively and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 17 August 2017.

(v) WOO Ka Biu Jackson resigned as Independent Non-executive Director of the Company on 6 August 2017, took over by OUYANG Hui on the same day.

(vi) GAO Peng resigned as Employee Representative Supervisor on 6 August 2017, took over by WANG Zhiliang on the same day.

(vii) The long-term benefits attributed to year 2013 for SUN Jianyi, REN Huichuan, YAO Jason Bo, LEE Yuansiong, LIN Lijun and PAN Zhongwu were paid in 2016 as the required payment conditions had been fulfilled. The amount after tax paid to SUN Jianyi, REN Huichuan, YAO Jason Bo, LEE Yuansiong, LIN Lijun and PAN Zhongwu, were RMB4,125.0 thousand, RMB4,125.0 thousand, RMB825.0 thousand, RMB605.0 thousand, RMB206.5 thousand, RMB192.7 thousand respectively and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 17 August 2016.

(viii) During the year 2016, PENG Zhijian waived emoluments of RMB100 thousand.

(ix) FAN Mingchun and LU Hua resigned as Director on 8 January 2016, took over by XIONG Peijin and LIU Chong.

(x) PENG Zhijian resigned as supervisor on 28 June 2016, took over by HUANG Baokui.

## 52. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group include 3 (2016: 3) key management members whose emoluments were reflected in the analysis presented in Note 51.

Details of emoluments of the remaining highest paid individuals are as follows:

| (in RMB million) | 2017 | 2016 |
|---|---|---|
| Salaries and other short term employee benefits after tax | **35** | 25 |

The number of non-key management personnel whose emoluments after tax fell within the following bands is as follows:

| | 2017 | 2016 |
|---|---|---|
| RMB7,000,001 – RMB10,000,000 | **-** | 2 |
| RMB10,000,001 – RMB13,000,000 | **1** | – |
| RMB13,000,001 – RMB16,000,000 | **-** | – |
| RMB16,000,001 – RMB19,000,000 | **-** | – |
| RMB19,000,001 – RMB22,000,000 | **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 Mainland China of the Group were approximately 42.94%-43.45% (2016: 42.77%-43.14%) for 2017 and the average effective tax rate was approximately 39.70% (2016: 42.90%).

## 53. SIGNIFICANT RELATED PARTY TRANSACTIONS

### (1) THE COMPANY'S RELATED PARTIES WHERE SIGNIFICANT INFLUENCE EXISTS INCLUDING CERTAIN SHAREHOLDERS ARE SET OUT BELOW:

| Name of related parties | Relationship with the Company |
|---|---|
| Charoen Pokphand Group Co., Ltd. ('CP Group Ltd.') | Parent of shareholders |
| Shenzhen Investment Holdings Co. Ltd. | Shareholder |

As at 31 December 2017, CP Group Ltd. indirectly held 9.68% equity interests in the Company and is the largest shareholder of the Company.

## 53. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (2) THE SUMMARY OF SIGNIFICANT RELATED PARTY TRANSACTIONS IS AS FOLLOWS:

| (in RMB million) | **2017** | 2016 |
|---|---|---|
| CP Group Ltd. | | |
| Premiums income from | **4** | 3 |
| Claims expenses to | **1** | 1 |
| Rental income from | **25** | 29 |
| Goods purchased from | **32** | 29 |
| Lufax | | |
| Interest income from | **39** | 92 |
| Interest expenses to | **490** | 1,296 |
| Other expenses | **898** | 1,483 |
| Other income | **2,246** | 1,504 |

In 2016, in addition to transactions and balances stated above, the Group transferred 100% share holding of Gem Alliance Limited to Lufax, which issued convertible bonds amounting to US$1,953.8 million to the Group as the consideration. As at 31 December 2017, the Group still held these convertible bonds.

### (3) THE SUMMARY OF BALANCES OF THE GROUP WITH RELATED PARTIES IS AS FOLLOWS:

| (in RMB million) | **31 December 2017** | 31 December 2016 |
|---|---|---|
| CP Group Ltd. | | |
| Customer deposits and payables to brokerage customers | **2** | 5 |
| Lufax | | |
| Customer deposits and payables to brokerage customers | **18,789** | 11,260 |
| Loans and advances to customers | **1,720** | 2,800 |
| Accounts payables and other payables | **15,786** | 13,246 |
| Accounts receivables and other receivables | **11,022** | 4,259 |

## 54. COMMITMENTS

### (1) CAPITAL COMMITMENTS

The Group had the following capital commitments relating to property development projects and investments:

| (in RMB million) | **31 December 2017** | 31 December 2016 |
|---|---|---|
| Contracted, but not provided for | **5,922** | 6,190 |
| Authorized, but not contracted for | **3,545** | 2,322 |
| | **9,467** | 8,512 |

### (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 2017** | 31 December 2016 |
|---|---|---|
| Within 1 year | **6,902** | 6,472 |
| 1 to 5 years | **13,996** | 13,042 |
| More than 5 years | **1,359** | 2,101 |
| | **22,257** | 21,615 |

## 54. COMMITMENTS (CONTINUED)

### (3) CREDIT COMMITMENTS

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Bank acceptances | **248,155** | 364,623 |
| Guarantees issued | **50,039** | 82,107 |
| Letters of credit issued | **55,763** | 103,097 |
| Subtotal | **353,957** | 549,827 |
| Unused limit of credit cards and irrevocable loan commitments | **140,336** | 99,287 |
| Total | **494,293** | 649,114 |
| Credit risk weighted amounts of credit commitments | **176,352** | 217,364 |

As at 31 December 2017, apart from the above irrevocable credit commitments, revocable loan commitments granted by the Group amounted to RMB1,736.0 billion (31 December 2016: RMB2,148.2 billion). Since these commitments are revocable under certain conditions or would be automatically revoked should the creditworthiness of the borrower deteriorates, the total commitment amount does not necessarily represent future cash requirements. Credit commitments disclosed in the table above do not include the financial guarantees accounted for as insurance contracts by the Group.

### (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 2017 | 31 December 2016 |
|---|---|---|
| Within 1 year | **2,196** | 1,521 |
| 1 to 5 years | **5,092** | 5,408 |
| More than 5 years | **4,784** | 3,295 |
| | **12,072** | 10,224 |

## 55. 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.

## 55. EMPLOYEE BENEFITS (CONTINUED)

### (3) MEDICAL BENEFITS

The Group makes monthly contributions for medical benefits to the local authorities in accordance with relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

### (4) SHARE PURCHASE SCHEME

The Group has adopted an employee share purchase scheme for the key employees of the Company and its subsidiaries. Refer to Note 36 for more details.

## 56. CONTINGENT LIABILITIES

Owing to the nature of the insurance, bank and other financial services business, the Group is involved in contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigations and arbitrations. 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 applicable 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.

## 57. EVENTS AFTER THE REPORTING PERIOD

### DESCRIPTION OF PROFIT DISTRIBUTION

On 20 March 2018, the Board of Directors of the Company approved the Resolution of the Profit Distribution Plan for 2017, and declared a final cash dividend of 2017 in the amount of RMB1.00 per share as disclosed in Note 16.

Except for the item listed above, the Group does not have significant events after the reporting period need to disclose.

## 58. COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform to the current year's presentation.

## 59. BALANCE SHEET AND RESERVE MOVEMENT OF THE HOLDING COMPANY

### (1) BALANCE SHEET OF THE HOLDING COMPANY:

| (in RMB million) | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Assets** | | |
| Cash and amounts due from banks and other financial institutions | **21,539** | 11,528 |
| Fixed maturity investments | **13,842** | 17,947 |
| Equity investments | **3,001** | 6,802 |
| Investments in subsidiaries and associates | **191,041** | 182,067 |
| Property and equipment | **73** | 16 |
| Other assets | **4,469** | 818 |
| **Total assets** | **233,965** | 219,178 |
| **Equity and liabilities** | | |
| **Equity** | | |
| Share capital | **18,280** | 18,280 |
| Reserves | **143,623** | 141,867 |
| Retained profits | **59,072** | 49,826 |
| Total equity | **220,975** | 209,973 |
| **Liabilities** | | |
| Due to banks and other financial institutions | **11,800** | 7,300 |
| Assets sold under agreements to repurchase | **–** | 950 |
| Income tax payable | **25** | – |
| Other liabilities | **1,165** | 955 |
| Total liabilities | **12,990** | 9,205 |
| **Total equity and liabilities** | **233,965** | 219,178 |

The balance sheet of the Company was approved by the Board of Directors on 20 March 2018 and was signed on its behalf.

| MA Mingzhe | SUN Jianyi | YAO Jason Bo |
|---|---|---|
| Director | Director | Director |

## 59. BALANCE SHEET AND RESERVE MOVEMENT OF THE HOLDING COMPANY (CONTINUED)

### (2) RESERVE MOVEMENT OF THE HOLDING COMPANY:

| (in RMB million) | Share premium | Available-for-sale investment reserve | Others | Surplus reserve fund | General reserve | Retained profits | Total |
|---|---|---|---|---|---|---|---|
| As at 1 January 2017 | **128,737** | **248** | **1,121** | **11,366** | **395** | **49,826** | **191,693** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **29,238** | **29,238** |
| Other comprehensive income | **–** | **(172)** | **–** | **–** | **–** | **–** | **(172)** |
| Dividend declared | **–** | **–** | **–** | **–** | **–** | **(19,194)** | **(19,194)** |
| Appropriations to surplus reserves | **–** | **–** | **–** | **798** | **–** | **(798)** | **–** |
| Share purchase scheme | **–** | **–** | **135** | **–** | **–** | **–** | **135** |
| Other capital reserve pick-up from associates and jointly controlled entities | **–** | **–** | **1,145** | **–** | **–** | **–** | **1,145** |
| Others | **–** | **–** | **(150)** | **–** | **–** | **–** | **(150)** |
| As at 31 December 2017 | **128,737** | **76** | **2,251** | **12,164** | **395** | **59,072** | **202,695** |
| As at 1 January 2016 | 128,737 | 533 | 877 | 8,498 | 395 | 34,070 | 173,110 |
| Profit for the year | – | – | – | – | – | 28,678 | 28,678 |
| Other comprehensive income | – | (285) | – | – | – | – | (285) |
| Dividend declared | – | – | – | – | – | (10,054) | (10,054) |
| Appropriations to surplus reserves | – | – | – | 2,868 | – | (2,868) | – |
| Share purchase scheme | – | – | 244 | – | – | – | 244 |
| As at 31 December 2016 | 128,737 | 248 | 1,121 | 11,366 | 395 | 49,826 | 191,693 |

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.

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.

# Definitions

In this report, unless the context otherwise indicates, 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 P&C | 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 New Capital | Ping An New Capital Investment Co., Ltd., a subsidiary of Ping An Trust |
| Ping An Securities | Ping An Securities Co., Ltd., a subsidiary of Ping An Trust |
| Ping An Asset Management | Ping An Asset Management Co., Ltd., a subsidiary of the Company |
| Ping An Bank | Ping An Bank Co., Ltd., a subsidiary of the Company |
| SDB, Original SDB, Shenzhen Development Bank | Original Shenzhen Development Bank Co., Ltd., an associate of the Company since May 2010, became a subsidiary of the Company in July 2011. On July 27, 2012, its name was changed to “Ping An Bank Co., Ltd.” |
| Original Ping An Bank | Original Ping An Bank Co., Ltd., became a subsidiary of SDB in July 2011; before that, it was a subsidiary of the Company. It was deregistered on June 12, 2012 due to absorption merger by SDB |
| Ping An Overseas Holdings | China Ping An Insurance Overseas (Holdings) Limited, a subsidiary of the Company |
| Ping An Financial Leasing | Ping An International Financial Leasing Co., Ltd., a subsidiary of the Company |
| Ping An Financial Technology | Shenzhen Ping An Financial Technology Consulting Co., Ltd., a subsidiary of the Company |
| Ping An Hong Kong | China Ping An Insurance (Hong Kong) Co., Ltd., a subsidiary of Ping An Overseas Holdings |
| Ping An Asset Management (Hong Kong) | Ping An of China Asset Management (Hong Kong) Co., Ltd., a subsidiary of Ping An Overseas Holdings |
| Ping An Futures | Ping An Futures Co., Ltd., a subsidiary of Ping An Securities |

# Definitions

| | |
|---|---|
| Ping An Caizhi | Ping An Caizhi Investment Management Co., Ltd., a subsidiary of Ping An Securities |
| Ping An Pioneer Capital | Ping An Pioneer Capital Co., Ltd., a subsidiary of Ping An Securities |
| Ping An Securities (Hong Kong) | Ping An of China Securities (Hong Kong) Co., Ltd., a subsidiary of Ping An Securities |
| Ping An Technology | Ping An Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Financial Technology |
| Lufax Holding | Lufax Holding Co., Ltd., an associate of the Company |
| Lufax | Shanghai Lujiazui International Financial Asset Exchange Co., Ltd., a subsidiary of Lufax Holding |
| Lu International | Lu International (Singapore) Financial Asset Exchange Pte. Ltd., a subsidiary of Lufax Holding |
| Gem Alliance Limited | Gem Alliance Co., Ltd., a subsidiary of Lufax Holding |
| Puhui Business | The companies under Gem Alliance Limited with the business including financing guarantee, commercial factoring and micro-lending |
| CQFAE | Chongqing Financial Assets Exchange Co., Ltd., a subsidiary of Lufax Holding |
| QEX | Shenzhen Qianhai Financial Assets Exchange Co., Ltd., a subsidiary of Gem Alliance Limited |
| E-wallet | Ping An E-wallet Electronic Commerce Co., Ltd., a subsidiary of Ping An Financial Technology |
| Ping An Good Doctor | Ping An Healthcare and Technology Company Limited, an associate of the Company |
| OneConnect | OneConnect Financial Technology Co., Ltd., an associate of the Company |
| Ping An Healthcare Technology | Ping An Medical and Healthcare Management Co., Ltd., an associate of the Company |
| Qianhai Credit Centre | Shenzhen Qianhai Credit Service Centre Co., Ltd., a subsidiary of Ping An Financial Technology |
| Wanjia Healthcare | Ping An Wanjia Healthcare Investment Management Co., Ltd., a subsidiary of Ping An Financial Technology |
| Autohome | Autohome Inc., a subsidiary of Ping An Financial Technology |
| PA Haofang | Ping An Property (Shanghai) E-commerce Co., Ltd., a subsidiary of Ping An Financial Technology |

| | |
|---|---|
| PAES | Ping An PUHUI Real Estate Service Company, Ltd., a subsidiary of Ping An Financial Technology |
| CP Group Ltd. | Charoen Pokphand Group Co., Ltd., the flagship company of CP Group |
| RMB | Chinese Renminbi unless otherwise specified |
| CAS | The Accounting Standards for Business Enterprises and the other relevant regulations issued by the Ministry of Finance of the People's Republic of China |
| 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 the International Accounting Standards Board |
| Written Premium | All premiums received from the policies underwritten by the Company, which are prior to the significant insurance risk testing and separating of hybrid contracts |
| CSRC | China Securities Regulatory Commission |
| CIRC | China Insurance Regulatory Commission |
| CBRC | China Banking Regulatory Commission |
| Ministry of Finance | Ministry of Finance of the People's Republic of China |
| PBOC | The People's Bank of China |
| HKEx | The Stock Exchange of Hong Kong Limited |
| SSE | The Shanghai Stock Exchange |
| HKEx Listing Rules | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| SSE Listing Rules | The Rules Governing the Listing of Stocks on Shanghai Stock Exchange |
| Corporate Governance Code | The Corporate Governance Code as contained in Appendix 14 to the HKEx Listing Rules (formerly known as the Code on Corporate Governance Practices) |
| 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 HKEx Listing Rules |
| Articles of Association | 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 SECURITY AND LISTING PLACE

| | |
|---|---|
| A share | The Shanghai Stock Exchange |
| H share | The Stock Exchange of Hong Kong Limited |

## STOCK SHORT NAME AND CODE

| | | |
|---|---|---|
| A share | 中國平安 | 601318 |
| H share | Ping An of China | 2318 |

## AUTHORIZED REPRESENTATIVES
SUN Jianyi
YAO Jun

## SECRETARY OF THE BOARD OF DIRECTORS
SHENG Ruisheng

## COMPANY SECRETARY
YAO Jun

## SECURITIES AFFAIRS REPRESENTATIVE
LIU Cheng

## TELEPHONE
+86 400 8866 338

## FAX
+86 755 8243 1029

## E-MAIL
IR@pingan.com.cn
PR@pingan.com.cn

## REGISTERED ADDRESS
Offices at 15th, 16th, 17th and 18th Floors,
Galaxy Development Center,
Fu Hua No. 3 Road,
Futian District,
Shenzhen

## PLACE OF BUSINESS
47th, 48th, 109th, 110th, 111th and 112th Floors,
Ping An Finance Center,
No. 5033 Yitian Road,
Futian District,
Shenzhen

## POSTAL CODE
518033

## COMPANY WEBSITE
www.pingan.cn

## DESIGNATED MEDIA FOR INFORMATION DISCLOSURE OF A SHARE
China Securities Journal,
Shanghai Securities News,
Securities Times, and Securities Daily

## WEBSITES FOR THE PUBLICATION OF THE REGULAR REPORTS
www.sse.com.cn
www.hkexnews.hk

## LOCATION OF REGULAR REPORTS AVAILABLE FOR INSPECTION
Board Office of the Company

## CONSULTING ACTUARIES
PricewaterhouseCoopers Consultants (Shenzhen) Limited

## AUDITORS AND PLACES OF BUSINESS

**Domestic Auditor**
PricewaterhouseCoopers Zhong Tian LLP
11/F, PricewaterhouseCoopers Center,
2 Link Square, 202 Hu Bin Road,
Huangpu District, Shanghai, PRC

**Name of Certified Public Accountants**
Charles CHOW
Kevin Chen HUANG

**International Auditor**
PricewaterhouseCoopers
22/F, Prince's Building,
Central, Hong Kong

## LEGAL ADVISOR
DLA Piper Hong Kong
17/F Floor, Edinburgh Tower, The Landmark,
No. 15 Queen's Road,
Central, Hong Kong

## H SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre,
183 Queen's Road East,
Wan Chai, Hong Kong

## AMERICAN DEPOSITARY SHARES REGISTRAR
The Bank of New York Mellon