PING AN

Insurance·Banking·Investment

# Interim Report 2009

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**Cautionary Statement Regarding Forward-Looking Statements**

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

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

# Introduction

**Ping An is China's leading integrated financial services group.** Our seamless structure allows us to serve the insurance, banking and investment needs of about 47 million individual customers and over 2 million corporate clients. We do this by combining local knowledge with high international standards of corporate governance.

## HIGHLIGHTS

- Our three core businesses achieved solid growth and are well-positioned for further development
- Strategic investment in SDB made significant headway in building an integrated financial services platform
- We recorded a net profit of RMB5,441 million, down 44.0% compared to the same period last year
- Market share of our property & casualty insurance business and life insurance business both increased
- Accumulated credit cards in circulation exceeded 2 million, 67% of new cards issuance was contributed by cross-selling

***Total assets*** *(in RMB million)*


***Total income*** *(in RMB million)*


***Total equity*** *(in RMB million)*


***Net profit*** *(in RMB million)*


***Total liabilities*** *(in RMB million)*


***Basic earnings per share*** *(in RMB)*

# Chairman's statement

## Capitalizing on favorable market opportunities, we will continue to implement our strategy of building an integrated financial services platform, adhering to the established business plan, with balanced development of our three core businesses- insurance, banking and investment.

The Chinese economy has shown signs of recovery in the first half of 2009 despite a challenging global economic outlook, and is now in the crucial period whereby it is poised to steady recovery. Leveraging favourable conditions amid the changing market environment, the Company drove the business forward into profitable yet sustainable growth and also aimed to exceed the industry average. Three of our businesses – insurance, banking and investment – are particularly well-positioned to capitalize on future growth momentum. At the same time, we have captured a rare market opportunity and taken a significant step forward in our strategy of building a leading international integrated financial services model through the strategic investment in Shenzhen Development Bank.

For the six months ended June 30, 2009, the Company realized a net profit of RMB5,441 million, representing a decrease compared to the same period of last year. There are three primary reasons for the decrease. Direct profit contribution from realized equity investment gains and dividend income decreased compared with the same period last year. The sharp increase in the life insurance first-year premiums also affected near-term profitability. In addition, the tax provisions were recorded in the period. However, all of our core businesses saw strong growth, underpinning advancement in our core competences. Our insurance premium growth rate, for example, far exceeded the market average and the value of one-year new business of our life insurance and net assets of the Company both increased significantly. These achievements lay solid foundations for our future expansion. Looking back over the period, Ping An's outstanding achievements included:

- **Rapid yet measured growth in our insurance business with market share increases in premium income from both the property & casualty insurance and life insurance businesses.** For our life insurance business, we have continued our strategy of "Reaching New Heights", which involved setting higher operating targets. By expanding sales channels in both individual life insurance and bancassurance, first-year premium income from individual life insurance grew by 35.7%, contributing to an increase in total premium income of 35.5%. This substantially exceeded the market average, resulting in an addition of 2.8 percentage points in market share from the end of 2008. Driven by the principle of "Surpassing Targets Healthily", our property and casualty insurance business achieved an increase of 0.9 percentage points in market share compared to the end of 2008. Our annuity business progressed smoothly across three major indicators, namely annuity payments, assets entrusted and assets under investment management, all ranking at the top among annuity companies.

- **Vigorous response to market rebounds, optimized asset allocation, achieved remarkable performance on corporate bonds underwriting business and asset management in trust business.** Ping An Asset Management strengthened the interaction between research and investment team, made staged progress in the construction of its system platform and made significant improvements in the quality of its customer service. Ping An Securities was awarded the "Best Underwriting Sponsor for SME in 2008" by the Shenzhen Stock Exchange. It underwrote 6 corporate bonds in the first half of the year, the best performance in Ping An Securities' history. Assets held in trust under the management of Ping An Trust amounted to RMB81,267 million, a significant increase of 67.5% from the end of 2008.

1 On March 2, 2009, Ping An Bank Hangzhou Branch commenced formal operation, which is the first branch opened since the Bank changed its name to Ping An Bank, signifying a new milestone for cross-region operation.


2 On March 24, 2009, in the press conference of "Ping An, Our Commitment to You", the Company officially announced our three customer service commitments for life insurance, property & casualty insurance and credit card business.

- **Banking business saw fast growth, accumulated number of credit cards in circulation exceeded 2 million, 67% of new credit cards issuance was contributed by cross-selling.** The total assets of Ping An Bank rose to approximately RMB200 billion representing an increase of 35.3% as compared to the end of 2008. We rolled out a series of innovative services for all the banking business sectors, with several service standards the best among the industry. We launched a number of new credit card products such as the Car-owner's Credit Card and Insurance Credit Card. In May, we launched a pilot in Beijing where credit cards were issued without a physical branch presence. The accumulated credit cards in circulation exceeded 2 million by the end of the reporting period, and 67% of our new credit cards issuance in the first half of the year was brought from cross-selling. Network expansion achieved a further breakthrough with the successful opening of the Guangzhou and Hangzhou branches. Despite rapid growth, we held the non-performing loan ratio at 0.46%, which was among the best in the industry.

- **Investment in Shenzhen Development Bank represented a strategic leap forward in the process of building an integrated financial services platform.** This transaction will provide an opportunity for us to forge a deeper cooperation with a national commercial bank whose nationwide banking network will provide supplementary to ours, thus enriching our sales channels further. It will enhance our integrated financial services through a wider range of services and products to a larger customer base, more cross-selling opportunities instrumental to synergy creation. Investment in SDB has profound importance to Ping An in building the integrated financial strategy.

In the first half of 2009, the Company maintained its leading position in brand value and won widespread acclaim from domestic and overseas rating institutions and media on integrated strength, corporate governance and corporate social responsibility. Awards we received include:

- In the "Most Responsible Enterprise in China" list jointly issued by *News China* and Chinese Red Cross Foundation in January 2009, Ping An was granted its third consecutive award of "the Most Responsible Enterprise";

- In April 2009, Ping An was named as a Forbes 500 Listed Company for the third time with its rank jumping by 152 places to the 141st from last year;

- In May 2009, the Company ranked the eighth as the Best Managed Company in China in the ninth appraisal of "the Best Managed Company in Asia" hosted by *Financial Asia*, an authoritative financial magazine in the Asia-Pacific region. Ping An was the only Chinese insurance company that was awarded such a prize;

- In June 2009, the Company was awarded the 2009 Outstanding Performance Award for the third consecutive year by *Corporate Governance Asia*, a well-known magazine.

China's economy has shown signs of recovery. However, there are still some uncertainties and instabilities that will impact the economic fundamentals and also the equity market. The complexity of the environment we are operating in and the volatility of the capital market will continue to affect our performance in the second half of

the year. We have taken full consideration and well prepared for these uncertainties. We will continue to focus on improving our competitiveness across all business segments and ensuring steady growth in our insurance businesses. We also intend to propel rapid growth in our banking and investment businesses and strengthen the integrated financial services platform via deepened cross selling initiatives for greater synergies. We will push our strategy in building the integrated financial services platform by steadily progressing execution of the investment in SDB and drive long-term enterprise value.

Looking forward, we believe the long-term growth trend enjoyed by China's economy continues to represent an exciting opportunity, and for this reason the potential for financial and insurance industry remains attractive. Capitalizing on favorable market opportunities, we will continue to implement our strategy of building an integrated financial services platform, adhering to the established business plan, with balanced development of our three core businesses- insurance, banking and investment. With increasingly improved competitiveness across all our businesses, we believe that our leading platform based on the concept of "one customer, one account, multiple products and one-stop services" and enhanced advantages of being an integrated financial services provider will deliver reliable earnings improvement and long-term value to our shareholders, customers and society.

**Ma Mingzhe**
*Chairman and Chief Executive Officer*

Shenzhen, PRC
August 14, 2009

# Management discussion and analysis
## Overview

- Our three core businesses achieved solid growth and are well-positioned for further development
- Strategic investment in SDB made significant headway in building an integrated financial service platform
- We recorded a net profit of RMB5,441 million, down 44.0% compared to the same period last year

We offer a variety of financial products and services to clients under a single brand name – Ping An. We achieve this through a multitude of distribution networks that leverage the breadth of resources from our major subsidiaries, which include: Ping An Life, Ping An Property & Casualty, Ping An Trust, Ping An Securities, Ping An Bank, Ping An Annuity, Ping An Health, Ping An Asset Management and Ping An Asset Management (Hong Kong).

During the first half of 2009, in face of unprecedented global financial crisis, the Chinese government introduced a series of economic stimulus programs, adopting a proactive fiscal and a loose monetary policy. The economy has shown signs of recovery and is now in the crucial period whereby it is poised to steady recovery. Leveraging favourable conditions amid the changing market environment, our three core businesses – insurance, banking and investment have come through well-positioned for ongoing development. The market share of property & casualty insurance and life insurance businesses both increased, while Ping An Annuity remained its leading position in the market. Assets of the banking business grew rapidly with the accumulated number of credit cards in circulation exceeding 2 million. In our investment business, we optimized asset allocation by capitalizing on the stock market recovery, and achieved remarkable performance across the corporate bonds underwriting business and asset management in trust business. We have captured a rare market opportunity and took a significant step forward in our strategy of building a leading international integrated financial services model through the strategic investment in Shenzhen Development Bank.

For the six months ended June 30, 2009, the Company realized a net profit of RMB5,441 million, representing a decrease compared to the same period last year. This was primarily due to the less direct profit contribution from realized equity investment gains as well as dividend income compared to the same period last year. Meanwhile, the sharp increase in the life insurance first-year premium income also affected near-term profitability. In addition, the tax provisions were recorded in the period. Although there was a decrease in net profit as compared with the same period last year, the Company achieved robust growth across all major businesses. Total premium income recorded an increase far exceeding market average. Value of one-year life insurance new business and net assets both increased significantly. The Group's overall competence has been enhanced. All of these are paving the way for our long-term development.

### CONSOLIDATED RESULTS

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Total income | **79,439** | 63,633 |
| Total expenses | **(70,952)** | (53,289) |
| Profit before tax | **8,487** | 10,344 |
| Net profit | **5,441** | 9,719 |

### NET PROFIT BY BUSINESS SEGMENT

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Life insurance | **4,642** | 8,325 |
| Property and casualty insurance | **4** | 339 |
| Banking | **577** | 795 |
| Securities | **367** | 401 |
| Other businesses(1) | **(149)** | (141) |
| Net profit | **5,441** | 9,719 |

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

## INVESTMENT PORTFOLIO OF INSURANCE FUNDS

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

### Investment income

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Net investment income | **8,746** | 10,228 |
| Net realized and unrealized gains | **5,562** | 411 |
| Impairment losses | **(270)** | (1,510) |
| Others | **(114)** | 106 |
| Total investment income | **13,924** | 9,235 |
| Net investment yield (%)[1] | **3.7** | 3.8 |
| Total investment yield (%)[1] | **4.8** | 3.6 |

(1) Net foreign currency gains/losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yields. Average investment assets used as the denominator are computed based on the Modified Dietz method in principle.

Our net investment income decreased by 14.5% to RMB8,746 million in the six months ended June 30, 2009 from RMB10,228 million in the same period 2008. Net investment yield decreased to 3.7% in the six months ended June 30, 2009 from 3.8% in the same period 2008. This was primarily due to the significantly reduced dividend income from our equity investments, which was partially offset by the increase in interest income from our fixed maturity investments.

In the first half of 2009, impairment losses on the available-for-sale equity investments in our investment portfolio of insurance funds was RMB270 million, a significant decrease compared with that in the same period of 2008.

Total investment income increased by 50.8% to RMB13,924 million in the six months ended June 30, 2009 from RMB9,235 million in the same period 2008. This was mainly due to the significant increase in net realized and unrealized gains, which came as a result of stock market fluctuations. Total investment yield increased to 4.8% in the six months ended June 30, 2009 from 3.6% in the same period 2008.

Investment income presented above includes income from investment portfolios of traditional life, participating and universal life insurance funds. Due to the nature of different product features, a large portion of investment income from participating and universal life insurance funds would be accrued as policyholders' reserves, policyholder dividends and interest credited to policyholder contract deposits, thus the contribution to the Company's net profit would be different from traditional life insurance products. In the first half of 2009, the investment income from our traditional life insurance funds decreased as compared to the same period last year, which was one of main reasons why our net profit decreased as compared to the first half of 2008.

### Investment portfolio

In the first half of 2009, China's stimulus plan to tackle the global economic crisis and maintain steady and rapid economic growth has started to take effect. The Chinese economy has shown signs of recovery, and the A-share market has rallied substantially. Following an in-depth study of the macro economic climate, the Company actively seized opportunities to increase its equity investments to enhance its total investment income. Meanwhile, in view of the record-low bond yields which were relatively unattractive, the Company lowered the proportion of its fixed income asset holdings.

We have proactively optimized our asset allocation in response to the new economic trend, the percentage of fixed maturity investments out of total investments decreased to 74.7% as at June 30, 2009 from 80.7% as at December 31, 2008, and that of equity investments increased from 7.8% to 9.6%.

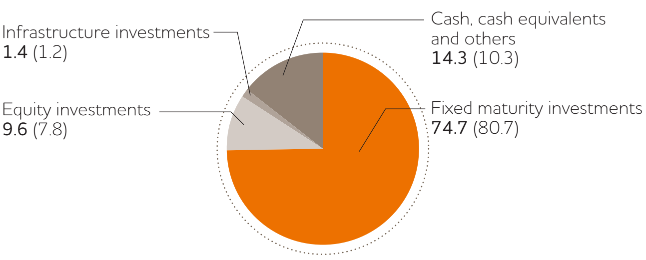
# Management discussion and analysis
## Overview

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

| (in RMB million) | June 30, 2009 Carrying Value | % | December 31, 2008 Carrying Value | % |
|---|---|---|---|---|
| **Fixed maturity investments** | | | | |
| Term deposits(1) | **91,186** | **17.8%** | 84,412 | 18.2% |
| Bond investments(1) | **287,938** | **56.0%** | 286,791 | 61.7% |
| Other fixed maturity investments(1) | **4,485** | **0.9%** | 3,725 | 0.8% |
| **Equity investments** | | | | |
| Equity investment funds(1) | **23,957** | **4.7%** | 13,443 | 2.9% |
| Equity securities | **25,388** | **4.9%** | 22,929 | 4.9% |
| **Infrastructure investments** | **7,341** | **1.4%** | 5,509 | 1.2% |
| **Cash, cash equivalents and others** | **73,282** | **14.3%** | 47,856 | 10.3% |
| Total investments | **513,577** | **100.0%** | 464,665 | 100.0% |

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

*Investment portfolio*
(%)
**June 30, 2009** (December 31, 2008)




In the second half of 2009, we will further refine our investment strategies, maintain investment flexibility and proactively adjust our assets allocation to counter the change in the capital market. Meanwhile, we will further expand our investment channels and extend non-capital market investments to achieve long-term and stable investment returns.

### FOREIGN CURRENCY LOSSES

In the first half of 2009, the Renminbi appreciated slightly against other major currencies, especially the US dollar. As a result, we recorded a net exchange loss of RMB17 million on foreign currency-denominated assets in the six months ended June 30, 2009 as compared to a loss of RMB525 million in the same period 2008.

### GENERAL AND ADMINISTRATIVE EXPENSES

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Business tax and surcharges | **1,601** | 1,670 |
| Other general and administrative expenses | **11,708** | 6,883 |
| Total | **13,309** | 8,553 |

General and administrative expenses increased by 55.6% to RMB13,309 million in the six months ended June 30, 2009 from RMB8,553 million in the same period 2008, mainly due to the rapid growth of our businesses, as well as increased marketing inputs and investment in strategic initiatives. In addition, other general and administrative expenses included operating costs and administrative expenses from XJ Group amounting to RMB1,841 million in the first half of 2009.

## INCOME TAX

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Current income tax | **2,744** | 644 |
| Deferred income tax | **302** | (19) |
| Total | **3,046** | 625 |

Current income tax rose to RMB2,744 million in the six months ended June 30, 2009 from RMB644 million in the same period 2008. This was primarily because of two factors. Firstly, there was an increase in taxable income from subsidiaries as a result of change in the tax deduction policy regarding commission expenses, and also a significant decrease in dividend income from equity investment funds, which was entitled to certain tax exemption. Secondly, relevant tax provisions have been made based on results of the tax inspection.

Deferred income tax increased to RMB302 million in the six months ended June 30, 2009 from RMB-19 million in the same period 2008. This was primarily due to the rise in the taxable temporary differences, as a result of the appreciation in the fair value of financial assets.

The State Administration of Taxation has completed their regular inspection of the Group's tax affairs for fiscal years ended December 31, 2004, 2005 and 2006. We have made relevant tax provisions based on the result of the inspection as well as our current understanding of the tax laws. As at June 30, 2009, the total provisions of corporate income tax, business tax and individual income tax, etc. made for fiscal years ended December 31, 2004, 2005 and 2006 amounted to RMB1,018 million, among which RMB682 million was made by Ping An Property & Casualty and RMB326 million by Ping An Life. The tax provisions made in the first half of 2009 were RMB871 million, among which RMB812 million was corporate income tax.

# Management discussion and analysis
# Insurance business

- Market share of our property & casualty insurance business and life insurance business both increased
- Ping An Life sales agents team achieved outstanding organic growth
- Ping An Annuity maintained leading industry position

Our insurance business has continued to grow rapidly with the market share of property & casualty insurance and life insurance business increasing further. For our life insurance business, we continued to implement the strategy of "Reaching New Heights." With emphasis on continuously expanding individual insurance and bancassurance sales channeles, the number of life insurance sales agents has increased to approximately 400,000, while our market share has risen by 2.8 percentage points since the end of 2008. On the property and casualty insurance side, we adhered to the core strategy of "Surpassing Targets Healthily", and increased our market share by 0.9 percentage points compared to the end of 2008. Our annuity business progressed smoothly across three major indicators, namely annuity payment, assets entrusted, and assets under investment management, earning a ranking that was among the highest in the sector.

## LIFE INSURANCE BUSINESS

### Business overview

We conduct our life insurance business through Ping An Life, Ping An Annuity and Ping An Health.

### Market share

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Ping An Life | **73,346** | 53,948 |
| Ping An Annuity | **528** | 594 |
| Ping An Health | **47** | 15 |
| Total premium income | **73,921** | 54,557 |

| | June 30 2009 | December 31 2008 |
|---|---|---|
| Market share of premium income (%)[(1)] | **16.8** | 14.0 |

(1) Based on our financial data calculated in accordance with CAS and the PRC insurance industry data published by the CIRC.

In the six months ended June 30, 2009, total premium income of our life insurance business accounted for approximately 16.8% of that received by all PRC life insurance companies, based on our financial data calculated in accordance with CAS and the PRC insurance industry data published by the CIRC. In terms of premium income, Ping An Life is the second largest life insurance company in the PRC.

In the first half of 2009, the life insurance industry experienced an industry-wide business restructuring. The Company continued to strengthen its effort in expanding individual insurance and bancassurance businesses, and increased its market share of life insurance premium income by 2.8 percentage points over the end of 2008. In future, we will maintain the steady development of the more profitable individual insurance business, ensure the healthy growth of the bancassurance business, and continuously improve our market competitiveness.

### Ping An Life

Ping An Life provides life insurance products to individuals and group customers through its 35 provincial offices and nearly 2,000 branch offices and service outlets.

The following is a summary of operating data:

| | June 30 2009 | December 31 2008 |
|---|---|---|
| **Number of customers** | | |
| Individual (in thousands) | **38,310** | 36,492 |
| Corporate (in thousands) | **518** | 458 |
| Total (in thousands) | **38,828** | 36,950 |
| **Persistency ratio** | | |
| 13-month | **90.9%** | 91.6% |
| 25-month | **88.8%** | 86.2% |
| **Agent productivity** | | |
| First-year premiums per agent per month | **7,356** | 5,423 |
| New individual life insurance policies per agent per month | **1.2** | 1.1 |
| **Distribution network** | | |
| Number of individual life sales agents | **393,576** | 355,852 |
| Number of group sales representatives | **3,075** | 3,366 |
| Bancassurance outlets | **47,934** | 39,878 |

In the first half of 2009, Ping An Life continued to enhance its business performance by applying the strategies of "Reaching New Heights" and "Two-Tier Market Development". We focused on developing regular premium individual life insurance products that provide stable revenue streams and sustainable long-term profits. For the six months ended June 30, 2009, the premium income attributable to our individual life insurance business amounted to RMB53,990 million, representing an increase of 27.7% from the same period of last year. Meanwhile, our bancassurance business marked a rapid growth with premium income rising 137.8% from the same period last year.

While actively expanding the teams of individual life insurance sales agents, the Company lifted up the productivity and professionalism of its sales agents through continuous training improvements. In addition, we also made great efforts to improve the quality of customer service. As at June 30, 2009, the Company had approximately 38.31 million individual customers and 520,000 corporate customers. The 13-month and 25-month persistency ratios for our individual life insurance customers were maintained at a satisfactory level of above 90% and 85% respectively.

Our life insurance products are primarily distributed through a network that consists of a sales force of approximately 400,000 individual life insurance sales agents, over 3,000 group insurance sales representatives and approximately 50,000 branch offices of commercial banks that have bancassurance arrangements with Ping An Life.

### Ping An Annuity

Ping An Annuity was founded on December 13, 2004. Having obtained approval from the CIRC on December 27, 2006, Ping An Annuity conducted its business restructuring. Following the completion of company restructuring, the principal businesses of Ping An Annuity are corporate annuity and supplementary pension. In the first half of 2009, the Company injected RMB800 million into Ping An Annuity. As at June 30, 2009, Ping An Annuity had a registered capital of RMB1,800 million. Since its incorporation, Ping An Annuity has successively obtained three licenses to operate the corporate annuity businesses of fiduciary management, investment management and account management. It is one of the few professional annuity companies in China that has obtained all three licenses. Ping An Annuity currently has 35 branches and 64 sub-branches (or central sub-branches) nationwide.

# Management discussion and analysis
# Insurance business

In the first half of 2009, the annuity business of Ping An Annuity developed smoothly. Accumulated annuity payments reached RMB4,803 million. As at June 30, 2009, assets under trust amounted to RMB17,235 million, and assets under investment management amounted to RMB20,675 million. These three indicators all ranked top in the domestic professional annuity industry.

### Ping An Health

Ping An Health is principally engaged in providing domestic and overseas corporate and individual customers with various health insurance products and services. Adhering to the principle of "professionalism, credibility and innovation", Ping An Health is committed to strengthening customers' ability to withstand the risks of diseases and improve their health through professional services. Leveraging the Group's advantages of geographical presence and customer base, Ping An Health operates successfully in Shanghai, Guangdong, and Beijing. It has launched a series of health insurance products catering to mid-and-high-end customers, and has established a healthcare network covering 35 major cities in China as well as major overseas cities.

## Financial analysis

### Results of operation

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Gross written premiums, policy fees and premium deposits | **73,921** | 54,557 |
| Less: Premium deposits | **(27,911)** | (15,036) |
| Gross written premiums and policy fees | **46,010** | 39,521 |
| Net earned premiums | **44,778** | 38,495 |
| Reinsurance commission income | **124** | 103 |
| Investment income | **13,680** | 8,795 |
| Other income | **805** | 659 |
| Total income | **59,387** | 48,052 |
| Change in deferred policy acquisition costs | **7,126** | 4,966 |
| Claims and policyholders' benefits | **(46,725)** | (33,922) |
| Commission expenses of insurance operations | **(7,750)** | (5,934) |
| Foreign currency losses | **(25)** | (403) |
| General, administrative and other expenses | **(5,315)** | (3,837) |
| Total expenses | **(52,689)** | (39,130) |
| Income taxes | **(2,056)** | (597) |
| Net profit | **4,642** | 8,325 |

Net profit from our life insurance business was RMB4,642 million for the six months ended June 30, 2009, a decline of 44.2% from RMB8,325 million for the same period 2008, mainly due to the less direct profit contribution from investment income and the profitability pressure resulting from the sharp increase in the life insurance first-year premiums.

## Gross written premiums, policy fees and premium deposits

| For the six months ended June 30 2009 (in RMB million) | Premiums and policy fees | Premium deposits | Total |
|---|---|---|---|
| **Individual life** | | | |
| New business | | | |
| First-year regular premiums | 10,531 | 4,627 | 15,158 |
| First-year single premiums | 266 | 617 | 883 |
| Short-term accident and health premiums | 1,014 | – | 1,014 |
| Total new business | 11,811 | 5,244 | 17,055 |
| Renewal business | 28,442 | 8,493 | 36,935 |
| Total individual life | 40,253 | 13,737 | 53,990 |
| **Bancassurance** | | | |
| New business | | | |
| First-year regular premiums | 90 | 12 | 102 |
| First-year single premiums | 1,720 | 14,155 | 15,875 |
| Short-term accident and health premiums | 1 | – | 1 |
| Total new business | 1,811 | 14,167 | 15,978 |
| Renewal business | 314 | 7 | 321 |
| Total bancassurance | 2,125 | 14,174 | 16,299 |
| **Group insurance** | | | |
| New business | | | |
| First-year single premiums | 1,403 | – | 1,403 |
| Short-term accident and health premiums | 2,216 | – | 2,216 |
| Total new business | 3,619 | – | 3,619 |
| Renewal business | 13 | – | 13 |
| Total group insurance | 3,632 | – | 3,632 |
| Total life insurance | 46,010 | 27,911 | 73,921 |

# Management discussion and analysis
## Insurance business

| For the six months ended June 30 2008 (in RMB million) | Premiums and policy fees | Premium deposits | Total |
|---|---|---|---|
| **Individual life** | | | |
| New business | | | |
| First-year regular premiums | 7,900 | 2,994 | 10,894 |
| First-year single premiums | 168 | 532 | 700 |
| Short-term accident and health premiums | 975 | – | 975 |
| Total new business | 9,043 | 3,526 | 12,569 |
| Renewal business | 23,948 | 5,767 | 29,715 |
| Total individual life | 32,991 | 9,293 | 42,284 |
| **Bancassurance** | | | |
| New business | | | |
| First-year regular premiums | 24 | 10 | 34 |
| First-year single premiums | 942 | 5,727 | 6,669 |
| Short-term accident and health premiums | 1 | – | 1 |
| Total new business | 967 | 5,737 | 6,704 |
| Renewal business | 145 | 6 | 151 |
| Total bancassurance | 1,112 | 5,743 | 6,855 |
| **Group insurance** | | | |
| New business | | | |
| First-year single premiums | 3,219 | – | 3,219 |
| Short-term accident and health premiums | 2,004 | – | 2,004 |
| Total new business | 5,223 | – | 5,223 |
| Renewal business | 195 | – | 195 |
| Total group insurance | 5,418 | – | 5,418 |
| Total life insurance | 39,521 | 15,036 | 54,557 |

*Individual life insurance*. Gross written premiums, policy fees and premium deposits for our individual life business increased by 27.7% to RMB53,990 million in the six months ended June 30, 2009 from RMB42,284 million in the same period 2008. This increase was primarily due to the continued improvement in the quantity and productivity of our agency sales force. As a result, there was a 35.7% increase in first-year premiums, policy fees and premium deposits to RMB17,055 million in the six months ended June 30, 2009 from RMB12,569 million in the same period last year. In addition, renewal premiums, policy fees and premium deposits for our individual life business rose by 24.3% to RMB36,935 million in the six months ended June 30, 2009 from RMB29,715 million in the same period 2008.

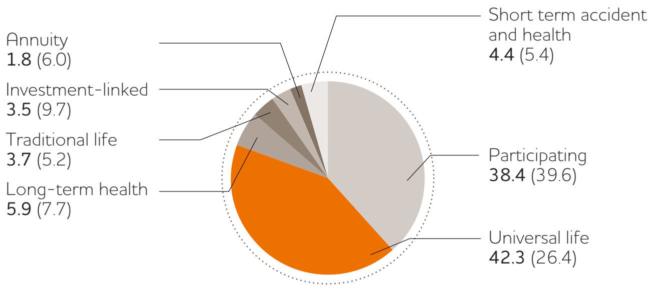
*Bancassurance*. Gross written premiums, policy fees and premium deposits for our bancassurance business increased significantly to RMB16,299 million in the six months ended June 30, 2009 from RMB6,855 million in the same period 2008. This increase was primarily due to our continued effort to broaden bancassurance channels.

*Group insurance*. Gross written premiums, policy fees and premium deposits for our group insurance business declined by 33.0% to RMB3,632 million in the six months ended June 30, 2009 from RMB5,418 million in the same period 2008. This decrease was primarily due to a decrease in first-year single premiums from our group insurance business as a result of product restructuring. Gross written premiums and policy fees for our short-term group accident and health insurance business rose by 10.6% to RMB2,216 million in the six months ended June 30, 2009 from RMB2,004 million in the same period 2008.

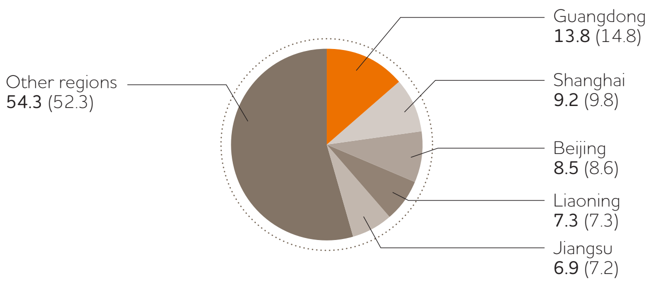
The following is the breakdown of gross written premiums, policy fees and premium deposits for our life business by product type:

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Participating | **28,358** | 21,597 |
| Universal life | **31,293** | 14,400 |
| Long-term health | **4,354** | 4,203 |
| Traditional life | **2,755** | 2,818 |
| Investment-linked | **2,570** | 5,298 |
| Annuity | **1,361** | 3,259 |
| Short-term accident and health | **3,230** | 2,982 |
| Total | **73,921** | 54,557 |

*By product type*
(%)
**2009** (2008)




*By region*
(%)
**2009** (2008)



# Management discussion and analysis
# Insurance business

In the six months ended June 30, 2009, approximately 45.7% (in the same period 2008: 47.7%) of premium income from our life insurance business was attributable to customers located in Guangdong, Shanghai, Beijing, Liaoning and Jiangsu, which are among the more economically developed areas of China.

## Investment income

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Net investment income | **7,970** | 8,192 |
| Net realized and unrealized gains | **6,043** | 1,858 |
| Impairment losses | **(214)** | (1,282) |
| Others | **(114)** | 106 |
| Total investment income | **13,685** | 8,874 |
| Net investment yield (%)[1] | **3.8** | 4.0 |
| Total investment yield (%)[1] | **5.2** | 4.2 |

(1) Net foreign currency gains/losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yields. Average investment assets used as the denominator are computed based on the Modified Dietz method in principle.

Net investment income for our life insurance business dropped by 2.7% to RMB7,970 million in the six months ended June 30, 2009 from RMB8,192 million in the same period 2008. This decline was primarily due to the decrease of the dividend income received from equity investments, which was partially offset by an increase in interest income from fixed maturity investments. Net investment yield for our life insurance business decreased to 3.8% in the six months ended June 30, 2009 from 4.0% in the same period of last year.

In the first half of 2009, impairment losses on the available-for-sale equity investments of our life insurance business were RMB214 million, a significant decrease compared to the same period of 2008.

Total investment income for our life insurance business climbed by 54.2% to RMB13,685 million in the six months ended June 30, 2009 from RMB8,874 million in the same period 2008, which was mainly due to the significant growth in net realized and unrealized gains coming as a result of stock market fluctuations. Total investment yield for our life insurance business rose to 5.2% in the six months ended June 30, 2009 from 4.2% in the same period 2008.

Investment income presented above includes income from investment portfolios of traditional life, participating and universal life insurance funds. Due to the nature of different product features, a large portion of investment income from participating and universal life insurance funds would be accrued as policyholders' reserves, policyholder dividends and interest credited to policyholder contract deposits, thus the contribution to the Company's net profit would be different from traditional life insurance products. In the first half of 2009, the investment income from our traditional life insurance funds decreased as compared to the same period last year, which was one of main reasons why the life business net profit decreased as compared to the first half of 2008.

## Change in deferred policy acquisition costs

The change in deferred policy acquisition costs was RMB7,126 million in the six months ended June 30, 2009 as compared to RMB4,966 million in the same period 2008. The bigger change in deferred policy acquisition costs was primarily due to the surge in first year premiums, policy fees and premium deposits from our individual life business.

## Claims and policyholders' benefits

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Claims | **2,151** | 1,979 |
| Surrenders | **3,225** | 4,588 |
| Annuities | **1,772** | 1,660 |
| Maturities and survival benefits | **3,370** | 7,217 |
| Policyholder dividends | **2,238** | 4,162 |
| Interest credited to policyholder contract deposits | **1,669** | 1,083 |
| Net increase in policyholders' reserves | **32,300** | 13,233 |
| Total claims and policyholders' benefits | **46,725** | 33,922 |

Payments for claims rose by 8.7% to RMB2,151 million in the six months ended June 30, 2009 from RMB1,979 million in the same period 2008. This was primarily due to the increase in claims incurred on health insurance products.

Payments for surrenders were down by 29.7% to RMB3,225 million in the six months ended June 30, 2009 from RMB4,588 million in the same period 2008. This was primarily due to the smaller payments for surrenders of certain single premium participating products sold through our bancassurance channels as compared to those payments made in the same period of 2008.

Payments for maturities and survival benefits decreased by 53.3% to RMB3,370 million in the six months ended June 30, 2009 from RMB7,217 million in the same period last year. This was primarily due to the higher payments for maturities and survival benefits coming as a result of the product features of certain individual life insurance and bancassurance products in the six months ended June 30, 2008.

Payments for policyholder dividends fell by 46.2% to RMB2,238 million in the six months ended June 30, 2009 from RMB4,162 million in the same period 2008. This was primarily due to the lower dividend level of participating products in the first six months of 2009 compared with that in the same period 2008.

Payments for interest credited to policyholder contract deposits increased by 54.1% to RMB1,669 million in the six months ended June 30, 2009 from RMB1,083 million in the same period 2008. This was primarily due to the increase in our universal life insurance business.

Net increase in policyholders' reserves was RMB32,300 million in the six months ended June 30, 2009, while in the same period of 2008 it was RMB13,233 million. The bigger increase in policyholders' reserves was primarily due to two factors. Firstly, gross written premiums and policy fees increased in the reporting period. Secondly, there was an increase in market value of certain investment assets. As a result, the difference (increase) of change in participating special dividend reserves and universal life smoothing reserves between the two periods was RMB8,708 million.

### General, administrative and other expenses

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Business tax and surcharges | **282** | 569 |
| Other general, administrative and other expenses | **5,033** | 3,268 |
| Total | **5,315** | 3,837 |
| General, administrative and other expenses as a percentage of gross written premiums, policy fees and premium deposits | **7.2%** | 7.0% |

General, administrative and other expenses increased by 38.5% to RMB5,315 million in the six months ended June 30, 2009 from RMB3,837 million in the same period 2008. This increase was primarily due to the growth in gross written premiums, policy fees and premium deposits. General, administrative and other expenses as a percentage of gross written premiums, policy fees and premium deposits rose to 7.2% in the six months ended June 30, 2009 from 7.0% in the same period 2008.

## PROPERTY AND CASUALTY INSURANCE BUSINESS

### Business overview

We conduct our property and casualty insurance business mainly through Ping An Property & Casualty. Furthermore, Ping An Hong Kong also offers property and casualty insurance service in the Hong Kong market.

### Market share

The market share of Ping An Property & Casualty is as follows:

| For the six months ended June 30 | 2009 | 2008 |
|---|---|---|
| Premium income (in RMB million) | **18,606** | 14,528 |

| | June 30 2009 | December 31 2008 |
|---|---|---|
| Market share of premium income (%)[1] | **11.8** | 10.9 |

(1) Based on our financial data calculated in accordance with CAS and the PRC insurance industry data published by the CIRC.

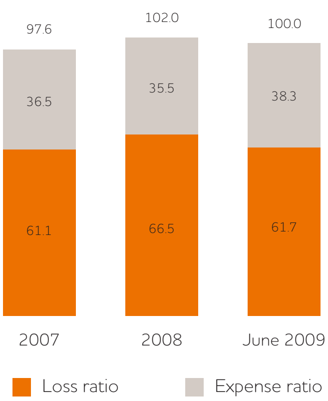
# Management discussion and analysis
# Insurance business

In the first half of 2009, due to the adverse impact of the global financial crisis, the domestic economy slowed down and the property & casualty insurance market was adversely affected. However, Ping An Property & Casualty implemented the vigorous development strategy of "Surpassing Targets Healthily" and maintained the momentum in premium income growth. In the six months ended June 30, 2009, Ping An Property & Casualty recorded premium income of RMB18,606 million, representing an increase of 28.1% over the same period last year. Premium income generated by Ping An property & casualty accounted for approximately 11.8% of the total premium income received by the PRC property & casualty insurance companies. Market share increased by 0.9 percentage points compared to the end of 2008. Ping An Property & Casualty is the third largest property & casualty insurance company in the PRC in terms of premium income.

### Combined ratio

In the first half of 2009, with the rapid development of its business, property and casualty insurance business also focused on healthy growth and the continuous improvement of its service quality. The combined ratio for the six months ended June 30, 2009 was 100.0%, representing a decrease of 2.0 percentage points compared to the year 2008.

*Combined ratio*
(%)




### Summary of operating data

| | June 30 2009 | December 31 2008 |
|---|---|---|
| **Number of customers** | | |
| Individual (in thousands) | **8,935** | 8,206 |
| Corporate (in thousands) | **1,564** | 1,611 |
| Total (in thousands) | **10,499** | 9,817 |
| **Distribution network** | | |
| Number of direct sales representatives | **11,219** | 10,656 |
| Number of insurance agents | **13,714** | 13,461 |

The product distribution network of Ping An Property & Casualty comprises 40 branches located in various provinces, autonomous regions and centrally supervised municipalities in China, and over 1,800 sub-branches located throughout China. Ping An Property & Casualty distributes its insurance products mainly through its in-house sales representatives and through various intermediaries, such as banks, automobile dealerships and insurance brokers.

## Financial analysis

### Results of operation

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Gross written premiums | **18,764** | 14,671 |
| Net earned premiums | **12,012** | 9,619 |
| Reinsurance commission income | **780** | 657 |
| Investment income | **637** | 990 |
| Other income | **57** | 29 |
| Total income | **13,486** | 11,295 |
| Change in deferred policy acquisition costs | **997** | 350 |
| Claim expenses | **(7,412)** | (6,697) |
| Commission expenses of insurance operations | **(2,309)** | (1,405) |
| Foreign currency losses | **(6)** | (37) |
| General and administrative expenses | **(4,076)** | (3,165) |
| Including: investment-related general and administrative expenses | **(7)** | (50) |
| Other expenses | **(98)** | (12) |
| Total expenses | **(12,904)** | (10,966) |
| Income taxes | **(578)** | 10 |
| Net profit | **4** | 339 |

Net profit from our property and casualty insurance business declined significantly from RMB339 million in the six months ended June 30, 2008 to RMB4 million in the same period 2009. This was mainly due to a rise in income taxes as well as a decrease in investment income resulting from stock market fluctuations.

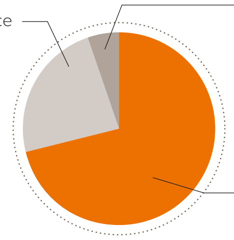
## Gross written premiums

In the first half of 2009, all three principal lines of our property and casualty insurance business recorded steady growth.

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Automobile insurance | **13,378** | 10,225 |
| Non-automobile insurance | **4,418** | 3,650 |
| Accident and health insurance | **968** | 796 |
| Gross written premiums | **18,764** | 14,671 |

*By product type*

(%)
**2009** (2008)



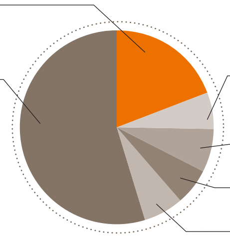

*Automobile insurance*. Gross written premiums increased by 30.8% to RMB13,378 million in the six months ended June 30, 2009 from RMB10,225 million in the same period 2008. This was mainly because of the continued increase in demand for automobiles in the PRC.

*Non-automobile insurance*. Gross written premiums increased by 21.0% to RMB4,418 million in the six months ended June 30, 2009 from RMB3,650 million in the same period 2008. This was primarily due to the rapid growth of gross written premiums from commercial property insurance, liability insurance and construction all risks insurance. Gross written premiums attributable to commercial property insurance rose by 16.9% to RMB1,923 million in the six months ended June 30, 2009 from RMB1,645 million in the same period 2008. Gross written premiums attributable to liability insurance increased by 41.5% to RMB518 million in the six months ended June 30, 2009 from RMB366 million in the same period 2008. Gross written premiums attributable to construction all risks insurance grew by 49.2% to RMB791 million in the six months ended June 30, 2009 from RMB530 million in the same period 2008.

*Accident and health insurance*. Gross written premiums increased by 21.6% to RMB968 million in the six months ended June 30, 2009 from RMB796 million in the same period 2008. This was primarily due to our continuous focus on promoting this line of business.

*By region*

(%)
**2009** (2008)




In the first half of 2009, approximately 45.3% (in the same period 2008: 44.6%) of premium income from our property and casualty insurance business was attributable to customers located in Guangdong, Jiangsu, Shanghai, Zhejiang and Beijing, which are among the more economically developed areas in China.

# Management discussion and analysis
# Insurance business

## Investment income

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Net investment income | **506** | 538 |
| Net realized and unrealized gains | **150** | 452 |
| Impairment losses | **(19)** | – |
| Total investment income | **637** | 990 |
| Net investment yield (%)(1) | **3.6** | 3.7 |
| Total investment yield (%)(1) | **4.1** | 5.8 |

(1) Net foreign currency gains/losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yields. Average investment assets used as the denominator are computed based on the Modified Dietz method in principle.

Net investment income from our property and casualty insurance business recorded a decline of 5.9% to RMB506 million in the six months ended June 30, 2009 from RMB538 million in the same period 2008, mainly due to the reduction of dividend income from equity investment funds. Net investment yield for our property and casualty insurance business decreased to 3.6% in the six months ended June 30, 2009 from 3.7% in the same period last year.

Total investment income attributable to our property and casualty insurance business fell by 35.7% to RMB637 million in the six months ended June 30, 2009 from RMB990 million in the same period 2008. Total investment yield decreased to 4.1% in the six months ended June 30, 2009 from 5.8% in the same period 2008. These decreases were primarily due to the lower realized investment gains as a result of fluctuations in stock markets.

## Change in deferred policy acquisition costs

The change in deferred policy acquisition costs was RMB997 million for the six months ended June 30, 2009 as compared to RMB350 million in the same period 2008. This significant increase of change in deferred policy acquisition costs was primarily due to an increase in the change in unearned premium reserves and also an increase in the percentage of acquisition costs that can be deferred in the first half of 2009 as compared to the same period of 2008.

## Claims expenses

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Automobile insurance | **6,195** | 5,292 |
| Non-automobile insurance | **806** | 1,029 |
| Accident and health insurance | **411** | 376 |
| Total claims | **7,412** | 6,697 |

Claims attributable to automobile insurance business increased by 17.1% to RMB6,195 million in the six months ended June 30, 2009 from RMB5,292 million in the same period 2008. This was primarily due to the growth in gross written premiums during the past twelve months.

Claims attributable to non-automobile insurance business fell by 21.7% to RMB806 million in the six months ended June 30, 2009 from RMB1,029 million in the same period 2008. This was primarily due to the higher claims expenses as a result of natural disasters such as heavy snowstorm and earthquakes in the first half of 2008.

Claims attributable to accident and health insurance business rose by 9.3% to RMB411 million in the six months ended June 30, 2009 from RMB376 million in the same period 2008. This was primarily due to the increase in gross written premiums during the past twelve months.

### Commission expenses

| For the six months ended June 30 | 2009 | 2008 |
|---|---|---|
| Commission expenses as a percentage of gross written premiums | **12.3%** | 9.6% |

Commission expenses of our property and casualty insurance business increased by 64.3% to RMB2,309 million in the six months ended June 30, 2009 from RMB1,405 million in the same period 2008. Commission expenses as a percentage of gross written premiums rose to 12.3% in the six months ended June 30, 2009 from 9.6% in the same period 2008. These increases were primarily due to the surge in gross written premiums and intensified market competition in the property and casualty insurance industry.

### General and administrative expenses

General and administrative expenses increased by 28.8% to RMB4,076 million in the six months ended June 30, 2009 from RMB3,165 million in the same period 2008. This increase was primarily due to the increase in gross written premiums and increased marketing inputs resulting from intensified market competition in the property and casualty insurance industry. General and administrative expenses as a percentage of gross written premiums rose to 21.7% in the six months ended June 30, 2009 from 21.6% in the same period 2008.

## SOLVENCY MARGIN

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

| (in RMB million) | Ping An Life June 30, 2009 | Ping An Life December 31, 2008 | Ping An Property & Casualty June 30, 2009 | Ping An Property & Casualty December 31, 2008 |
|---|---|---|---|---|
| Actual capital | **44,945** | 33,752 | **6,299** | 5,047 |
| Minimum capital | **20,373** | 18,371 | **3,913** | 3,293 |
| Solvency margin ratio (%) | **220.6** | 183.7 | **161.0** | 153.3 |

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

As at June 30, 2009, the solvency margins of Ping An Life and Ping An Property & Casualty were comfortably above regulatory requirement.

# Management discussion and analysis
# Banking business

- Total assets rose to approximately RMB200 billion, increased significantly by 35.3% as compared to the end of 2008
- Accumulated credit cards in circulation exceeded 2 million, 67% of new cards issuance was contributed by cross-selling
- Business growth momentum above industry average, with asset quality among the best in the industry

In the first half of 2009, Ping An Bank implemented the guiding principles of "Management, Growth and Service" and made rapid growth while maintaining a steady business development.

Our business has been growing steadily. Total assets rose to RMB197,603 million, an increase of 35.3% as compared to the end of 2008. Total amount of deposits and loans increased by 30.1% and 43.7% respectively as compared to the end of 2008. All of these represent growth rates above the industry average. Accumulated credit cards in circulation has now exceeded 2 million, and 67% of our new cards issuance in the first half of 2009 was contributed by cross-selling.

Our asset quality was among the best in the industry. Amid the complex and ever-changing market environment, we improved our loan mix and risk management furtherly while maintaining rapid growth. We were able to control the non-performing loans ratio steadily at 0.46% which was among the best in the industry. Our capital adequacy ratio was 11.2%, which laid a solid foundation for the long-term and steady development of our banking business.

Continuous development and innovation have been achieved in respect of service, channels and products. For corporate business, we launched the "Ping An Listing Express" and established the first corporate customer service centre in Shenzhen. We also rolled out a series of innovative services such as the online 6S service for corporate customers. For retail business, we made a commitment of "Free Global ATM Withdrawal and Online Remittance, E-Banking Security" to our retail customers, which makes our service standards the best in the industry. For credit card issuance, we launched a number of new credit card products such as the Car-owner's Credit Card and Insurance Credit Card. We have been striving to expand the card issuance channels and in May, we launched a pilot in Beijing where credit cards were issued without a physical branch presence. We also introduced card loss protection period up to 72 hours before the report of card loss, which improves the loss protection features of our credit card. Network expansion achieved a further breakthrough with the successful opening of the Guangzhou and Hangzhou branches.

## RESULTS OF OPERATION

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Net interest income | **1,508** | 1,985 |
| Net fee and commission income | **186** | 87 |
| Investment income | **321** | (52) |
| Income from other businesses(1) | **33** | 13 |
| Total operating income | **2,048** | 2,033 |
| Asset impairment losses | **(69)** | (61) |
| Net operating income | **1,979** | 1,972 |
| General, administrative and other expenses(2) | **(1,257)** | (1,009) |
| Profit before tax | **722** | 963 |
| Income tax | **(145)** | (168) |
| Net profit | **577** | 795 |

(1) Income from other businesses includes exchange gains/(losses), other operating income, and non-operating income.

(2) General, administrative and other expenses includes operating expenses, business tax and surcharges, other expenses and non-operating expenses.

Net profit from our banking business decreased by 27.4% to RMB577 million in the six months ended June 30, 2009 from RMB795 million in the same period last year. This was mainly due to the squeezed net interest spread as a result of interest rate cutting by the PBOC and our continuous investment in strategic initiatives to become a nationwide bank.

## NET INTEREST INCOME

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| **Interest income** | | |
| Loans to customers | **2,179** | 2,274 |
| Due from PBOC | **133** | 146 |
| Due from banks and other financial institutions | **162** | 323 |
| Bond interest income | **591** | 633 |
| Total interest income | **3,065** | 3,376 |
| **Interest expenses** | | |
| Customer deposits | **(1,274)** | (1,085) |
| Due to banks and other financial institutions | **(283)** | (306) |
| Total interest expenses | **(1,557)** | (1,391) |
| Net Interest income | **1,508** | 1,985 |
| Net interest spread[1] | **1.7%** | 3.0% |
| Average interest-bearing assets balance | **163,539** | 127,736 |
| Average interest-bearing liabilities balance | **153,914** | 121,579 |

(1) Net interest spread (NIS) is the difference between average interest-bearing assets yield and cost of average interest-bearing liabilities.

Net interest income decreased by 24.0% to RMB1,508 million in the six months ended June 30, 2009 from RMB1,985 million in the same period last year. NIS decreased to 1.7% in the six months ended June 30, 2009 from 3.0% during the same period last year. These were mainly due to the sharply squeezed NIS since the PBOC reduced the interest rate in the fourth quarter of 2008.

## INVESTMENT INCOME

Investment income from our banking business in the six months ended June 30, 2009 was RMB321 million, compared with the loss of 52 million during the same period last year. This was mainly due to the increased realized gains arising from the disposal of bonds in the first half of 2009.

## INCOME FROM OTHER BUSINESS

Income from other business increased by 153.8% to RMB33 million in the six months ended June 30, 2009 from RMB13 million in the same period last year. This was mainly due to that the net income from our foreign exchange business was RMB15 million in the first half of 2009, while there was a loss of RMB1 million in the same period last year.

## GENERAL, ADMINISTRATIVE AND OTHER EXPENSES

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| General and administrative expenses | **1,111** | 864 |
| Business tax and surcharges | **135** | 126 |
| Other expenses and non-operating expenses | **11** | 19 |
| Total general, administrative and other expenses | **1,257** | 1,009 |
| Cost/income ratio[1] | **54.4%** | 42.6% |

(1) Cost/income ratio refers to general and administrative expenses/ operating income (excluding non-operating income).

General, administrative and other expenses increased by 24.6% to RMB1,257 million in the six months ended June 30, 2009 from RMB1,009 million in the same period 2008. This was mainly due to the generous investment into infrastructure management, IT establishment, branch expansion, and retail and credit card business promotion during the bank's rapid development. However, the income effect is yet to be realized. Cost/income ratio rose to 54.4% in the six months ended June 30, 2009 from 42.6% in the same period 2008.

## ASSET IMPAIRMENT LOSSES

Asset impairment losses increased by 13.1 % to RMB69 million in the six months ended June 30, 2009 from RMB61 million in the same period 2008, largely because risk assets rose along with the increasing size of assets.

# Management discussion and analysis
# Banking business

## INCOME TAX

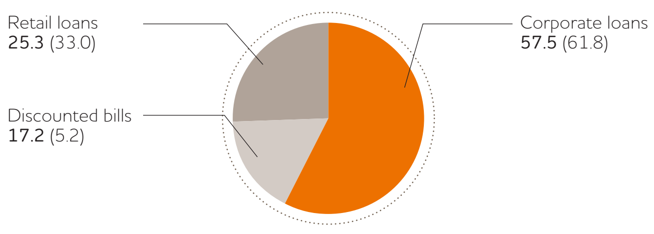
| For the six months ended June 30 | 2009 | 2008 |
|---|---|---|
| Effective tax rate | **20.1%** | 17.4% |

Effective tax rate increased to 20.1% in the six months ended June 30, 2009 from 17.4% in the same period 2008, mainly due to the corporate income tax rate in Shenzhen being raised to 20.0% in 2009 from 18.0% in 2008.

## LOAN MIX

| (in RMB million) | June 30 2009 | December 31 2008 |
|---|---|---|
| Corporate loans | **59,862** | 44,754 |
| Discounted bills | **17,921** | 3,784 |
| Retail loans | **26,361** | 23,948 |
| Total loans | **104,144** | 72,486 |

*Loan mix*
(%)
**June 30, 2009** (December 31, 2008)

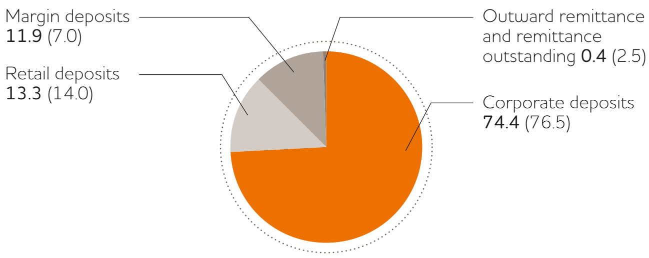



Total loans increased by 43.7% to RMB104,144 million as at June 30, 2009, from RMB72,486 million as at December 31, 2008. Corporate loans increased by 33.8% to RMB59,862 million, contributing 57.5% (as at December 31, 2008: 61.8%) to total loans as at June 30, 2009. Retail loans increased by 10.1% to RMB26,361 million, contributing 25.3% (as at December 31, 2008: 33.0%) to total loans as at June 30, 2009. Discounted bills increased by 373.6% to RMB17,921 million, contributing 17.2% (as at December 31, 2008: 5.2%) to total loans as at June 30, 2009.

## DEPOSIT MIX

| (in RMB million) | June 30 2009 | December 31 2008 |
|---|---|---|
| Corporate deposits | **103,304** | 81,758 |
| Retail deposits | **18,550** | 14,962 |
| Margin deposits | **16,579** | 7,417 |
| Outward remittance and remittance outstanding | **506** | 2,677 |
| Total customer deposits and margin deposits | **138,939** | 106,814 |

*Deposit mix*
(%)
**June 30, 2009** (December 31, 2008)




Total customer deposits and margin deposits increased by 30.1% to RMB138,939 million as at June 30, 2009 from RMB106,814 million as at December 31, 2008. Except that outward remittance and remittance outstanding decreased, corporate deposits, retail deposits and margin deposits all maintained steady growth.

## LOAN QUALITY

| (in RMB million) | June 30 2009 | December 31 2008 |
|---|---|---|
| Pass | **102,522** | 69,210 |
| Special mention | **1,145** | 2,885 |
| Substandard | **291** | 176 |
| Doubtful | **110** | 180 |
| Loss | **76** | 35 |
| Total loans | **104,144** | 72,486 |
| Total non-performing loans | **477** | 391 |
| Non-performing loan ratio | **0.46%** | 0.54% |
| Impairment provision balance | **664** | 601 |
| Provision coverage ratio | **139.2%** | 153.7% |

Loan quality continued to improve in the first half of 2009. The non-performing loan balance increased by 22.0% to RMB477 million as at June 30, 2009 from RMB391 million as at December 31, 2008 due to enlarged size of loans. The non-performing loan ratio decreased to 0.46% as at June 30, 2009 from 0.54% as at December 31, 2008. Credit risks are well under control since we have greatly increased high-quality customer loans, improved risk control mechanisms and strengthened early warning and supervision on non-performing assets.

Due to the increase in the absolute amount of total non-performing loans, provision coverage ratio decreased to 139.2% as at June 30, 2009 from 153.7% as at December 31, 2008.

## CAPITAL ADEQUACY RATIO (CAR)

| (in RMB million) | June 30 2009 | December 31 2008 |
|---|---|---|
| Net capital | **11,974** | 8,510 |
| Net risk weighted asset | **107,033** | 79,573 |
| CAR | | |
| (regulatory requirement >=8%) | **11.2%** | 10.7% |
| Core CAR | | |
| (regulatory requirement >=4%) | **8.4%** | 10.5% |

As at June 30, 2009, Ping An Bank's CAR and Core CAR were well above regulatory requirement level of 8% and 4%, at 11.2% and 8.4% respectively. Ping An Bank successfully issued RMB3,000 million subordinated debts in June 2009, resulting in increased supplementary capital, and also improving its CAR.

# Management discussion and analysis
# Investment business

- Ping An Asset Management capitalized on opportunities arising from the reviving of the stock market and optimized asset allocation
- Ping An Securities posted its best ever performance, underwriting six corporate bond issuances
- The assets held in trust under the management of Ping An Trust totalled to RMB81,267 million, representing a substantial increase of 67.5% compared to the end of 2008

## SECURITIES BUSINESS

We conduct our securities business through Ping An Securities, providing brokerage, investment banking, asset management and financial advisory services.

During the first half of 2009, the domestic A-share market saw substantial gains with turnover in the secondary market increasing sharply compared to the same period last year. For our securities and brokerage business, we took advantage of the favorable situation to strengthen the construction of our management platform, implemented profit model switch, and expanded sales network while obtaining approval for the establishment of two branches. Our investment banking business actively dealt with the adverse impact arising from the temporary freeze in IPO activity in the first half of the year, focusing on existing projects and building high quality professional team in preparation for the reopening of the IPO market and GEM board. At the same time, we built on our outstanding performance in 2008, when we were named the "Best Sponsor at the Small & Medium Enterprises Board" by the Shenzhen Stock Exchange. As for the fixed income business, we posted our best ever performance, underwriting six corporate bond issuances. Our asset management business successfully launched the "Ping An Niannianhong Zhaiquanbao" collective assets management plan.

Looking ahead, Ping An Securities will bring the advantage of the Group's integrated services model and strive to maintain steady growth by attaching particular importance to the brokerage, investment banking and fixed income businesses while reining business risks.

### Results of operation

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Net fee and commission income | **606** | 854 |
| Investment income | **255** | 103 |
| Other income | **2** | 3 |
| Total operating income | **863** | 960 |
| Foreign currency losses | **–** | (4) |
| General, administrative and other expenses | **(407)** | (456) |
| Total operating expenses | **(407)** | (460) |
| Income taxes | **(89)** | (99) |
| Net profit | **367** | 401 |

Net profit from our securities business posted a decrease of 8.5% to RMB367 million in the first half of 2009 from RMB401 million in the same period 2008.

### Net fees and commission income

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| **Fees and commission income** | | |
| Brokerage fees | **532** | 509 |
| Underwriting commission income | **137** | 392 |
| Others | **2** | 11 |
| Total fees and commission income | **671** | 912 |
| **Fees and commission expenses** | | |
| Brokerage fees paid | **(65)** | (58) |
| Total fees and commission expenses | **(65)** | (58) |
| Net fees and commission income | **606** | 854 |

Brokerage fees income increased by 4.5% to RMB532 million in the first half of 2009 from RMB509 million in the same period 2008. This was primarily due to an increase in turnover as a result of the recovery of the domestic stock market.

Underwriting commission income from our investment banking business decreased by 65.1% to RMB137 million in the six months ended June 30, 2009 from RMB392 million in the same period 2008, mainly due to the suspension of IPO activity on the A-share market.

The rise in brokerage fees expenses was consistent with the growth in brokerage fees income.

As a result, net fees and commission income decreased by 29.0 % to RMB606 million in the six months ended June 30, 2009 from RMB854 million in the same period 2008.

### Investment income

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Net investment income | **147** | 79 |
| Net realized and unrealized gains | **108** | 24 |
| Total investment income | **255** | 103 |

Total investment income grew significantly to RMB255 million in the six months ended June 30, 2009 from RMB103 million in the same period 2008. This was primarily due to a higher interest income generated from bond investments and an increase in net realized and unrealized investment gains from our proprietary trading business.

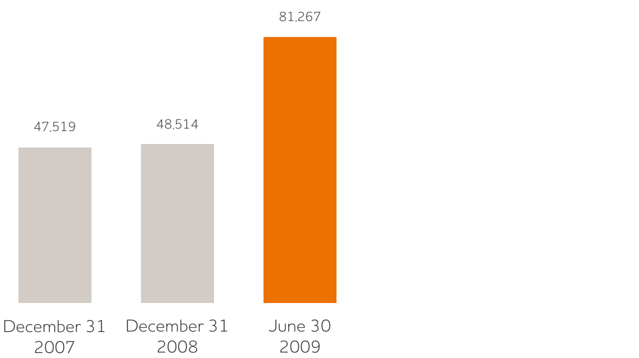
## TRUST BUSINESS

We provide asset management service to our high net worth customers through Ping An Trust. In addition, Ping An Trust also provides non-capital market investment services, such as infrastructure, properties and PE, to Ping An's other subsidiaries.

In the first half of 2009, Ping An Trust concentrated on improving its products as well as its sales channels and platforms while maintaining rapid business growth. Development of new products were aligned with market changes and customers' ever changing demands. A series of new trust products such as PE, individual annuity, TOT were released while product line enriched. We have established a professional private assets management team while progressing sales channel expansion. Our private banking business catering for the customer's demands refined continuously. Significant progress was also made through the introduction of the ODYSSEY System thus completing customer service management platform. In April 2009, relying on remarkable operating results and outstanding services, Ping An Trust received a range of awards including "The Golden Shell Reward", "The Excellent Trust Company of the Year" and "The Best Service Team of the Year". As at June 30, 2009, the assets held in trust under the management of Ping An Trust reached RMB81,267 million, representing a significant leap of 67.5% as compared to the end of 2008.

In addition, with the growth of its investment team and perfection of investment platform, Ping An Trust's non-capital market investment has fared well. All investment projects are progressing steadily, and should contribute to the Group's overall profit growth in near future.

*Assets held in trust*
(in RMB million)



# Management discussion and analysis
# Investment business

### Results of operation

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Net fees and commission income | **84** | 241 |
| Investment income | **329** | 551 |
| Total operating income | **413** | 792 |
| Asset impairment losses | **(14)** | 9 |
| Foreign currency losses | **–** | (1) |
| General, administrative and other expenses | **(144)** | (91) |
| Total operating expenses | **(158)** | (83) |
| Income taxes | **(63)** | (70) |
| Net profit | **192** | 639 |

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

Net profit decreased by 70.0% to RMB192 million in the six months ended June 30, 2009 from RMB639 million in the same period 2008. This was primarily due to the decrease in management fees of trust products as well as realized investment gains.

### Net fees and commission income

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| **Fees and Commission Income** | | |
| Management fees of trust products | **116** | 269 |
| Commission income from custodian and other fiduciary services | **–** | 15 |
| Others | **40** | 21 |
| Total fees and commission income | **156** | 305 |
| **Fees and commission expenses** | | |
| Handling charges of trust products | **(39)** | (49) |
| Others | **(33)** | (15) |
| Total fees and commission expenses | **(72)** | (64) |
| Net fees and commission income | **84** | 241 |

Management fees of trust products fell by 56.9 % to RMB116 million in the six months ended June 30, 2009 from RMB269 million in the same period 2008. This was primarily due to the reduction of securities trust products and the significant decrease in the floating management fee.

Handling charges of trust products decreased by 20.4% to RMB39 million in the six months ended June 30, 2009 from RMB49 million in the same period 2008. This was primarily due to a decrease in floating investment consultation fees arising from the securities trust products.

As a result, net fees and commission income decreased by 65.1% to RMB84 million in the six months ended June 30, 2009 from RMB241 million in the same period 2008.

### Investment income

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Net investment income | **259** | 285 |
| Net realized and unrealized gains | **70** | 266 |
| Total investment income | **329** | 551 |

Total investment income from our trust business decreased by 40.3% to RMB329 million in the six months ended June 30, 2009 from RMB551 million in the same period 2008. This was primarily due to the reduction in realized investment gains from equity investments.

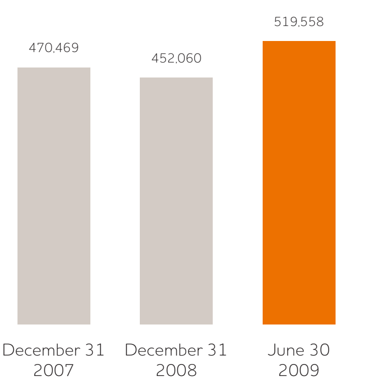
### INVESTMENT MANAGEMENT BUSINESS

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

Ping An Asset Management is responsible for our domestic investment management business. It is entrusted to manage insurance funds as well as investment assets of other subsidiaries of the Company and provides investment products and third-party asset management services for other investors through various channels.

*Assets under investment management*

(in RMB million)



As at June 30, 2009, assets under the management of Ping An Asset Management totalled approximately RMB520 billion, marking a slight increase compared to the end of 2008. This growth was primarily due to the increase of investable assets coming as a result of the steady growth of our insurance business, as well as increase in fair value of the assets as a result of the substantial rise of the A-share market in the first half of the year.

In the first half of 2009, Ping An Asset Management recorded remarkable investment results by seizing investment opportunities in the domestic equity market, optimizing asset allocation, increasing the proportion of equity assets, and selectively investing in fixed income assets.

At the same time, Ping An Asset Management will continue to strengthen its research capabilities and hone its ability to spot the trends of macroeconomic environment and the overall direction of investment flows while further enhancing asset allocations and optimizing risk control. We will speed up the construction of our investment management platform in order to enhance the competitiveness of our investment activities and establish brand awareness of Ping An's investment business.

Ping An Asset Management (Hong Kong) is mainly responsible for our overseas investment management business. Apart from being entrusted to manage investment assets for other subsidiaries of Ping An, it will also deliver overseas investment products and third-party asset management services for investors both at home and abroad. To that end, we have set up a team with broad experience and expertise in international investment to enhance capabilities in asset allocation and investment management while optimizing our operational platforms.

# Management discussion and analysis
# Synergy

- Centralization of operations progressed steadily as planned
- Achieved remarkable results in cross-selling, resulting in increasingly visible synergies

## INTEGRATED OPERATING CENTER

In the first half of 2009, the integration of the Company's operational platforms continued to progress smoothly. The centralization of underwriting, claims and policyholder services in the group insurance segment, as well as investment management, account management and fiduciary management in the annuity segment was completed. Furthermore, we rolled out two major initiatives: the sharing of resources between our life insurance and pension insurance network; and the sharing of our claims platform for our insurance products.

We will continue to leverage the wealth of our management experience and utilize our advanced information platform, as we move into the next stage of centralizing our operations of different segments which include automobile insurance, property and casualty insurance and accident and health insurance. We will proactively develop shared operation in the financial fields of banking, credit card and consumer finance. We will provide enhanced support for our integrated financial strategy by targeting cost optimization and better cross-selling.

## CROSS-SELLING

Through years of hard work, the breadth and depth of our cross-selling activities have been greatly enhanced with remarkable results and increasingly visible synergies. The following table sets out the Company's cross-selling performance for the six months ended June 30, 2009:

### New business acquired through cross-selling

| (in RMB million, unless otherwise stated) | Amount | Business Contribution Percentage (%) |
|---|---|---|
| Property and casualty insurance business | | |
| Premium income | 2,672 | 14.2 |
| Annuity business | | |
| Entrusted assets | 360 | 8.4 |
| Assets under investment management | 384 | 7.0 |
| Trust business | | |
| Trust schemes | 3,523 | 6.7 |
| Banking business | | |
| Corporate deposits (increase in daily average size) | 1,986 | 12.0 |
| Corporate loans (increase in daily average size) | 100 | 1.2 |
| Credit cards (in ten thousands) | 47 | 66.6 |

## PING AN ONE ACCOUNT MANAGEMENT SERVICES AND WANLITONG LOYALTY REWARD PROGRAM

At the base of our account integration initiative, the functions of Ping An One Account Management Services expanded to provide marketing, sales and customer service to our subsidiaries through a variety of electronic channels such as telephone, the Internet, email and SMS. As at June 30, 2009, the number of registered users totalled approximately 1.24 million. Meanwhile, the volume of services, including customer information updates and customer enquiries made electronically, accounted for 20.4% of the total volume of customer services across all of our subsidiaries.

Wanlitong Loyalty Reward Program is dedicated to enhancing the Group's comprehensive customer loyalty scheme and provides value-added services through loyalty programs and the Ping An VIP Club. The aim, since the program began, has been to attract and retain quality customers in the various subsidiaries across the Group. As at June 30, 2009, we had approximately 4.12 million registered members and up to 590,000 VIP members.

# Management discussion and analysis
## Foreign currency risk

Foreign currency denominated assets held by the Group are exposed to foreign currency risks. These assets include monetary assets such as deposits and bonds held in foreign currencies, and non-monetary assets measured at fair value such as our stocks and funds held in foreign currencies. The Group's foreign currency denominated liabilities are also exposed to fluctuations in exchange rates. These liabilities include monetary liabilities, such as loans, customer's deposits and claim reserves denominated in foreign currencies and non-monetary liabilities measured at fair value. The exposures to fluctuations in exchange rates from the above assets and liabilities offset each other.

The Group uses sensitivity analysis to estimate its risk exposure. Foreign currency risk sensitivity is estimated by assuming a simultaneous and uniform 5% depreciation, against the Renminbi, of all foreign currency denominated monetary assets and monetary liabilities as well as the non-monetary assets and liabilities measured at fair value.

| As at June 30 2009 (in RMB million) | Decrease in profit | Decrease in equity |
|---|---|---|
| Net exposure to fluctuations in exchange rates assuming a simultaneous and uniform 5% depreciation of all foreign currency denominated monetary assets and monetary liabilities as well as all non-monetary assets and non-monetary liabilities measured at fair value against the Renminbi | 619 | 1,013 |

# Management discussion and analysis
# Liquidity and financial resources

- The Company manages its liquidity and financial resources from the perspective of the Group as a whole
- As at June 30, 2009, the solvency of the Group was adequate

## GENERAL PRINCIPLES

The Company is a holding company and, with the exception of investment activities, does not conduct any substantive business at an operational level. As a result, the Company's operating cash inflows mainly come from dividends of its subsidiaries and investment returns generated from investment activities.

The Company manages its liquidity and financial resources from the perspective of the Group as a whole. The Company maintains liquidity through holding a certain proportion of highly liquid assets and managing the liquidation process of the assets. In addition, short-term borrowings, assets sold under agreements to repurchase, and other financing abilities also constitute part of the sources of the Company's liquidity and financial resources in daily operations.

In the first half of 2009, the Company injected:

- RMB800 million to Ping An Annuity

## CAPITAL STRUCTURE

As at June 30, 2009, the Group's total equity was RMB101,793 million, representing an increase of 18.8% as compared to the end of 2008. This increase was mainly due to the generation of operating profit and the increase in fair value of available-for-sale assets in the first half of 2009.

As at June 30, 2009, the Company's capital structure mainly comprised contributions from shareholders as well as proceeds from the H share and A share listings. The Company did not issue any debt securities.

In the first half of 2009, debts issued by subsidiaries of the Group were set out as follows:

- Ping An Property and Casualty issued RMB2,000 million subordinated term debts;
- Ping An Bank issued RMB3,000 million subordinated debts of commercial banks.

## GEARING RATIO

| | June 30 2009 | December 31 2008 |
|---|---|---|
| Gearing ratio | **89.2%** | 89.0% |

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

## GROUP SOLVENCY MARGIN

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

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

| (in RMB million) | June 30 2009 | December 31 2008 |
|---|---|---|
| Actual capital | **108,782** | 88,270 |
| Minimum capital | **33,391** | 28,663 |
| Solvency margin ratio (%) | **325.8** | 308.0 |

The above figures indicate that the solvency of the Group was adequate as at June 30, 2009.

## CASH FLOW ANALYSIS

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| Net cash flows from operating activities | **57,188** | 22,821 |
| Net cash flows from investing activities | **(7,783)** | (47,935) |
| Net cash flows from financing activities | **(13,006)** | (2,436) |

Net cash inflows from operating activities increased to RMB57,188 million in the six months ended June 30, 2009 from RMB22,821 million in the same period 2008. This was mainly due to the increase of cash premiums from insurance businesses, the growth of customer deposits and funds due from banks, other financial institutions in the Group's banking business. Despite the increase of cash outflow from banking business including loans and advances to customers in the first half of 2009, which was in line with the expansion of the banking business, the increase was relatively small compared to the increase of cash inflows.

Net cash outflows from investing activities decreased significantly to RMB7,783 million in the six months ended June 30, 2009 from RMB47,935 million in the same period 2008. This was mainly due to the significant amount of cash inflows received from sales and the redemption of investments. Despite the increase of investing cash outflow as compared to the same period of 2008 due to resilience of the stock market in the first half of 2009, the difference was relatively small compared to the increase of cash inflows.

Net cash outflows from financing activities increased to RMB13,006 million in the six months ended June 30, 2009 from RMB2,436 million in the same period 2008. This was mainly due to the significant increase of cash outflows arising from financial assets sold under agreements to repurchase from insurance operations in the first half of 2009 compared to the same period of 2008.

## CASH AND CASH EQUIVALENTS

| (in RMB million) | June 30 2009 | December 31 2008 |
|---|---|---|
| Cash | **53,192** | 33,148 |
| Money market funds | **20,056** | 16,271 |
| Bond investments with an original maturity of less than 3 months | **–** | 50 |
| Assets purchased under agreements to resell with an original maturity of less than 3 months | **25,378** | 12,206 |
| Total cash and cash equivalents | **98,626** | 61,675 |

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

## Reconciliation

The material GAAP differences between CAS and IFRS in preparing financial statements are as follows:

### RECONCILIATION OF GAAP DIFFERENCES FOR NET PROFIT AND EQUITY

| Consolidated net profit<br>For the six months ended June 30<br>(in RMB million) | Notes | 2009 | 2008 |
|---|---|---|---|
| **Prepared in accordance with CAS** | | **4,347** | 7,102 |
| Unearned premium reserves | (1) | **–** | (199) |
| Policyholders' reserves | (2) | **(6,946)** | (1,888) |
| Deferred policy acquisition costs | (3) | **8,123** | 5,316 |
| Deferred tax | (4) | **(294)** | (816) |
| Non-controlling interests and others | | **(8)** | (28) |
| **Prepared in accordance with IFRS** | | **5,222** | 9,487 |

| Consolidated equity<br>(in RMB million) | Notes | June 30<br>2009 | December 31<br>2008 |
|---|---|---|---|
| **Prepared in accordance with CAS** | | **90,327** | 78,757 |
| Unearned premium reserves | (1) | – | – |
| Policyholders' reserves | (2) | **(51,865)** | (44,920) |
| Deferred policy acquisition costs | (3) | **58,722** | 50,599 |
| Deferred tax | (4) | **(1,710)** | (1,417) |
| Non-controlling interests and others | | **(78)** | (68) |
| **Prepared in accordance with IFRS** | | **95,396** | 82,951 |

Non-controlling interests have been deducted from the above amounts.

Notes:

(1) Before July 1, 2008, under CAS, unearned premium reserves of the Group are provided using actuarial valuation results (1/365 method), and should be no less than 50% of the retained premium for the current period (1/2 method) as for life insurance subsidiaries of the Group. Under IFRS, unearned premium reserves are provided using actuarial valuation results (1/365 method). According to the CIRC's new actuarial regulations effective from July 1, 2008, life insurance subsidiaries used the same actuarial valuation results (1/365 method) for provision of unearned premium reserves under both CAS and IFRS.

(2) Under CAS, policyholders' reserves are provided in accordance with related actuarial regulations promulgated by CIRC. Under IFRS, policyholders' reserves are provided in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.

(3) Under CAS, handling costs and commission expenses of acquiring new policies are recognized in the income statement when incurred. Under IFRS, handling costs and commission expenses of acquiring new policies are deferred and amortized over the expected life of the insurance contracts at a constant percentage of expected premiums or at a constant percentage of the present value of estimated gross profits expected to be realized over the life of the insurance contracts by product type, in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.

(4) The above differences between CAS and IFRS are temporary differences in accordance with IAS 12 Income Taxes. The Group recognizes deferred tax assets and liabilities on the basis of the above differences and the tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled.

## RECONCILIATION OF GAAP DIFFERENCES FOR PREMIUM INCOME

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| **Prepared in accordance with CAS** | **92,685** | 69,228 |
| Less: Premium deposits allocated to policyholder contract deposits (universal life) | **(25,897)** | (10,272) |
| Premium deposits allocated to policyholder (investment-linked) | **(2,014)** | (4,764) |
| **Prepared in accordance with IFRS** | **64,774** | 54,192 |

## RECONCILIATION OF GAAP DIFFERENCES FOR INVESTMENT INCOME

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| **Prepared in accordance with CAS** | **20,502** | 4,686 |
| Including: Investment income | **13,887** | 23,445 |
| Gains/(losses) from changes in fair value | **6,615** | (18,759) |
| Add: Rental income of investment properties | **212** | 139 |
| Impairment losses of investment assets | **(295)** | (1,585) |
| Less: Share of profits of associates | **(52)** | (41) |
| Policyholder account investment income in respect of insurance contracts (investment-linked) | **(5,685)** | 6,076 |
| **Prepared in accordance with IFRS** | **14,682** | 9,275 |

## RECONCILIATION OF GAAP DIFFERENCES FOR GENERAL AND ADMINISTRATIVE EXPENSES

| For the six months ended June 30 (in RMB million) | 2009 | 2008 |
|---|---|---|
| **Prepared in accordance with CAS** | **9,415** | 6,013 |
| Add: Business tax and surcharges | **1,625** | 1,702 |
| Impairment losses of assets other than investment assets and loans | **76** | (62) |
| Other operating expenses | **2,236** | 444 |
| Non-operating expenses | **98** | 80 |
| Less: Business tax and surcharges, general and administrative expenses of policyholder account in respect of insurance contracts (investment-linked) | **(141)** | 376 |
| **Prepared in accordance with IFRS** | **13,309** | 8,553 |

# 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 in this section. The embedded value represents the shareholders' adjusted net asset value plus the value of the Company's in-force life insurance business adjusted for the cost of regulatory solvency margin deployed to support this business. The embedded value excludes the value of future new business sales.

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

## (1) COMPONENTS OF ECONOMIC VALUE

| (in RMB million) | June 30 2009 | December 31 2008 |
|---|---|---|
| Risk discount rate | **Earned Rate/11.5%** | Earned Rate/11.5% |
| Adjusted net asset value | **90,574** | 79,016 |
| Adjusted net asset value of life insurance business | **36,744** | 25,800 |
| Value of in-force insurance business written prior to June 1999 | **(10,310)** | (11,340) |
| Value of in-force insurance business written since June 1999 | **75,993** | 66,859 |
| Cost of holding the required solvency margin | **(13,628)** | (11,676) |
| **Embedded value** | **142,628** | 122,859 |
| Embedded value of life insurance business | **88,799** | 69,643 |

| (in RMB million) | June 30 2009 | December 31 2008 |
|---|---|---|
| Risk discount rate | **11.5%** | 11.5% |
| Value of one year's new business | **12,170** | 10,039 |
| Cost of holding the required solvency margin | **(1,938)** | (1,498) |
| **Value of one year's new business after cost of solvency** | **10,231** | 8,541 |
| **Value of first half year's new business after cost of solvency** | **6,246** | 4,556 |

Notes: (1) Figures may not be additive due to rounding.
(2) In the table above, the assumptions used to calculate the value of first half year's new business in 2008 are the same with current assumptions used to calculate the new business value. If the 2008 mid-year valuation's assumptions were used, the value of first half year's new business in 2008 would be RMB4,911 million.

The adjusted net asset value is based on the shareholders net assets of the Company and the relative life insurance business as measured on the PRC statutory basis. The relative life insurance business includes business conducted through Ping An Life, Ping An Annuity and Ping An Health. The values placed on certain assets have been adjusted to the market value.

## (2) KEY ASSUMPTIONS

The key assumptions used in the embedded value calculation as at June 30, 2009 have been the same as those used in 2008 year-end valuation.

## (3) NEW BUSINESS VOLUMES AND BUSINESS MIX

The volume of new business sold and modeled during the past 12months prior to June 30, 2009 to calculate the value of one year's new business was RMB56,025 million in terms of first year premium, while that was RMB43,530 million during 2008. The mix of the new business measured by first year premium was:

| Business Mix | June 30 2009 | December 31 2008 |
|---|---|---|
| **Individual life** | **43.7%** | 46.2% |
| Long-term business | **43.2%** | 45.6% |
| Short-term business | **0.5%** | 0.6% |
| **Group life** | **14.0%** | 20.7% |
| Long-term business | **7.6%** | 13.0% |
| Short-term business | **6.4%** | 7.7% |
| **Bancassurance** | **42.3%** | 33.1% |
| Long-term business | **42.3%** | 33.1% |
| Short-term business | **0.0%** | 0.0% |
| **Total** | **100.0%** | 100.0% |

Note: Figures may not be additive due to rounding.

## (4) SENSITIVITY ANALYSIS

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

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

| | Risk Discount Rate | | | |
|---|---|---|---|---|
| (in RMB million) | Earned Rate/11.0% | Earned Rate/11.5% | Earned Rate/12.0% | 11.5% |
| Value of in-force business | 54,329 | 52,055 | 49,894 | 53,437 |
| | 11.0% | 11.5% | 12.0% | Earned Rate/11.5% |
| Value of one year's new business | 10,844 | 10,231 | 9,661 | 10,947 |

| Assumptions (in RMB million) | Value of in-force business | Value of one year's new business |
|---|---|---|
| Central case | 52,055 | 10,231 |
| Investment return increased by 50bp every year | 62,862 | 10,828 |
| Investment return decreased by 50bp every year | 39,657 | 9,645 |
| 10% reduction in mortality and morbidity rates | 52,685 | 10,476 |
| 10% reduction in policy discontinuance rates | 53,863 | 10,692 |
| 10% reduction in maintenance expense | 53,057 | 10,408 |
| 5% increase in the policyholders' dividend payout ratio | 49,886 | 9,966 |
| Solvency margin at 150% of the regulatory level | 45,037 | 9,262 |

Note: Risk discount rates were earned rate/11.5% and 11.5% for in-force business and new business respectively.

# Report on review of interim condensed consolidated financial statements

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

## INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 37 to 71 which comprise the interim consolidated statement of financial position of Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries (the "Group") as at 30 June 2009 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**
*Certified Public Accountants*

Hong Kong
14 August 2009

# Interim consolidated income statement

For the six months ended 30 June 2009

| For the six months ended 30 June (in RMB million) | Notes | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|---|
| Gross written premiums and policy fees | 6 | **64,774** | 54,192 |
| Less: Premiums ceded to reinsurers | | **(3,706)** | (3,344) |
| Net written premiums and policy fees | 6 | **61,068** | 50,848 |
| Change in unearned premium reserves | | **(4,278)** | (2,734) |
| Net earned premiums | | **56,790** | 48,114 |
| Reinsurance commission income | | **904** | 760 |
| Interest income of banking operation | 7 | **3,065** | 3,369 |
| Fees and commission income of non-insurance operations | 8 | **1,029** | 1,282 |
| Investment income | 9 | **14,682** | 9,275 |
| Share of profits of associates and joint ventures | | **52** | 41 |
| Other income | | **2,917** | 792 |
| **Total income** | | **79,439** | 63,633 |
| Change in deferred policy acquisition costs | | **8,123** | 5,316 |
| Claims and policyholders' benefits | 10 | **(54,137)** | (40,619) |
| Commission expenses of insurance operations | | **(9,843)** | (7,257) |
| Interest expenses of banking operation | 7 | **(1,141)** | (1,265) |
| Fees and commission expenses of non-insurance operations | 8 | **(123)** | (118) |
| Loan loss provisions, net of reversals | | **(85)** | (16) |
| Foreign exchange losses | | **(17)** | (525) |
| General and administrative expenses | | **(13,309)** | (8,553) |
| Finance costs | | **(420)** | (252) |
| **Total expenses** | | **(70,952)** | (53,289) |
| Profit before tax | 11 | **8,487** | 10,344 |
| Income taxes | 12 | **(3,046)** | (625) |
| **Profit for the period** | | **5,441** | 9,719 |
| **Attributable to:** | | | |
| – Owners of the parent | | **5,222** | 9,487 |
| – Non-controlling interests | | **219** | 232 |
| | | **5,441** | 9,719 |
| | | RMB | RMB |
| **Earnings per share attributable to owners of the parent:** | 15 | | |
| **– basic** | | **0.71** | 1.29 |
| **– diluted** | | **0.71** | 1.29 |

The accompanying notes form an integral part of these financial statements.

# Interim consolidated statement of comprehensive income

For the six months ended 30 June 2009

| For the six months ended 30 June (in RMB million) | Note | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|---|
| **Profit for the period** | | **5,441** | 9,719 |
| **Other comprehensive income** | | | |
| Exchange differences on translation of foreign operations | | **72** | (28) |
| Available-for-sale financial assets | | **8,422** | (47,403) |
| Shadow accounting adjustments | | **568** | 9,819 |
| Income tax relating to components of other comprehensive income | | **(1,830)** | 7,607 |
| **Other comprehensive income/(loss) for the period, net of tax** | 13 | **7,232** | (30,005) |
| **Total comprehensive income/(loss) for the period** | | **12,673** | (20,286) |
| **Attributable to:** | | | |
| – Owners of the parent | | **12,445** | (20,221) |
| – Non-controlling interests | | **228** | (65) |
| | | **12,673** | (20,286) |

The accompanying notes form an integral part of these financial statements.

# Interim consolidated statement of financial position

As at 30 June 2009

| (in RMB million) | Notes | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|---|
| **Assets** | | | |
| Balances with central bank and statutory deposits | | **28,879** | 25,963 |
| Cash and amounts due from banks and other financial institutions | 16 | **129,376** | 105,279 |
| Fixed maturity investments | 17 | **365,243** | 344,449 |
| Equity investments | 18 | **74,106** | 54,599 |
| Derivative financial assets | 19 | **6** | 17 |
| Loans and advances to customers | 20 | **105,517** | 74,160 |
| Investments in associates and joint ventures | | **8,744** | 5,468 |
| Premium receivables | | **5,520** | 4,412 |
| Accounts receivable | | **2,715** | – |
| Inventories | | **1,887** | – |
| Reinsurers' share of insurance liabilities | | **9,485** | 8,872 |
| Policyholder account assets in respect of insurance contracts | | **38,335** | 30,749 |
| Policyholder account assets in respect of investment contracts | | **4,294** | 3,979 |
| Deferred policy acquisition costs | 21 | **58,722** | 50,599 |
| Investment properties | | **7,065** | 6,389 |
| Property and equipment | | **9,315** | 8,287 |
| Intangible assets | | **14,106** | 10,279 |
| Deferred tax assets | | **5,016** | 6,876 |
| Other assets | | **17,088** | 14,341 |
| **Total assets** | | **885,419** | 754,718 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 22 | **7,345** | 7,345 |
| Reserves | | **61,500** | 54,277 |
| Retained profits | | **26,551** | 21,329 |
| Equity attributable to owners of the parent | | **95,396** | 82,951 |
| Non-controlling interests | | **6,397** | 2,745 |
| Total equity | | **101,793** | 85,696 |
| **Liabilities** | | | |
| Due to banks and other financial institutions | | **36,676** | 24,192 |
| Assets sold under agreements to repurchase | | **33,419** | 41,124 |
| Derivative financial liabilities | 19 | **21** | 265 |
| Customer deposits and payables to brokerage customers | 23 | **123,536** | 94,991 |
| Insurance payables | | **14,083** | 13,701 |
| Insurance contract liabilities | 24 | **532,767** | 462,341 |
| Investment contract liabilities for policyholders | | **8,049** | 6,636 |
| Policyholder dividend payable | | **13,525** | 12,012 |
| Income tax payable | | **1,677** | 2,274 |
| Subordinated debts | 25 | **4,990** | – |
| Deferred tax liabilities | | **1,806** | 998 |
| Other liabilities | | **13,077** | 10,488 |
| Total liabilities | | **783,626** | 669,022 |
| **Total equity and liabilities** | | **885,419** | 754,718 |

| **MA Mingzhe** | **CHEUNG Chi Yan Louis** | **SUN Jianyi** |
|---|---|---|
| *Director* | *Director* | *Director* |

The accompanying notes form an integral part of these financial statements.

# Interim consolidated statement of changes in equity

For the six months ended 30 June 2009

| For the six months ended 30 June 2009 (in RMB million) | Equity attributable to owners of the parent | Reserves | | | | | | | Non-controlling interests (Unaudited) | Total equity (Unaudited) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital (Unaudited) | Share premium (Unaudited) | Translation of foreign operations (Unaudited) | Available-for-sale financial assets (Unaudited) | Shadow accounting adjustments (Unaudited) | Surplus reserve fund (Unaudited) | General reserve (Unaudited) | Retained profits (Unaudited) | | |
| As at 1 January 2009 | 7,345 | 51,907 | (23) | (1,031) | (3,096) | 6,125 | 395 | 21,329 | 2,745 | 85,696 |
| Total comprehensive income for the period | – | – | 72 | 6,739 | 412 | – | – | 5,222 | 228 | 12,673 |
| Changes in subsidiaries | – | – | – | – | – | – | – | – | 3,424 | 3,424 |
| As at 30 June 2009 | 7,345 | 51,907 | 49 | 5,708 | (2,684) | 6,125 | 395 | 26,551 | 6,397 | 101,793 |

| For the six months ended 30 June 2008 (in RMB million) | Equity attributable to owners of the parent | Reserves | | | | | | | Non-controlling nterests (Audited) | Total equity (Audited) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital (Audited) | Share premium (Audited) | Translation of foreign operations (Audited) | Available-for-sale financial assets (Audited) | Shadow accounting adjustments (Audited) | Surplus reserve fund (Audited) | General reserve (Audited) | Retained profits (Audited) | | |
| As at 1 January 2008 | 7,345 | 51,907 | (42) | 24,792 | (4,903) | 7,629 | 1,939 | 23,155 | 2,029 | 113,851 |
| Total comprehensive income/(loss) for the period | – | – | (28) | (37,403) | 7,723 | – | – | 9,487 | (65) | (20,286) |
| Appropriations to surplus reserve fund | – | – | – | – | – | 710 | – | (710) | – | – |
| Dividend declared | – | – | – | – | – | – | – | (3,673) | (49) | (3,722) |
| Changes in subsidiaries | – | – | – | – | – | – | – | – | 577 | 577 |
| As at 30 June 2008 | 7,345 | 51,907 | (70) | (12,611) | 2,820 | 8,339 | 1,939 | 28,259 | 2,492 | 90,420 |

The accompanying notes form an integral part of these financial statements.

# Interim consolidated cash flow statement

For the six months ended 30 June 2009

| For the six months ended 30 June (in RMB million) | Note | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|---|
| **Net cash from operating activities** | | **57,188** | 22,821 |
| **Cash flows from investing activities** | | | |
| Purchases of investment properties, items of property and equipment, and intangible assets | | **(1,363)** | (2,407) |
| Proceeds from disposal of investment properties, items of property and equipment, and intangible assets | | **206** | 219 |
| Purchases of investments, net | | **(16,945)** | (42,052) |
| Term deposits withdrawal/(placed), net | | **2,311** | (7,051) |
| Acquisition of subsidiaries | | **2,517** | (529) |
| Acquisition of non-controlling interest in a subsidiary | | **–** | (436) |
| Proceeds from assets purchased under agreements to resell | | **–** | 168 |
| Interests received | | **8,772** | 6,569 |
| Dividends received | | **443** | 3,781 |
| Rentals received | | **212** | 139 |
| Others | | **(759)** | (535) |
| Net cash outflow from investing activities for policyholders' accounts | | **(3,177)** | (5,801) |
| **Net cash used in investing activities** | | **(7,783)** | (47,935) |
| **Cash flows from financing activities** | | | |
| Proceeds from shares issued | | **5** | – |
| Proceeds from sales in assets sold under agreements to repurchase | | **(20,174)** | 1,282 |
| Proceeds from borrowed funds | | **8,835** | 100 |
| Interests paid | | **(441)** | (186) |
| Dividends paid | | **–** | (3,666) |
| Proceeds from bond issued | | **4,990** | – |
| Repayment of borrowed funds | | **(7,431)** | (122) |
| Net cash inflow from financing activities for policyholders' accounts | | **1,210** | 156 |
| **Net cash used in financing activities** | | **(13,006)** | (2,436) |
| **Net increase/(decrease) in cash and cash equivalents** | | **36,399** | (27,550) |
| Net foreign exchange differences | | **(9)** | (490) |
| Cash and cash equivalents at beginning of the period | | **64,489** | 96,296 |
| **Cash and cash equivalents at end of the period** | 29 | **100,879** | 68,256 |

The accompanying notes form an integral part of these financial statements.

# Notes to the interim condensed consolidated financial statements

As at 30 June 2009

## 1. CORPORATE INFORMATION

Ping An Insurance (Group) Company of China, Ltd. (the "Company") was incorporated 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, supervising and managing various domestic and overseas businesses of subsidiaries, and utilizing funds. The Company and its subsidiaries are collectively named as the Group. The Group mainly provides integrated financial products and services, including life insurance, property and casualty insurance, trust business, securities business, banking business and other services. The business mentioned is not regarded as highly seasonal.

The registered address of the Company is 15/F, 16/F, 17/F and 18/F, Galaxy Development Centre, Fu Hua No.3 Road, Futian District, Shenzhen, Guangdong Province, China.

## 2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited annual financial statements for the year ended 31 December 2008.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of new standards and interpretations as of 1 January 2009, noted below:

- IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*

The standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

- IFRS 7 *Financial Instruments: Disclosures*

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures.

- IFRS 8 *Operating Segments*

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. Adoption of this Standard did not have any significant effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IAS 1 (Revised) *Presentation of Financial Statements*

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

- IAS 23 (Revised) *Borrowing Costs*

The standard has been revised to require capitalization of borrowing costs on qualifying assets. The adoption of this revised standard did not have any significant impact on the financial position or performance of the Group.

- IAS 32 *Financial Instruments: Presentation* and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation*

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

- IFRIC 13 *Customer Loyalty Programmes*

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognized as revenue over that the award credits are redeemed. The Group maintains a loyalty point programme which allows customers to accumulate points when they purchase products from the Group. The points can then be redeemed for free products, subject to a minimum number of points being obtained.

The Group has historically allocated consideration received between the products sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying statistical analysis. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed. The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

- IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement*

These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. As the Group did not have hedges of a net investment in a foreign operation, it has had no significant impact on the financial position or performance of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### IMPROVEMENTS TO IFRSs

In May 2008, the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- IAS 1 *Presentation of Financial Statements:* Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analyzed whether Management's expectation of the period of realization of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.

- IAS 16 *Property, Plant and Equipment:* Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

- IAS 23 *Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one-the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

- IAS 38 *Intangible Assets:* Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

  The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

The amendments to the following standards below did not have any impact on the accounting policies, financial position or performance of the Group:

- *IFRS 7 Financial Instruments: Disclosures*
- *IAS 8 Accounting Policies, Change in Accounting Estimates and Error*
- *IAS 10 Events after the Reporting Period*
- *IAS 16 Property, Plant and Equipment*
- *IAS 18 Revenue*
- *IAS 19 Employee Benefits*
- *IAS 20 Accounting for Government Grants and Disclosures of Government Assistance*
- *IAS 27 Consolidated and Separate Financial Statements*
- *IAS 28 Investments in Associates*
- *IAS 31 Interests in Joint ventures*
- *IAS 34 Interim Financial Reporting*
- *IAS 36 Impairment of Assets*
- *IAS 39 Financial Instruments: Recognition and Measurement*

## 4. BUSINESS COMBINATION

In January 2009, China Ping An Trust & Investment Co., Ltd. ("Ping An Trust") completed the acquisition of 100% equity interest in XJ Group Corporation ("XJ Group") which specializes in the manufacture of electric equipment. The acquisition has been accounted for using the purchase method of accounting. The purchase price allocation is preliminary and may be adjusted as a result of obtaining additional information regarding preliminary estimates of fair values made at the date of purchase. The interim condensed consolidated financial statements include the results of XJ Group for the six month period from the acquisition date.

The amounts determined provisionally at the acquisition date for XJ Group's assets, liabilities and contingent liabilities, and the carrying amounts thereof immediately before the combination are as follows.

| (in RMB million) | Amounts determined provisionally at the acquisition date (Unaudited) | Carrying amounts (Unaudited) |
|---|---|---|
| Total assets * | 14,238 | 10,729 |
| Total liabilities * | (10,289) | (9,753) |
| | 3,949 | 976 |
| Non-controlling interests | (3,468) | (1,794) |
| Total net assets acquired | 481 | (818) |
| Goodwill arising on acquisition | 496 | |
| Total acquisition cost | 977 | |

* As the amounts of assets and liabilities determined provisionally are not material to the Group, the management considers that no further analysis by classes of assets and liabilities is required.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of XJ Group is as follows:

| (in RMB million) | (Unaudited) |
|---|---|
| Cash consideration | (977) |
| Cash and bank balances acquired | 2,517 |
| Net inflow of cash and cash equivalents | 1,540 |
| Less: Cash consideration paid in 2008 | 977 |
| Net inflow of cash and cash equivalents in 2009 | 2,517 |

From the date of acquisition to 30 June 2009, XJ Group has contributed RMB105 million to the net profit attributable to the owners of the parent.

## 5. SEGMENT INFORMATION

Business activities of the Group are first segregated by product and type of service: insurance activities, banking activities, securities activities and corporate activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided between life insurance and property and casualty insurance. The types of products and services from which reportable segments derive revenue are listed below.

- The life insurance segment offers a comprehensive range of life insurance products on individual and group basis, including term, whole-life, endowment, annuity, investment-linked, universal life as well as health and care insurance.
- The property and casualty insurance segment offers a wide variety of insurance products to both private and corporate customers, including automobile insurance, non-automobile insurance, and accident and health insurance.
- The banking segment undertakes loan and intermediary businesses with the corporate customers and retail business as well as wealth management and credit card services with the individual customers.
- The securities segment undertakes brokerage, trading, investment banking and offers asset management services.
- The corporate segment includes the management and support of the Group's business through its strategy, risk, treasury, finance, legal, human resources functions, etc.. The corporate segment derives revenue from investing activities.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is based on net profit.

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

## 5. SEGMENT INFORMATION (CONTINUED)

The segment analysis for the six months ended 30 June 2009 (the "Period") is as follows:

| (in RMB million) | Life insurance (Unaudited) | Property and casualty insurance (Unaudited) | Banking (Unaudited) | Securities (Unaudited) | Corporate (Unaudited) | Others (Unaudited) | Elimination (Unaudited) | Total (Unaudited) |
|---|---|---|---|---|---|---|---|---|
| **Income statement** | | | | | | | | |
| Gross written premiums and policy fees | 46,010 | 18,764 | – | – | – | – | – | 64,774 |
| Less: Premiums ceded to reinsurers | (904) | (2,802) | – | – | – | – | – | (3,706) |
| Change in unearned premium reserves | (328) | (3,950) | – | – | – | – | – | (4,278) |
| Net earned premiums | 44,778 | 12,012 | – | – | – | – | – | 56,790 |
| Reinsurance commission income | 124 | 780 | – | – | – | – | – | 904 |
| Interest income of banking operation | – | – | 3,065 | – | – | – | – | 3,065 |
| Fees and commission income of non-insurance operations | – | – | 207 | 671 | – | 151 | – | 1,029 |
| Investment income/(loss) | 13,799 | 637 | 321 | 255 | (415) | 563 | (478) | 14,682 |
| Including: Intersegment investment income | 393 | 21 | – | (2) | 37 | 29 | (478) | – |
| Share of profits/(losses) of associates and joint ventures | (119) | – | – | – | – | 171 | – | 52 |
| Other income | 805 | 57 | 18 | 2 | – | 2,731 | (696) | 2,917 |
| Including: Intersegment other income | 212 | 4 | – | – | – | 480 | (696) | – |
| Total income | 59,387 | 13,486 | 3,611 | 928 | (415) | 3,616 | (1,174) | 79,439 |
| Change in deferred policy acquisition costs | 7,126 | 997 | – | – | – | – | – | 8,123 |
| Claims and policyholders' benefits | (46,725) | (7,412) | – | – | – | – | – | (54,137) |
| Commission expenses of insurance operations | (7,750) | (2,309) | – | – | – | – | 216 | (9,843) |
| Interest expenses of banking operation | – | – | (1,557) | – | – | – | 416 | (1,141) |
| Fees and commission expenses of non-insurance operations | – | – | (21) | (65) | – | (39) | 2 | (123) |
| Loan loss provisions, net of reversals | – | – | (69) | – | – | (16) | – | (85) |
| Foreign exchange gains/(losses) | (25) | (6) | 15 | – | (1) | – | – | (17) |
| General and administrative expenses | (5,242) | (4,152) | (1,257) | (407) | (107) | (2,681) | 537 | (13,309) |
| Finance costs | (73) | (22) | – | – | – | (328) | 3 | (420) |
| Total expenses | (52,689) | (12,904) | (2,889) | (472) | (108) | (3,064) | 1,174 | (70,952) |
| Profit/(loss) before tax | 6,698 | 582 | 722 | 456 | (523) | 552 | – | 8,487 |
| Income taxes | (2,056) | (578) | (145) | (89) | (71) | (107) | – | (3,046) |
| Profit/(loss) for the period | 4,642 | 4 | 577 | 367 | (594) | 445 | – | 5,441 |

## 5. SEGMENT INFORMATION (CONTINUED)

The segment analysis for the six months ended 30 June 2008 is as follows:

| (in RMB million) | Life insurance (Audited) | Property and casualty insurance (Audited) | Banking (Audited) | Securities (Audited) | Corporate (Audited) | Others (Audited) | Elimination (Audited) | Total (Audited) |
|---|---|---|---|---|---|---|---|---|
| **Income statement** | | | | | | | | |
| Gross written premiums and policy fees | 39,521 | 14,671 | – | – | – | – | – | 54,192 |
| Less: Premiums ceded to reinsurers | (605) | (2,739) | – | – | – | – | – | (3,344) |
| Change in unearned premium reserves | (421) | (2,313) | – | – | – | – | – | (2,734) |
| Net earned premiums | 38,495 | 9,619 | – | – | – | – | – | 48,114 |
| Reinsurance commission income | 103 | 657 | – | – | – | – | – | 760 |
| Interest income of banking operation | – | – | 3,376 | – | – | – | (7) | 3,369 |
| Including: Intersegment interest income of banking operation | – | – | 7 | – | – | – | (7) | – |
| Fees and commission income of non-insurance operations | – | – | 101 | 912 | – | 288 | (19) | 1,282 |
| Including: Intersegment commission income of non-insurance operations | – | – | – | – | – | 19 | (19) | – |
| Investment income/(loss) | 8,768 | 990 | (127) | 103 | (624) | 345 | (180) | 9,275 |
| Including: Intersegment investment income | 187 | 7 | – | (19) | 79 | (74) | (180) | – |
| Share of profits of associates and joint ventures | 27 | – | – | – | – | 14 | – | 41 |
| Other income | 659 | 29 | 14 | 3 | – | 339 | (252) | 792 |
| Including: Intersegment other income | 106 | 1 | – | – | – | 145 | (252) | – |
| Total income | 48,052 | 11,295 | 3,364 | 1,018 | (624) | 986 | (458) | 63,633 |
| Change in deferred policy acquisition costs | 4,966 | 350 | – | – | – | – | – | 5,316 |
| Claims and policyholders' benefits | (33,922) | (6,697) | – | – | – | – | – | (40,619) |
| Commission expenses of insurance operations | (5,934) | (1,405) | – | – | – | – | 82 | (7,257) |
| Interest expenses of banking operation | – | – | (1,391) | – | – | – | 126 | (1,265) |
| Fees and commission expenses of non-insurance operations | – | – | (14) | (58) | – | (46) | – | (118) |
| Loan loss provisions, net of reversals | – | – | (9) | – | – | (7) | – | (16) |
| Foreign exchange losses | (403) | (37) | (1) | (4) | (62) | (18) | – | (525) |
| General and administrative expenses | (3,785) | (3,177) | (986) | (456) | 48 | (436) | 239 | (8,553) |
| Finance costs | (52) | – | – | – | – | (200) | – | (252) |
| Total expenses | (39,130) | (10,966) | (2,401) | (518) | (14) | (707) | 447 | (53,289) |
| Profit/(loss) before tax | 8,922 | 329 | 963 | 500 | (638) | 279 | (11) | 10,344 |
| Income taxes | (597) | 10 | (168) | (99) | 299 | (70) | – | (625) |
| Profit/(loss) for the period | 8,325 | 339 | 795 | 401 | (339) | 209 | (11) | 9,719 |

## 6. GROSS AND NET WRITTEN PREMIUMS AND POLICY FEES

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| Gross written premiums, policy fees and premium deposits (as reported in accordance with PRC Accounting Standards) | **92,685** | 69,228 |
| Less: Premium deposits allocated to policyholder contract deposits | **(25,897)** | (10,272) |
| Premium deposits allocated to policyholder accounts | **(2,014)** | (4,764) |
| Gross written premiums and policy fees | **64,774** | 54,192 |
| Long term life business gross written premiums and policy fees | **42,780** | 36,540 |
| Short term life business gross written premiums | **3,230** | 2,981 |
| Property and casualty business gross written premiums | **18,764** | 14,671 |
| Gross written premiums and policy fees | **64,774** | 54,192 |

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| **Gross** | | |
| Life Insurance | | |
| Individual life insurance | **40,253** | 32,991 |
| Bancassurance | **2,125** | 1,112 |
| Group life insurance | **3,632** | 5,418 |
| | **46,010** | 39,521 |
| Property and casualty Insurance | | |
| Automobile insurance | **13,378** | 10,225 |
| Non-automobile insurance | **4,418** | 3,650 |
| Accident and health insurance | **968** | 796 |
| | **18,764** | 14,671 |
| Gross written premiums and policy fees | **64,774** | 54,192 |

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| **Net of reinsurance premiums ceded** | | |
| Life Insurance | | |
| Individual life insurance | **40,024** | 32,975 |
| Bancassurance | **2,123** | 1,111 |
| Group life insurance | **2,959** | 4,830 |
| | **45,106** | 38,916 |
| Property and casualty Insurance | | |
| Automobile insurance | **13,352** | 9,275 |
| Non-automobile insurance | **1,650** | 1,879 |
| Accident and health insurance | **960** | 778 |
| | **15,962** | 11,932 |
| Net written premiums and policy fees | **61,068** | 50,848 |

## 7. NET INTEREST INCOME OF BANKING OPERATION

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| **Interest income of banking operation** | | |
| Loans and advances to customers | **2,179** | 2,274 |
| Balances with central bank | **133** | 146 |
| Bonds | **591** | 633 |
| Amounts due from banks and other financial institutions | **162** | 316 |
| | **3,065** | 3,369 |
| **Interest expenses of banking operation** | | |
| Customer deposits | **893** | 996 |
| Due to banks and other financial institutions | **248** | 269 |
| | **1,141** | 1,265 |
| Net interest income of banking operation | **1,924** | 2,104 |

## 8. NET FEES AND COMMISSION INCOME OF NON-INSURANCE OPERATIONS

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| **Fees and commission income of non-insurance operations** | | |
| Brokerage fees | **532** | 509 |
| Underwriting commission income | **137** | 392 |
| Trust service fees | **116** | 267 |
| Others | **244** | 114 |
| | **1,029** | 1,282 |
| **Fees and commission expenses of non-insurance operations** | | |
| Brokerage fees paid | **65** | 58 |
| Other fees paid | **58** | 60 |
| | **123** | 118 |
| Net fees and commission income of non-insurance operations | **906** | 1,164 |

## 9. INVESTMENT INCOME

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| Net investment income | **8,836** | 10,259 |
| Realized gains | **4,266** | 10,520 |
| Unrealized gains/(losses) | **1,875** | (9,919) |
| Impairment losses | **(295)** | (1,585) |
| Total investment income | **14,682** | 9,275 |

### (1) NET INVESTMENT INCOME

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| Interest income on fixed maturity investments of non-banking operation | | |
| Bonds | | |
| – Held-to-maturity | **2,693** | 2,488 |
| – Available-for-sale | **3,045** | 1,929 |
| – Carried at fair value through profit or loss | **245** | 296 |
| Term deposits | | |
| – Loans and receivables | **1,711** | 1,223 |
| Current accounts | | |
| – Loans and receivables | **538** | 401 |
| Others | | |
| – Loans and receivables | **52** | 184 |
| Dividend income on equity investments | | |
| Equity investment funds | | |
| – Available-for-sale | **77** | 2,250 |
| – Carried at fair value through profit or loss | **87** | 508 |
| Equity securities | | |
| – Available-for-sale | **267** | 955 |
| – Carried at fair value through profit or loss | **12** | 68 |
| Operating lease income from investment properties | **212** | 139 |
| Interest expense of non-banking operation | **(103)** | (182) |
| Total | **8,836** | 10,259 |

## 9. INVESTMENT INCOME (CONTINUED)

### (2) REALIZED GAINS

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| Fixed maturity investments | | |
| – Available-for-sale | **1,777** | 3 |
| – Carried at fair value through profit or loss | **228** | 18 |
| Equity investments | | |
| – Available-for-sale | **3,277** | 9,228 |
| – Carried at fair value through profit or loss | **(799)** | 1,023 |
| Derivative financial instruments | | |
| – Carried at fair value through profit or loss | **(217)** | 248 |
| Total | **4,266** | 10,520 |

### (3) UNREALIZED GAINS/(LOSSES)

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| Fixed maturity investments | | |
| – Carried at fair value through profit or loss | **(316)** | (126) |
| Equity investments | | |
| – Carried at fair value through profit or loss | **1,958** | (9,526) |
| Derivative financial instruments | | |
| – Carried at fair value through profit or loss | **233** | (267) |
| Total | **1,875** | (9,919) |

### (4) IMPAIRMENT LOSSES

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| Fixed maturity investment | | |
| – Available-for-sale | **–** | (75) |
| Equity investments | | |
| – Available-for-sale | **(295)** | (1,510) |
| Total | **(295)** | (1,585) |

## 10. CLAIMS AND POLICYHOLDERS' BENEFITS

**(1)**

| For the six months ended 30 June (in RMB million) | 2009 Gross (Unaudited) | 2009 Reinsurers' share (Unaudited) | 2009 Net (Unaudited) |
|---|---|---|---|
| Claims and claim adjustment expenses | **11,020** | **(1,457)** | **9,563** |
| Surrenders | **3,225** | **–** | **3,225** |
| Annuities | **1,772** | **–** | **1,772** |
| Maturities and survival benefits | **3,370** | **–** | **3,370** |
| Policyholder dividends | **2,238** | **–** | **2,238** |
| Interest credited to policyholder contract deposits | **1,669** | **–** | **1,669** |
| Subtotal | **23,294** | **(1,457)** | **21,837** |
| Increase in policyholders' reserves | **32,476** | **(176)** | **32,300** |
| Total | **55,770** | **(1,633)** | **54,137** |

| For the six months ended 30 June (in RMB million) | 2008 Gross (Audited) | 2008 Reinsurers' share (Audited) | 2008 Net (Audited) |
|---|---|---|---|
| Claims and claim adjustment expenses | 11,092 | (2,416) | 8,676 |
| Surrenders | 4,588 | – | 4,588 |
| Annuities | 1,660 | – | 1,660 |
| Maturities and survival benefits | 7,217 | – | 7,217 |
| Policyholder dividends | 4,162 | – | 4,162 |
| Interest credited to policyholder contract deposits | 1,083 | – | 1,083 |
| Subtotal | 29,802 | (2,416) | 27,386 |
| Increase in policyholders' reserves | 13,234 | (1) | 13,233 |
| Total | 43,036 | (2,417) | 40,619 |

## 10. CLAIMS AND POLICYHOLDERS' BENEFITS (CONTINUED)

**(2)**

| | 2009 | | |
|---|---|---|---|
| For the six months ended 30 June (in RMB million) | Gross (Unaudited) | Reinsurers' share (Unaudited) | Net (Unaudited) |
| Long term life insurance contracts benefits | **46,011** | **(239)** | **45,772** |
| Short term life insurance claims | **1,330** | **(377)** | **953** |
| Property and casualty insurance claims | **8,429** | **(1,017)** | **7,412** |
| Total | **55,770** | **(1,633)** | **54,137** |

| | 2008 | | |
|---|---|---|---|
| For the six months ended 30 June (in RMB million) | Gross (Audited) | Reinsurers' share (Audited) | Net (Audited) |
| Long term life insurance contracts benefits | 32,914 | (6) | 32,908 |
| Short term life insurance claims | 1,350 | (336) | 1,014 |
| Property and casualty insurance claims | 8,772 | (2,075) | 6,697 |
| Total | 43,036 | (2,417) | 40,619 |

## 11. PROFIT BEFORE TAX

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

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| Employee costs | **4,211** | 2,444 |
| Provision for insurance guarantee fund | **282** | 219 |
| Depreciation of investment properties | **118** | 77 |
| Depreciation of property and equipment | **521** | 273 |
| Amortization of intangible assets | **278** | 211 |
| Gains on disposal of settled assets | **(20)** | – |
| Loss/(gain) on disposal of investment properties, property and equipment | **(1)** | 3 |
| Impairment losses on property and equipment, and intangible assets | **–** | 1 |
| Provision/(reversal) of provision for doubtful debts, net | **76** | (63) |
| Operating lease payments in respect of land and buildings | **618** | 398 |

The employee costs reversed for the scheme of share appreciation rights during the period amount to RMB92 million (six months ended 30 June 2008: expense reversal of RMB1,068 million).

## 12. INCOME TAXES

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| Current income taxes | **2,744** | 644 |
| Deferred income taxes | **302** | (19) |
| Total | **3,046** | 625 |

Please refer to Note 34. (2) for details of provision charged to the income statement for the six months ended 30 June 2009 for the years ended 31 December 2004, 2005 and 2006.

## 13. OTHER COMPREHENSIVE INCOME

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| Exchange differences on translation of foreign operations | **72** | (28) |
| Available-for-sale financial assets | | |
| Add: Gains/(losses) arising during the period | **13,181** | (39,757) |
| Less: Reclassification adjustments for losses included in income statement | **(4,759)** | (7,646) |
| | **8,422** | (47,403) |
| Shadow accounting adjustments | | |
| Add: Gains arising during the period | **1,748** | 7,111 |
| Less: Reclassification adjustments for gains/(losses) included in income statement | **(1,180)** | 2,708 |
| | **568** | 9,819 |
| Other comprehensive income/(loss) | **9,062** | (37,612) |
| Income tax relating to other comprehensive income/(loss) | **(1,830)** | 7,607 |
| Total other comprehensive income/(loss) | **7,232** | (30,005) |

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| For the six months ended 30 June (in RMB million) | Before-tax (Unaudited) | Income Tax (Unaudited) | Net-of-tax (Unaudited) | Before-tax (Audited) | Income Tax (Audited) | Net-of-tax (Audited) |
| Exchange differences on translation of foreign operations | **72** | **–** | **72** | (28) | – | (28) |
| Available-for-sale financial assets | **8,422** | **(1,678)** | **6,744** | (47,403) | 9,625 | (37,778) |
| Shadow accounting adjustments | **568** | **(152)** | **416** | 9,819 | (2,018) | 7,801 |
| Other comprehensive income/(loss) | **9,062** | **(1,830)** | **7,232** | (37,612) | 7,607 | (30,005) |

## 14. DIVIDENDS

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| Final dividend on ordinary shares declared for 2008: nil (2007: RMB0.50 per share) | **–** | 3,673 |
| Interim dividends on ordinary shares approved (not recognized as a liability as at 30 June) for 2009: RMB0.15 per share (2008: RMB0.20 per share) | **1,102** | 1,469 |

## 15. EARNINGS PER SHARE

Earnings per share is calculated by dividing the Group's net profit attributable to ordinary shareholders by the weighted average number of outstanding shares.

| For the six months ended 30 June | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| Net profit attributable to ordinary shareholders (in RMB million) | **5,222** | 9,487 |
| Weighted average number of outstanding shares of the Company (million shares) | **7,345** | 7,345 |
| Basic earnings per share (in RMB) | **0.71** | 1.29 |
| Diluted earnings per share (in RMB) | **0.71** | 1.29 |

## 16. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Cash on hand | **457** | 574 |
| Term deposits | **93,854** | 74,458 |
| Due from banks and other financial institutions | **33,668** | 29,943 |
| Loans and advances | **1,397** | 304 |
| Total | **129,376** | 105,279 |

Of the above, none of the cash and amounts due from banks and other financial institutions has been designated at fair value.

## 17. FIXED MATURITY INVESTMENTS

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Bonds | **335,380** | 327,650 |
| Policy loans | **4,485** | 3,725 |
| Assets purchased under agreements to resell | **25,378** | 13,074 |
| Total | **365,243** | 344,449 |

### BONDS

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Held-to-maturity, at amortized cost | **154,897** | 126,502 |
| Available-for-sale, at fair value | **165,388** | 180,544 |
| Carried at fair value through profit or loss | | |
| Held-for-trading | **15,095** | 20,604 |
| Total | **335,380** | 327,650 |
| Government bonds | **99,250** | 97,326 |
| Central bank bills | **18,884** | 26,351 |
| Finance bonds | **112,214** | 105,208 |
| Corporate bonds | **105,032** | 98,765 |
| Total | **335,380** | 327,650 |
| Listed | **57,409** | 57,579 |
| Unlisted | **277,971** | 270,071 |
| Total | **335,380** | 327,650 |

Out of the listed bonds at 30 June 2009, RMB31,738 million (31 December 2008: RMB31,655 million) represents held-to-maturity investments which are measured at their amortized costs. The fair value of these held-to-maturity investments at 30 June 2009 amounted to RMB32,777 million (31 December 2008: RMB34,064 million).

As at 30 June 2009, bonds with par value of RMB32,855 million (31 December 2008: RMB40,983 million) were pledged as assets sold under agreements to repurchase. Up to the approval date of these condensed financial statements, RMB29,155 million of the pledged assets have been released.

## 18. EQUITY INVESTMENTS

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Equity investment funds | **45,071** | 30,096 |
| Equity securities | **29,035** | 24,503 |
| Total | **74,106** | 54,599 |

### (1) EQUITY INVESTMENT FUNDS

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Available-for-sale, at fair value | **22,423** | 11,312 |
| Carried at fair value through profit or loss | | |
| Held-for-trading | **22,648** | 18,784 |
| Total | **45,071** | 30,096 |
| Listed | **14,465** | 8,743 |
| Unlisted | **30,606** | 21,353 |
| Total | **45,071** | 30,096 |

### (2) EQUITY SECURITIES

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Available-for-sale, at fair value | **25,962** | 20,937 |
| Carried at fair value through profit or loss | | |
| Held-for-trading | **3,073** | 3,566 |
| Total | **29,035** | 24,503 |
| Listed | **27,609** | 23,876 |
| Unlisted | **1,426** | 627 |
| Total | **29,035** | 24,503 |

## 19. DERIVATIVE FINANCIAL INSTRUMENTS

| | 30 June 2009 | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| (in RMB million) | Nominal amount (Unaudited) | Fair value (Unaudited) | Nominal amount (Unaudited) | Fair value (Unaudited) |
| Interest rate swaps | **10** | **–** | **283** | **13** |
| Currency forwards and swaps | **907** | **–** | **206** | **1** |
| Equity warrants | **67** | **4** | **–** | **–** |
| Credit default swaps | **137** | **2** | **205** | **7** |
| Total | **1,121** | **6** | **694** | **21** |

| | 31 December 2008 | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| (in RMB million) | Nominal amount (Audited) | Fair value (Audited) | Nominal amount (Audited) | Fair value (Audited) |
| Interest rate swaps | 18 | 1 | 223 | 15 |
| Currency forwards and swaps | 215 | 1 | 194 | 1 |
| Equity warrants | 54 | 5 | – | – |
| Credit default swaps | 137 | 10 | 547 | 249 |
| Total | 424 | 17 | 964 | 265 |

## 20. LOANS AND ADVANCES TO CUSTOMERS

### (1) LOANS AND ADVANCES BY INDIVIDUAL AND CORPORATE CUSTOMERS

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Individual customers | | |
| Credit card overdrafts | **3,768** | 2,592 |
| Mortgage loans | **19,156** | 18,000 |
| Others | **4,148** | 3,874 |
| Corporate customers | | |
| Loans | **61,321** | 46,635 |
| Discounted bills | **17,922** | 3,784 |
| Total | **106,315** | 74,885 |
| Loan loss provision | | |
| Individually assessed | **(187)** | (215) |
| Collectively assessed | **(611)** | (510) |
| Net | **105,517** | 74,160 |

As at 30 June 2009, loans of RMB240 million (31 December 2008: RMB220 million) were pledged as assets sold under agreements to repurchase. Up to the approval date of these condensed financial statements, RMB220 million of such loans have been released from this pledge.

## 20. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (2) LOAN LOSS PROVISION

| (in RMB million) | Individually assessed (Unaudited) | Collectively assessed (Unaudited) | Total (Unaudited) |
|---|---|---|---|
| As at 1 January 2009 | **215** | **510** | **725** |
| Charge for the period | **(13)** | **101** | **88** |
| Write-backs during the period | | | |
| Accreted interest on impaired loans | **(15)** | **–** | **(15)** |
| As at 30 June 2009 | **187** | **611** | **798** |

| (in RMB million) | Individually assessed (Audited) | Collectively assessed (Audited) | Total (Audited) |
|---|---|---|---|
| As at 1 January 2008 | 302 | 234 | 536 |
| Charge for the period | 20 | 44 | 64 |
| Transfer out during the period | (16) | – | (16) |
| Write-backs during the period | | | |
| Accreted interest on impaired loans | (6) | – | (6) |
| Write-backs due to other reasons | (49) | – | (49) |
| As at 30 June 2008 | 251 | 278 | 529 |

## 21. DEFERRED POLICY ACQUISITION COSTS

| (in RMB million) | Life (Unaudited) | Property and casualty (Unaudited) | Total (Unaudited) |
|---|---|---|---|
| As at 1 January 2009 | **47,680** | **2,919** | **50,599** |
| Deferred | **9,491** | **3,845** | **13,336** |
| Amortized | **(2,365)** | **(2,848)** | **(5,213)** |
| As at 30 June 2009 | **54,806** | **3,916** | **58,722** |

| (in RMB million) | Life (Audited) | Property and casualty (Audited) | Total (Audited) |
|---|---|---|---|
| As at 1 January 2008 | 38,948 | 2,357 | 41,305 |
| Deferred | 6,941 | 2,523 | 9,464 |
| Amortized | (1,975) | (2,173) | (4,148) |
| As at 30 June 2008 | 43,914 | 2,707 | 46,621 |

## 22. SHARE CAPITAL

| (in million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Number of shares registered, issued and fully paid at RMB1 each | **7,345** | 7,345 |

## 23. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Current and saving accounts | | |
| – Corporate customers | **40,274** | 33,827 |
| – Individual customers | **8,389** | 7,342 |
| Term deposits | | |
| – Corporate customers | **57,080** | 39,255 |
| – Individual customers | **10,164** | 7,638 |
| Payables to brokerage customers | | |
| – Corporate customers | **1,323** | 736 |
| – Individual customers | **6,306** | 6,193 |
| Total | **123,536** | 94,991 |

## 24. INSURANCE CONTRACT LIABILITIES

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Policyholders' reserves | **376,078** | 344,170 |
| Policyholder contract deposits | **85,269** | 59,557 |
| Policyholder account liabilities in respect of insurance contracts | **38,335** | 30,749 |
| Unearned premium reserves | **23,013** | 18,125 |
| Claim reserves | **10,072** | 9,740 |
| Total | **532,767** | 462,341 |

## 25. SUBORDINATED DEBTS

Ping An Property & Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty") and Ping An Bank Co., Ltd. ("Ping An Bank") issued subordinated debts of RMB2 billion and RMB3 billion, respectively, to institutional investors in the current period. These debts are unsecured and have a maturity period of 10 years. Both Ping An Property & Casualty and Ping An Bank have an option to redeem the subordinated debts at the end of the fifth year.

## 26. FIDUCIARY ACTIVITIES

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Assets under trust schemes | **76,613** | 43,765 |
| Assets under corporate annuity schemes | **17,235** | 12,402 |
| Entrusted loans | **1,238** | 1,233 |
| Assets under asset management schemes | **8,416** | 6,974 |
| Total | **103,502** | 64,374 |

All of the above are off-balance sheet items.

# Notes to the interim condensed consolidated financial statements

As at 30 June 2009

## 27. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

A maturity analysis for certain financial assets and liabilities that shows the remaining contractual maturities is presented below:

| | 30 June 2009 | | | | | |
|---|---|---|---|---|---|---|
| (in RMB million) | On demand (Unaudited) | Within 3 months (Unaudited) | 3-12 months (Unaudited) | 1-5 years (Unaudited) | More than 5 years (Unaudited) | Total (Unaudited) |
| **Assets:** | | | | | | |
| Cash and amounts due from banks and other financial institutions | 32,403 | 21,645 | 5,895 | 67,416 | 2,017 | 129,376 |
| Bonds | | | | | | |
| – Held-to-maturity | – | 4,132 | 6,290 | 44,109 | 100,366 | 154,897 |
| – Available-for-sale | – | 9,635 | 6,276 | 54,759 | 94,718 | 165,388 |
| – Held-for-trading | – | 1,468 | 4,704 | 5,334 | 3,589 | 15,095 |
| Loans and advances to customers | 1,682 | 23,300 | 39,429 | 25,419 | 15,687 | 105,517 |
| **Liabilities:** | | | | | | |
| Due to banks and other financial institutions | 4,679 | 13,319 | 6,400 | 9,491 | 2,787 | 36,676 |
| Customer deposits and payable to brokerage customers | 56,122 | 27,805 | 36,788 | 2,821 | – | 123,536 |
| Subordinated debts | – | – | – | – | 4,990 | 4,990 |

| | 31 December 2008 | | | | | |
|---|---|---|---|---|---|---|
| (in RMB million) | On demand (Audited) | Within 3 months (Audited) | 3-12 months (Audited) | 1-5 years (Audited) | More than 5 years (Audited) | Total (Audited) |
| **Assets:** | | | | | | |
| Cash and amounts due from banks and other financial institutions | 30,245 | 4,343 | 1,357 | 67,114 | 2,220 | 105,279 |
| Bonds | | | | | | |
| – Held-to-maturity | – | 107 | 8,019 | 43,286 | 75,090 | 126,502 |
| – Available-for-sale | – | 1,030 | 9,362 | 51,645 | 118,507 | 180,544 |
| – Held-for-trading | – | 2,214 | 7,146 | 7,347 | 3,897 | 20,604 |
| Loans and advances to customers | 2,086 | 11,934 | 27,665 | 18,901 | 13,574 | 74,160 |
| **Liabilities:** | | | | | | |
| Due to banks and other financial institutions | 6,148 | 5,602 | 4,630 | 5,467 | 2,345 | 24,192 |
| Customer deposits and payable to brokerage customers | 48,060 | 16,169 | 28,602 | 2,160 | – | 94,991 |

## 28. RISK AND CAPITAL MANAGEMENT

### (1) INSURANCE RISK

The risk under an insurance contract is the possibility of occurrence of an insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from those expected.

Severity risk – the possibility that the cost of the events will differ from those expected.

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines.

The business of the Group mainly comprises long term life insurance contracts, property and casualty and short term life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continuing improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc..

These risks currently do not vary significantly in relation to the location of the risk insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. However, for contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refuse to pay premiums or exercise annuity conversion option, etc.. Thus, the resultant insurance risk is subject to policyholders' behavior and decisions.

#### (a) Long term life insurance contracts and investment contracts with DPF

*Assumptions*

Material judgment is required in determining the liabilities and in the choice of assumptions relating to both long term life insurance contracts and investment contracts. Such assumptions are determined as appropriate and prudent estimates at the date of valuation.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

- Mortality, morbidity and lapse rates

Mortality and morbidity rates, varying by age of the insured, and lapse rates, varying by contract type, are based upon expected experience at the date of contract issue plus, where applicable, a margin for adverse deviation. The mortality, morbidity and lapse assumptions are based on experience studies of the Group's actual experience.

For long term life insurance policies, increased mortality rates will lead to a larger number of claims and claims will occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

For annuity contracts, a high mortality will decrease payments, thereby reducing expenditure and increase profits.

The impact of an increase in lapse rates at early duration of the policy would tend to reduce profits for the shareholders but lapse rates at later policy durations is broadly neutral in effect.

## 28. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (1) INSURANCE RISK (CONTINUED)

#### (a) Long term life insurance contracts and investment contracts with DPF (continued)

*Assumptions* (continued)

- Investment return

Investment return for non-investment-linked life insurance contracts has been set to be 4.25% in 2009 and to increase by 0.25% every year to 5.5% by 2014 and thereafter. These rates have been derived after consideration of the current market condition and the Group's current and expected future asset allocation. They are the best estimate rates used in gross premium reserve valuation and liability adequacy test on a portfolio basis.

An increase in investment return assumption may lead to a decrease in policyholders' liabilities.

- Expenses

Maintenance expense assumptions reflect the projected costs of maintaining and servicing in force policies. The assumption for policy administration expenses is determined based on expected unit costs. Unit costs have been based on an analysis of actual experience.

- Others

Other assumptions include taxation, future bonus rates, etc..

The assumptions used to estimate the liabilities of the Group's long term life insurance contracts and investment contracts with DPF require judgment and are subject to uncertainty.

#### (b) Property and casualty and short term life insurance contracts

*Assumptions*

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of the speed of claim settlement, claim amounts and claims handling costs for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions, government legislation and internal management factors affect the estimates.

#### (c) Reinsurance

The Group transfers its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on quota share basis and surplus basis with retention limits varying by product lines. In addition, the Group also entered into catastrophe excess of loss reinsurance to transfer the risk of suffering catastrophe insurance loss arising from a single accident. 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 balance sheet as reinsurers' share of insurance liabilities.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

## 28. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (2) MARKET RISK

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), such change in market price may be caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

#### (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 condition and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB, HKD/RMB and EUR/RMB exchange rates. The Group seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position.

#### (b) Price risk

The Group's price risk exposure relates to financial assets and whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities and equity investment funds classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

The above investments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instrument or its issuer, 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..

#### (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 risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group's interest 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 re-priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

## 28. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (3) FINANCIAL RISK

#### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investments in bonds, equity investments, reinsurance arrangements with reinsurers, policy loans, etc.. The Group mitigates credit risk by using a variety of controls including credit control policies, credit analysis on prospective investments, and imposing aggregate counterparty exposure limits.

The Group's banking business carries out credit assessment before granting credit to customers and monitors the credit granted on a regular basis. Credit risk is also managed through obtaining collateral and guarantees. In the case of off-balance sheet credit related commitments, guarantee deposits are in general received by the Group to reduce credit risk.

#### (b) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group seeks to manage its liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis. The banking business of the Group is also exposed to liquidity risk. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, maintaining stable deposits from customers, amongst other measures.

### (4) 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 duration and interest rate. In the current regulatory and market environment, however, the Group is unable to invest in assets that have duration of sufficient length to match the duration of its insurance and investment contract liabilities. When the current regulatory and market environment permits, however, the Group aims to lengthen the duration of its assets so as to match more recent liabilities of lower guarantee rates, while narrowing the gap for existing liabilities with higher guarantee rates.

### (5) OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, people and systems or from uncontrollable external events. The Group is exposed to many types of operational risks in the conduct of its business from inadequate or failure to obtain proper authorizations, supporting documentation and ensuring operational and informational security procedures as well as from fraud or errors by employees. The Group attempts to manage operational risk by establishing clear policies and requiring well-documented business processes to ensure transactions are properly authorized, supported and recorded.

## 28. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (6) CAPITAL MANAGEMENT

The Group's capital requirements are primarily dependent on the scale and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains 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 complied with the externally imposed capital requirements as at 30 June 2009 and no changes were made to its capital base, objectives, policies and processes from the previous period.

## 29. CASH AND CASH EQUIVALENTS

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Balances with central bank | **6,466** | 7,274 |
| Cash and amounts due from banks and other financial institutions | | |
| – Cash on hand | **457** | 574 |
| – Term deposits | **19,516** | 2,368 |
| – Due from banks and other financial institutions | **25,894** | 22,929 |
| – Placements with banks and other financial institutions | **859** | 3 |
| Equity investments | | |
| – Money-market placements | **20,056** | 16,271 |
| Fixed maturity investments | | |
| – Bonds within 3 months | **–** | 50 |
| – Assets purchased under agreements to resell | **25,378** | 12,206 |
| Subtotal | **98,626** | 61,675 |
| Investment-linked | **2,253** | 2,814 |
| Total | **100,879** | 64,489 |

The carrying amounts disclosed above approximate fair values at the period end.

## 30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of the financial instruments held by the Group, except for held-to-maturity investments long duration term deposits and loans and advances to customers, approximate the estimated fair values.

The principal methods and assumptions used by the Group in estimating the fair values of the financial instruments are:

(1) Fixed maturity investments (mainly including bond investments and securities purchased under agreements to resell): Fair values are generally based upon quoted market prices. Where quoted market prices are not readily available, fair values are estimated using either prices observed in recent transactions or values obtained from discounted cash flow models using current market yield rates of comparable investments. When discounted cash flow model is used, market yield and discounting rate is obtained from www.ChinaBond.com.cn which is the official website of China Government Securities Depository Trust & Clearing Co., Ltd..

(2) Equity investments: Fair values are based on quoted market prices except for certain unlisted equity investments, which are carried at cost as a reasonable estimate of their fair value.

(3) Derivative financial instruments: Fair values are determined by counterparty quotes or independent appraiser's reports.

(4) Others (Loans and receivables and other financial liabilities): Including other financial instruments with short duration (usually within 1 year) and financial instruments which are periodically revalued according to market quotes by adjusting the interest rate with the announced rate by People's Bank of China or market rate on the revaluation date. These financial instruments are mainly loans, customer deposits, assets sold under agreements to repurchase. The carrying amount of these assets and liabilities approximates their fair values.

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) The Company's related parties where control exists are mainly subsidiaries of the Company.

(2) The Company's related parties where significant influence exists include associates, joint ventures and certain shareholders set out below:

| Name of related parties | Relationship with the Company |
|---|---|
| HSBC Holdings plc ("HSBC Holdings") | Parent of shareholders |
| HSBC Insurance Holdings Limited ("HSBC Insurance") | Shareholder |
| The Hongkong and Shanghai Banking Corporation Limited ("HSBC") | Shareholder |

In late August 2005, HSBC Holdings through its wholly owned subsidiaries, HSBC Insurance and HSBC, held 19.90% of the Company's shares. Since then, HSBC Holdings and its subsidiaries became the Company's related parties who had significant influence over the Group.

As at 30 June 2009, HSBC Holdings held, through its subsidiaries, over 16% equity interest in the Company.

As at 30 June 2009, the Group's aggregate bank balances with HSBC were approximately RMB53 million (31 December 2008: RMB70 million). Interest income earned by the Group on such bank balances for the Period was negligible (Six months ended 30 June 2008: RMB1 million).

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(3) The summary of compensation of key management personnel is as follows:

| For the six months ended 30 June (in RMB million) | 2009 (Unaudited) | 2008 (Audited) |
|---|---|---|
| Salaries and other short term employee benefits | **56** | 35 |

Key management personnel comprise the Company's directors, supervisors, and senior officers as defined in the Company's articles of association. Apart from the above, the key management personnel were also eligible for a long-term incentive plan in the form of share appreciation rights. During the period, no share appreciation rights were issued by the Group and no due share appreciation rights were paid.

## 32. COMMITMENTS

### (1) CAPITAL COMMITMENTS

The Group had the following capital commitments relating to property development projects and investments:

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Contracted but not provided for | **4,735** | 7,052 |
| Authorized but not contracted for | **1,296** | 1,688 |
| Total | **6,031** | 8,740 |

### (2) OPERATING LEASE COMMITMENTS

The Group leases office premises and staff quarters under various rental agreements. Future minimum lease payments under non-cancelable operating leases are as follow:

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Within 1 year | **1,169** | 902 |
| 1-5 years | **2,148** | 1,684 |
| More than 5 years | **458** | 404 |
| Total | **3,775** | 2,990 |

## 32. COMMITMENTS (CONTINUED)

### (3) CREDIT COMMITMENTS

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Irrevocable loan commitments | | |
| – Within one year under original maturity | **13,079** | 7,376 |
| – One year or above under original maturity | **20,565** | 13,423 |
| – Credit limit of credit cards | **18,129** | 20,741 |
| Subtotal | **51,773** | 41,540 |
| Financial guarantee contracts | | |
| – Letters of credit issued | **420** | 592 |
| – Guarantees issued | **10,666** | 9,773 |
| – Bank acceptance | **22,025** | 12,006 |
| – Others | **1,529** | – |
| Subtotal | **34,640** | 22,371 |
| Total | **86,413** | 63,911 |

Irrevocable loan commitments represent contractual amount to grant loans to customers in future. Irrevocable loan commitments also include unused credit card facilities. Since the commitment amount and credit card facilities are the maximum amounts that could be used by customers, the total contract amounts do not necessarily represent future cash outflow requirements.

Financial guarantee contracts commit the Group to make payments on behalf of customers upon the failures of the customers to perform under the terms of the contract.

### (4) OPERATING LEASE RENTAL RECEIVABLES

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancelable operating leases are as follows:

| (in RMB million) | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Within 1 year | **573** | 407 |
| 1-5 years | **1,253** | 1,060 |
| More than 5 years | **206** | 305 |
| Total | **2,032** | 1,772 |

## 33. CONTINGENT LIABILITIES

Owing to the nature of the insurance and financial service business, the Group has to make estimates for contingencies and legal proceedings in the ordinary course of business, including but not limited to being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies and other claims. Provision has been made for probable losses to the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account of any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

## 34. OTHER SIGNIFICANT EVENTS

(1) On 12 June 2009, Ping An Life entered into a share subscription agreement with Shenzhen Development Bank Co., Ltd. ("SDB") pursuant to which it conditionally agreed to subscribe for not less than 370,000,000 but not more than 585,000,000 new SDB shares, based on its average market price for the 20 consecutive trading days preceding the date of announcement of the resolutions of SDB's board of directors approving the transaction. On the same day, the Company entered into a share purchase agreement with Newbridge Asia AIV III L.P. ("Newbridge"), the existing largest shareholder of SDB, pursuant to which the Company conditionally agreed to purchase from Newbridge 520,414,439 SDB shares, representing approximately 16.76% of the issued share capital of SDB as at 12 June 2009. The consideration for such acquisition shall be satisfied by the Company, at the election of Newbridge, by way of the cash consideration of RMB11,449,117,658 or 299,088,758 of the Company's H shares. The above deals were approved by the shareholders of SDB on 29 June 2009 and the specific mandate to issue the new H shares was approved by shareholders of the Company at the Extraordinary General Meeting and the class meeting of H shareholders and A shareholders, respectively, on 7 August 2009. The transactions are subject to regulatory approvals.

(2) The State Administration of Taxation has completed their regular inspection of the Group's tax affairs for fiscal years ended 31 December 2004, 2005 and 2006. The Group has made relevant tax provisions based on the results of the inspection and the Group's current understanding of the tax laws. As at 30 June 2009, the total amount of provision for corporate income tax, business tax and individual income tax, etc. made arising from this tax inspection amounted to RMB1,018 million, of which RMB147 million was charged to the income statement for the year ended 31 December 2008 and RMB871 million (RMB812 million of which is corporate income tax) was charged to the income statement for the six months ended 30 June 2009.

## 35. POST BALANCE SHEET EVENTS

(1) On 17 July 2009, China Electric Power Research Institute ("CEPRI"), Ping An Trust and XJ Group entered into an agreement for CEPRI to inject additional capital into XJ Group. The capital injection is still in the course of related procedures required by laws and regulations, and will not be effective or completed until the approving by related governmental departments. Upon completion of this capital injection, CEPRI and Ping An Trust will hold 60% and 40% of equity interest in XJ Group respectively. In addition, Ping An Trust will exchange its 40% equity interest in XJ Group with CEPRI for direct equity interest in XJ Electric Co., Ltd. ("XJ Electric") that are currently held by XJ Group. Ping An Trust will eventually hold equity shares of XJ Electric.

(2) On 14 August 2009, the directors approved 2009 interim dividend distribution of RMB0.15 per ordinary share totaling RMB1,102 million.

## 36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

## 37. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated financial statements have been approved and authorized for issue by the Company's directors on 14 August 2009.

# Review report

Ernst & Young Hua Ming (2009) Zhuan Zi No. 60468101_B31

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

We have reviewed the accompanying interim condensed consolidated financial statements of Ping An Insurance (Group) Company of China, Ltd. (the "Company") and its subsidiaries (collectively the "Group"), which comprise the interim consolidated and company balance sheets as at 30 June 2009, the interim consolidated and company income statements, statements of changes in equity and cash flow statements for the six months ended 30 June 2009 and notes to the interim consolidated condensed financial statements. These interim condensed consolidated financial statements are prepared in accordance with the Accounting Standards for Business Enterprises No.32: Interim Financial Reporting promulgated by the Ministry of Finance of the PRC. The management is responsible for preparing these interim condensed consolidated financial statements. Our responsibility is to issue review report based on our review of these interim condensed consolidated financial statements.

We conducted our review in accordance with the Chinese Auditing Standard No.2101 – Financial Statement Review issued by the Chinese Institute of Certified Public Accountants. This Standard requires us to plan and perform the review to obtain limited assurance as to whether the condensed financial statements are free of material misstatement. A reviewer is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and these procedures less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material aspects, in accordance with the Accounting Standards for Business Enterprises No.32: Interim Financial Reporting.

**Ernst & Young Hua Ming**

*Chinese Certified Public Accountant*
**Huang Yuedong**

Beijing, China

*Chinese Certified Public Accountant*
**Wu Cuirong**

14 August 2009

# Interim consolidated balance sheet

As at 30 June 2009
(in RMB million)

| | Notes V | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|---|
| **Assets** | | | |
| Cash on hand and at bank | 1 | **77,329** | 52,445 |
| Balances with clearing companies | | **1,100** | 1,177 |
| Placements with banks and other financial institutions | | **1,397** | 304 |
| Held-for-trading financial assets | 2 | **69,785** | 65,486 |
| Derivative financial assets | 3 | **6** | 17 |
| Financial assets purchased under agreements to resell | | **25,378** | 13,084 |
| Interest receivables | | **8,471** | 6,931 |
| Premium receivables | 4 | **5,699** | 4,554 |
| Accounts receivables | | **2,715** | – |
| Due from reinsurers | 5 | **2,231** | 2,733 |
| Reinsurers' share of insurance contract liabilities | | **11,895** | 11,354 |
| Policy loans | | **4,485** | 3,725 |
| Loans and advances to customers | 6 | **105,517** | 74,160 |
| Refundable deposits | | **179** | 108 |
| Inventories | | **1,887** | – |
| Term deposits | | **85,233** | 83,003 |
| Available-for-sale financial assets | 7 | **212,794** | 212,236 |
| Held-to-maturity investments | 8 | **154,897** | 126,502 |
| Long-term equity investments | | **9,723** | 6,025 |
| Goodwill | | **1,114** | 617 |
| Statutory deposits | 9 | **6,020** | 5,860 |
| Investment properties | | **7,224** | 6,551 |
| Fixed assets | | **8,688** | 7,641 |
| Intangible assets | | **12,833** | 9,500 |
| Deferred tax assets | | **5,920** | 7,767 |
| Other assets | | **7,700** | 5,860 |
| **Total assets** | | **830,220** | 707,640 |

The accompanying notes on pages 84 to 111 form an integral part of these financial statements.

# Interim consolidated balance sheet

As at 30 June 2009
(in RMB million)

| | Notes V | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|---|
| **Liabilities and equity** | | | |
| **Liabilities** | | | |
| Short-term borrowings | | **4,959** | 3,071 |
| Due to banks and other financial institutions | | **20,512** | 17,204 |
| Guarantee deposits | | **16,579** | 7,413 |
| Placements from banks and other financial institutions | | **2,757** | 33 |
| Derivative financial liabilities | 3 | **21** | 265 |
| Financial assets sold under agreements to repurchase | | **34,839** | 41,334 |
| Customer deposits | 10 | **99,328** | 80,649 |
| Payables to brokerage customers | | **7,629** | 6,929 |
| Notes payable | | **457** | – |
| Accounts payable | | **1,431** | – |
| Accounts received in advance | | **1,437** | – |
| Premiums received in advance | | **1,302** | 2,210 |
| Commission payable | | **1,480** | 1,243 |
| Due to reinsurers | 11 | **3,827** | 3,571 |
| Salaries and welfare payable | | **1,937** | 2,156 |
| Taxes payable | | **2,604** | 3,073 |
| Interest payable | | **906** | 975 |
| Claims payable | | **6,961** | 6,222 |
| Policyholder dividends payable | | **13,525** | 12,012 |
| Investment contract liabilities for policyholders | | **7,867** | 6,420 |
| Insurance contract liabilities | 12 | **482,176** | 420,064 |
| Long-term borrowings | | **8,448** | 3,884 |
| Subordinated debts | 13 | **4,990** | – |
| Deferred tax liabilities | | **1,000** | 472 |
| Other liabilities | | **6,565** | 6,971 |
| **Total liabilities** | | **733,537** | 626,171 |
| **Equity** | | | |
| Share capital | 14 | **7,345** | 7,345 |
| Capital reserve | 15 | **55,246** | 48,095 |
| Surplus reserve fund | | **6,125** | 6,125 |
| General reserve | | **395** | 395 |
| Retained profits | | **21,167** | 16,820 |
| Foreign currency translation differences | | **49** | (23) |
| **Equity attributable to owners of the parent** | | **90,327** | 78,757 |
| Non-controlling interests | | **6,356** | 2,712 |
| **Total equity** | | **96,683** | 81,469 |
| **Total liabilities and equity** | | **830,220** | 707,640 |

The financial statements on pages 73 to 111 have been signed by:

| **MA Mingzhe** | **Jason Bo YAO** | **MAK, Wai Lam William** |
|---|---|---|
| *Legal Representative* | *Chief Financial Officer* | *Deputy Chief Financial Officer* |

The accompanying notes on pages 84 to 111 form an integral part of these financial statements.

# Interim consolidated income statement

For the six months ended 30 June 2009
(in RMB million)

| | | Notes V | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|---|---|
| I. | **Operating income** | | | |
| | Premium income | 18 | **92,685** | 69,228 |
| | Including: reinsurance premium income | | **70** | 59 |
| | Less: Premiums ceded to reinsurers | | **(3,706)** | (3,344) |
| | Change in unearned premium reserves | | **(4,278)** | (2,535) |
| | **Net earned premiums** | | **84,701** | 63,349 |
| | Interest income of banking operations | 19 | **3,065** | 3,369 |
| | Interest expenses of banking operations | 19 | **(1,141)** | (1,265) |
| | Net interest income of banking operations | 19 | **1,924** | 2,104 |
| | Fees and commission income of non-insurance operations | 20 | **1,029** | 1,282 |
| | Fees and commission expense of non-insurance operations | 20 | **(123)** | (118) |
| | Net fees and commission income of non-insurance operations | 20 | **906** | 1,164 |
| | Investment income | 21 | **13,887** | 23,445 |
| | Fair value gains and losses | 22 | **6,615** | (18,759) |
| | Foreign exchange losses | | **(17)** | (525) |
| | Other income | | **2,852** | 707 |
| | **Total operating income** | | **110,868** | 71,485 |
| II. | **Operating expenses** | | | |
| | Surrenders | | **(6,117)** | (6,840) |
| | Claims paid | 23 | **(15,859)** | (17,505) |
| | Less: Reinsurers' share of claims paid | | **1,629** | 1,106 |
| | Change in insurance contract liabilities | 24 | **(57,792)** | (21,776) |
| | Less: Reinsurers' share of insurance contract liabilities | | **(69)** | 1,311 |
| | Policyholder dividends | | **(2,238)** | (4,162) |
| | Expenses for reinsurance accepted | | **(16)** | (11) |
| | Fees and commission expense of insurance operations | | **(9,827)** | (7,246) |
| | Business tax and surcharges | | **(1,625)** | (1,702) |
| | General and administrative expenses | 25 | **(9,415)** | (6,013) |
| | Less: Reinsurers' share of expenses | | **904** | 760 |
| | Financial expenses | | **(420)** | (252) |
| | Other expenses | | **(2,236)** | (444) |
| | Impairment losses | 26 | **(456)** | (1,539) |
| | **Total operating expenses** | | **(103,537)** | (64,313) |

The accompanying notes on pages 84 to 111 form an integral part of these financial statements.

# Interim consolidated income statement

For the six months ended 30 June 2009
(in RMB million)

| | | Notes V | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|---|---|
| III. | **Operating profit** | | **7,331** | 7,172 |
| | Add: Non-operating income | | **77** | 27 |
| | Less: Non-operating expenses | | **(98)** | (80) |
| IV. | **Profit before tax** | | **7,310** | 7,119 |
| | Less: Income taxes | 27 | **(2,752)** | 191 |
| V. | **Net profit** | | **4,558** | 7,310 |
| | **Attributable to:** | | | |
| | **Owners of the parent** | | **4,347** | 7,102 |
| | **Non-controlling interests** | | **211** | 208 |
| | | | **4,558** | 7,310 |
| VI. | **Earnings per share (RMB)** | 28 | | |
| | Basic earnings per share | | **0.59** | 0.97 |
| | Diluted earnings per share | | **0.59** | 0.97 |
| VII. | **Other comprehensive income/(loss)** | 16 | **7,232** | (30,005) |
| VIII. | **Total comprehensive income/(loss)** | | **11,790** | (22,695) |
| | **Attributable to:** | | | |
| | **Owners of the parent** | | **11,570** | (22,606) |
| | **Non-controlling interests** | | **220** | (89) |
| | | | **11,790** | (22,695) |

The accompanying notes on pages 84 to 111 form an integral part of these financial statements.

# Interim consolidated cash flow statement

For the six months ended 30 June 2009
(in RMB million)

| | | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|---|
| I. | **Cash flows from operating activities:** | | |
| | Net increase in customer deposits and due to banks and other financial institutions | **31,153** | – |
| | Premiums received from direct insurance | **91,074** | 65,365 |
| | Net increase in investment contract liabilities for policyholders | **728** | 1,855 |
| | Cash received from interest, fees and commission income | **3,501** | 4,018 |
| | Net increase in placements of banking and securities operations | **2,487** | – |
| | Net decrease in financial assets purchased under agreements to resell from banking and securities operations | **867** | 168 |
| | Net increase in financial assets sold under agreements to repurchase from banking and securities operations | **12,469** | 1,518 |
| | Cash received from other operating activities | **2,540** | 2,422 |
| | **Sub-total of cash inflows** | **144,819** | 75,346 |
| | Claims paid for direct insurance | **(15,108)** | (17,009) |
| | Net cash paid for reinsurance business | **(371)** | (187) |
| | Net decrease in placements from banking and securities operations | **–** | (47) |
| | Policyholder dividends paid | **(951)** | (533) |
| | Net increase in loans and advances to customers | **(31,442)** | (7,695) |
| | Net decrease in customer deposits and due to banks | **–** | (833) |
| | Net increase in balances with central bank and other financial institutions | **(3,564)** | (2,142) |
| | Interest, fees and commission paid | **(10,993)** | (8,276) |
| | Cash paid to and for employees | **(4,512)** | (3,690) |
| | Cash paid for taxes and surcharges | **(5,040)** | (2,864) |
| | Cash paid for other operating activities | **(15,438)** | (9,110) |
| | **Sub-total of cash outflows** | **(87,419)** | (52,386) |
| | **Net cash flows from operating activities** | **57,400** | 22,960 |
| II. | **Cash flows from investing activities:** | | |
| | Cash received from sales and redemption of investments | **217,546** | 126,615 |
| | Cash received from returns on investments | **8,164** | 11,444 |
| | Net cash received from disposals of fixed assets, intangible assets and other long-term assets | **206** | 219 |
| | Net cash received from acquisitions of subsidiaries | **2,517** | – |
| | **Sub-total of cash inflows** | **228,433** | 138,278 |
| | Cash paid for acquisition of investments | **(234,306)** | (182,445) |
| | Cash paid for acquisition of fixed assets, intangible assets and other long-term assets | **(1,362)** | (2,407) |
| | Policy loans drawn | **(760)** | (535) |
| | Net cash paid for acquisition of subsidiaries | **–** | (529) |
| | Net cash paid for acquisition of non-controlling interests of subsidiaries | **–** | (436) |
| | **Sub-total of cash outflows** | **(236,428)** | (186,352) |
| | **Net cash flows from investing activities** | **(7,995)** | (48,074) |

The accompanying notes on pages 84 to 111 form an integral part of these financial statements.

# Interim consolidated cash flow statement

For the six months ended 30 June 2009
(in RMB million)

| | | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|---|
| **III.** | **Cash flows from financing activities:** | | |
| | Cash received from capital contributions | **5** | – |
| | Cash received from borrowings | **8,835** | 100 |
| | Cash received from subordinated bonds issued | **4,990** | – |
| | Net increase in financial assets sold under agreements to repurchase from insurance operations | **–** | 1,438 |
| | **Sub-total of cash inflows** | **13,830** | 1,538 |
| | Cash paid for distribution of dividends and interest | **(441)** | (3,852) |
| | Including: dividends paid to non-controlling interests | **–** | (49) |
| | Net decrease in financial assets sold under agreements to repurchase from insurance operations | **(18,395)** | – |
| | Repayments of borrowings | **(7,431)** | (122) |
| | Cash paid for other financing activities | **(569)** | – |
| | **Sub-total of cash outflows** | **(26,836)** | (3,974) |
| | **Net cash flows from financing activities** | **(13,006)** | (2,436) |
| **IV.** | **Effect of changes in foreign exchange rate on cash and cash equivalents** | **(9)** | (490) |
| **V.** | **Net increase/(decrease) in cash and cash equivalents** | **36,390** | (28,040) |
| | Cash and cash equivalents at beginning of the period | **64,489** | 96,296 |
| **VI.** | **Cash and cash equivalents at end of the period** | **100,879** | 68,256 |

The accompanying notes on pages 84 to 111 form an integral part of these financial statements.

# Interim consolidated statement of changes in equity

For the six months ended 30 June 2009
(in RMB million)

| | | For the six months ended 30 June 2009 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Equity attributable to owners of the parent | | | | | | | |
| Item | | Share capital (Unaudited) | Capital reserve (Unaudited) | Surplus reserve fund (Unaudited) | General reserve (Unaudited) | Retained profits (Unaudited) | Foreign currency translation differences (Unaudited) | Non-controlling interests (Unaudited) | Total (Unaudited) |
| **I.** | **Beginning of period** | **7,345** | **48,095** | **6,125** | **395** | **16,820** | **(23)** | **2,712** | **81,469** |
| **II.** | **Changes during the period** | | | | | | | | |
| 1. | Net profit | – | – | – | – | 4,347 | – | 211 | 4,558 |
| 2. | Gains and losses recognized directly in equity | | | | | | | | |
| | (1) Net fair value gains and losses of available-for-sale financial assets | | | | | | | | |
| | a. Recognized directly in equity | – | 13,110 | – | – | – | – | 71 | 13,181 |
| | b. Transferred to income statement | – | (4,988) | – | – | – | – | (66) | (5,054) |
| | (2) Impairment losses on available-for-sale financial assets | – | 293 | – | – | – | – | 2 | 295 |
| | (3) Related tax effect of items recognized directly in equity | – | (1,828) | – | – | – | – | (2) | (1,830) |
| | (4) Others | – | 564 | – | – | – | 72 | 4 | 640 |
| Sub-total of 1 and 2 | | – | 7,151 | – | – | 4,347 | 72 | 220 | 11,790 |
| 3. | Others | – | – | – | – | – | – | 3,424 | 3,424 |
| **III.** | **End of period** | **7,345** | **55,246** | **6,125** | **395** | **21,167** | **49** | **6,356** | **96,683** |

| | | | For the six months ended 30 June 2008 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Equity attributable to owners of the parent | | | | | | | |
| Item | | Note V | Share capital (Audited) | Capital reserve (Audited) | Surplus reserve fund (Audited) | General reserve (Audited) | Retained profits (Audited) | Foreign currency translation differences (Audited) | Non-controlling interests (Audited) | Total (Audited) |
| **I.** | **Beginning of period** | | 7,345 | 72,111 | 7,629 | 1,939 | 18,252 | (42) | 1,984 | 109,218 |
| **II.** | **Changes during the period** | | | | | | | | | |
| 1. | Net profit | | – | – | – | – | 7,102 | – | 208 | 7,310 |
| 2. | Gains and losses recognized directly in equity | | | | | | | | | |
| | (1) Net fair value gains and losses of available-for-sale financial assets | | | | | | | | | |
| | a. Recognized directly in equity | | – | (39,362) | – | – | – | – | (395) | (39,757) |
| | b. Transferred to income statement | | – | (9,140) | – | – | – | – | (91) | (9,231) |
| | (2) Impairment losses on available-for-sale financial assets | | – | 1,569 | – | – | – | – | 16 | 1,585 |
| | (3) Related tax effect of items recognized directly in equity | | – | 7,532 | – | – | – | – | 75 | 7,607 |
| | (4) Others | | – | 9,721 | – | – | – | (28) | 98 | 9,791 |
| Sub-total of 1 and 2 | | | – | (29,680) | – | – | 7,102 | (28) | (89) | (22,695) |
| 3. | Profit appropriation | 17 | | | | | | | | |
| | (1) Appropriation to surplus reserve fund | | – | – | 710 | – | (710) | – | – | – |
| | (2) Distribution to owners of the parent | | – | – | – | – | (3,673) | – | (49) | (3,722) |
| 4. | Others | | – | – | – | – | – | – | 577 | 577 |
| **III.** | **End of period** | | 7,345 | 42,431 | 8,339 | 1,939 | 20,971 | (70) | 2,423 | 83,378 |

The accompanying notes on pages 84 to 111 form an integral part of these financial statements.

# Interim balance sheet

As at 30 June 2009
(in RMB million)

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| **Assets** | | |
| Cash on hand and at bank | **2,364** | 7,383 |
| Held-for-trading financial assets | **1,946** | 5,623 |
| Interest receivables | **254** | 371 |
| Term deposits | **4,220** | 220 |
| Available-for-sale financial assets | **16,094** | 17,781 |
| Long-term equity investments | **45,034** | 44,234 |
| Fixed assets | **82** | 88 |
| Intangible assets | **26** | 34 |
| Deferred tax assets | **–** | 527 |
| Other assets | **680** | 58 |
| **Total assets** | **70,700** | 76,319 |
| **Liabilities and equity** | | |
| **Liabilities** | | |
| Financial assets sold under agreements to repurchase | **–** | 6,400 |
| Salaries and welfare payable | **246** | 345 |
| Taxes payable | **4** | 114 |
| Other liabilities | **117** | 175 |
| **Total liabilities** | **367** | 7,034 |
| **Equity** | | |
| Share capital | **7,345** | 7,345 |
| Capital reserve | **52,384** | 50,742 |
| Surplus reserve fund | **6,125** | 6,125 |
| General reserve | **395** | 395 |
| Retained profits | **4,084** | 4,678 |
| **Total equity** | **70,333** | 69,285 |
| **Total liabilities and equity** | **70,700** | 76,319 |

The accompanying notes on pages 84 to 111 form an integral part of these financial statements.

# Interim income statement

For the six months ended 30 June 2009
(in RMB million)

| | | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|---|
| I. | **Operating income/(loss)** | | |
| | Investment income/(loss) | **(383)** | 6,584 |
| | Fair value gains/(losses) | **5** | (2,090) |
| | Foreign exchange losses | **(1)** | (62) |
| | **Total operating income/(loss)** | **(379)** | 4,432 |
| II. | **Operating expenses** | | |
| | Business tax and surcharges | **–** | (18) |
| | General and administrative expenses | **(97)** | 109 |
| | Impairment losses | **(37)** | (228) |
| | **Total operating expenses** | **(134)** | (137) |
| III. | **Operating profit/(loss)** | **(513)** | 4,295 |
| | Less: Non-operating expenses | **(10)** | (43) |
| IV. | **Profit/(loss) before tax** | **(523)** | 4,252 |
| | Less: Income taxes | **(71)** | 299 |
| V. | **Net profit/(loss)** | **(594)** | 4,551 |
| VI. | **Other comprehensive income/(loss)** | **1,642** | (1,138) |
| VII. | **Total comprehensive income** | **1,048** | 3,413 |

The accompanying notes on pages 84 to 111 form an integral part of these financial statements.

# Interim cash flow statement

For the six months ended 30 June 2009
(in RMB million)

| | | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|---|
| I. | **Cash flows from operating activities:** | | |
| | Cash paid to and for employees | **(170)** | (166) |
| | Cash paid for taxes and surcharges | **(11)** | (308) |
| | Cash paid for other operating activities | **(200)** | (361) |
| | **Sub-total of cash outflows** | **(381)** | (835) |
| | **Net cash flows from operating activities** | **(381)** | (835) |
| II. | **Cash flows from investing activities:** | | |
| | Cash received from sales and redemption of investments | **18,093** | 17,356 |
| | Cash received from returns on investments | **112** | 5,834 |
| | **Sub-total of cash inflows** | **18,205** | 23,190 |
| | Cash paid for acquisition of investments | **(17,234)** | (39,163) |
| | Cash paid for acquisition of fixed assets | **(12)** | (27) |
| | Cash paid for other investing activities | **(4)** | – |
| | **Sub-total of cash outflows** | **(17,250)** | (39,190) |
| | **Net cash flows from investing activities** | **955** | (16,000) |
| III. | **Cash flows from financing activities:** | | |
| | Net increase in financial assets sold under agreements to repurchase from insurance operations | **(6,400)** | – |
| | Cash paid for distribution of dividends and interest | **(3)** | (3,673) |
| | Cash paid for other financing activities | **–** | (5) |
| | **Sub-total of cash outflows** | **(6,403)** | (3,678) |
| | **Net cash flows from financing activities** | **(6,403)** | (3,678) |
| IV. | **Effect of changes in foreign exchange rate on cash and cash equivalents** | **(1)** | (67) |
| V. | **Net decrease in cash and cash equivalents** | **(5,830)** | (20,580) |
| | Add: Cash and cash equivalents at beginning of the period | **9,120** | 43,702 |
| VI. | **Cash and cash equivalents at end of the period** | **3,290** | 23,122 |

The accompanying notes on pages 84 to 111 form an integral part of these financial statements.

# Interim statement of changes in equity

For the six months ended 30 June 2009
(in RMB million)

| Item | | For the six months ended 30 June 2009 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Share capital (Unaudited) | Capital reserve (Unaudited) | Surplus reserve fund (Unaudited) | General reserve (Unaudited) | Retained profits (Unaudited) | Total (Unaudited) |
| **I.** | **Beginning of period** | **7,345** | **50,742** | **6,125** | **395** | **4,678** | **69,285** |
| **II.** | **Changes during the period** | | | | | | |
| 1. | Net losses | – | – | – | – | (594) | (594) |
| 2. | Gains and losses recognized directly in equity | | | | | | |
| | (1) Net fair value gains and losses of available-for-sale financial assets | | | | | | |
| | a. Recognized directly in equity | – | 1,423 | – | – | – | 1,423 |
| | b. Transferred to the income statement | – | 667 | – | – | – | 667 |
| | (2) Impairment losses on available-for-sale financial assets | – | 37 | – | – | – | 37 |
| | (3) Related tax effect of items recognized directly in equity | – | (485) | – | – | – | (485) |
| Sub-total of 1 and 2 | | – | 1,642 | – | – | (594) | 1,048 |
| **III.** | **End of period** | **7,345** | **52,384** | **6,125** | **395** | **4,084** | **70,333** |

| Item | | For the six months ended 30 June 2008 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Share capital (Audited) | Capital reserve (Audited) | Surplus reserve fund (Audited) | General reserve (Audited) | Retained profits (Audited) | Total (Audited) |
| **I.** | **Beginning of period** | 7,345 | 52,506 | 5,655 | 395 | 5,587 | 71,488 |
| **II.** | **Changes during the period** | | | | | | |
| 1. | Net profit | – | – | – | – | 4,551 | 4,551 |
| 2. | Gains and losses recognized directly in equity | | | | | | |
| | (1) Net fair value gains and losses of available-for-sale financial assets | | | | | | |
| | a. Recognized directly in equity | – | (1,707) | – | – | – | (1,707) |
| | b. Transferred to the income statement | – | 89 | – | – | – | 89 |
| | (2) Impairment losses on available-for-sale financial assets | – | 228 | – | – | – | 228 |
| | (3) Related tax effect of items recognized directly in equity | – | 252 | – | – | – | 252 |
| Sub-total of 1 and 2 | | – | (1,138) | – | – | 4,551 | 3,413 |
| 3. | Profit appropriation | | | | | | |
| | (1) Appropriation to surplus reserve fund | – | – | 455 | – | (455) | – |
| | (2) Distribution to owners | – | – | – | – | (3,673) | (3,673) |
| **III.** | **End of period** | 7,345 | 51,368 | 6,110 | 395 | 6,010 | 71,228 |

The accompanying notes on pages 84 to 111 form an integral part of these financial statements.

# Notes to the interim condensed consolidated financial statements

As at 30 June 2009
(in RMB million)

## I. CORPORATE INFORMATION

Ping An Insurance (Group) Company of China, Ltd. (the "Company") was incorporated 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, supervising and managing various domestic and overseas businesses of subsidiaries, and utilizing funds. The Company and its subsidiaries are collectively named as the Group. The Group mainly provides integrated financial products and services, including life insurance, property and casualty insurance, trust business, securities business, banking business and other services. The business mentioned is not regarded as highly seasonal.

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The interim condensed financial statements are prepared in accordance with the "Auditing Standards for the Business Enterprise" ("ASBE") 32: Interim Financial Reporting which do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2008.

The accounting policies and accounting estimations adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except the following which in accordance with Interpretation No.3 to ASBE issued by the Ministry of Finance of the PRC on 23 June 2009.

- Cash dividend or profit received from long-term equity investment accounted for under cost method

For long-term equity investment accounted for under cost method, the investor shall recognize investment income according to the share of the cash dividend or profit declared and granted by the investee except for the cash dividend or profit declared but not yet granted included in the actual payment or consideration paid at investing. The investor shall also consider whether the long-term equity investment is impaired or not. The amendment is not supposed to have significant impact on the operating performance and financial position of the Group.

- Vesting and non-vesting conditions in share-based payment recognition and measurement

The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any significant impact on the performance or financial position of the Group.

- Revised presentation of income statement

The Standard introduces the accounts of "Other comprehensive income/loss for the period" and "Total comprehensive income/loss for the period" into the income statement. The amendment will only have an impact on the presentation of the Group's financial statements.

- Improvement to the segment information reporting

The improvement disclosures information about the Group's operating segments determined basing on the internal control, management requirement and internal reporting system. Adoption of this improvement did not have any significant effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under CAS 35 Segment Reporting.

## III. SCOPE OF CONSOLIDATION

In January 2009, China Ping An Trust & Investment Co., Ltd. ("Ping An Trust") completed the acquisition of 100% equity interest in XJ Group Corporation ("XJ Group") which specializes in the manufacture of electric equipment. From the date of acquisition to 30 June 2009, XJ Group has contributed RMB105 million to the net profit attributable to the owners of the parent.

## IV. SEGMENT INFORMATION

Business activities of the Group are first segregated by product and type of service: insurance activities, banking activities, securities activities and corporate activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided between life insurance and property and casualty insurance. The types of products and services from which reportable segments derive revenue are listed below.

- The life insurance segment offers a comprehensive range of life insurance products on individual and group basis, including term, whole-life, endowment, annuity, investment-linked, universal life as well as health and care insurance.
- The property and casualty insurance segment offers a wide variety of insurance products to both private and corporate customers, including automobile insurance, non-automobile insurance, and accident and health insurance.
- The banking segment undertakes loan and intermediary businesses with the corporate customers and retail business as well as wealth management and credit card services with the individual customers.
- The securities segment undertakes brokerage, trading, investment banking and offers asset management services.
- The corporate segment includes the management and support of the Group's business through its strategy, risk, treasury, finance, legal, human resources functions, etc.. The corporate segment derives revenue from investing activities.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is based on net profit.

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

(in RMB million)

## IV. SEGMENT INFORMATION (CONTINUED)

| | For the six months ended 30 June 2009 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Life insurance (Unaudited) | Property and casualty insurance (Unaudited) | Banking (Unaudited) | Securities (Unaudited) | Corporate (Unaudited) | Others (Unaudited) | Elimination (Unaudited) | Total (Unaudited) |
| **Income statement** | | | | | | | | |
| Premium income | 73,921 | 18,764 | – | – | – | – | – | 92,685 |
| Less: Premiums ceded to reinsurers | (904) | (2,802) | – | – | – | – | – | (3,706) |
| Change in unearned premium reserves | (328) | (3,950) | – | – | – | – | – | (4,278) |
| Net earned premiums | 72,689 | 12,012 | – | – | – | – | – | 84,701 |
| Net interest income of banking operations | – | – | 1,508 | – | – | – | 416 | 1,924 |
| Including: Intersegment interest income of banking operations | – | – | (416) | – | – | – | 416 | – |
| Net fees and commission income of non-insurance operations | – | – | 186 | 606 | – | 112 | 2 | 906 |
| Including: Intersegment fees and commission income of non-insurance operations | – | – | – | – | – | (2) | 2 | – |
| Investment income | 13,043 | 583 | 121 | 269 | (383) | 674 | (420) | 13,887 |
| Including: Intersegment investment income | 338 | 19 | – | (2) | 37 | 28 | (420) | – |
| Fair value gains and losses | 6,417 | 30 | 200 | (14) | 5 | (23) | – | 6,615 |
| Foreign exchange gains/(losses) | (25) | (6) | 15 | – | (1) | – | – | (17) |
| Other income | 711 | 94 | 11 | 2 | – | 2,788 | (754) | 2,852 |
| Including: Intersegment other income | 267 | 6 | – | – | – | 481 | (754) | – |
| Total operating income | 92,835 | 12,713 | 2,041 | 863 | (379) | 3,551 | (756) | 110,868 |
| Surrenders | (6,117) | – | – | – | – | – | – | (6,117) |
| Claims paid | (7,931) | (7,928) | – | – | – | – | – | (15,859) |
| Less: Reinsurers' share of claims paid | 505 | 1,124 | – | – | – | – | – | 1,629 |
| Change in insurance contract liabilities | (57,292) | (500) | – | – | – | – | – | (57,792) |
| Less: Reinsurers' share of insurance contract liabilities | 39 | (108) | – | – | – | – | – | (69) |
| Policyholder dividends | (2,238) | – | – | – | – | – | – | (2,238) |
| Expenses for reinsurance accepted | – | (16) | – | – | – | – | – | (16) |
| Fees and commission expense of insurance operations | (7,750) | (2,293) | – | – | – | – | 216 | (9,827) |
| Business tax and surcharges | (306) | (1,074) | (135) | (43) | – | (67) | – | (1,625) |
| General and administrative expenses | (4,396) | (2,926) | (1,111) | (362) | (97) | (1,053) | 530 | (9,415) |
| Less: Reinsurers' share of expenses | 124 | 780 | – | – | – | – | – | 904 |
| Financial expenses | (73) | (22) | – | – | – | (328) | 3 | (420) |
| Other expenses | (630) | (44) | (9) | – | – | (1,560) | 7 | (2,236) |
| Impairment losses | (214) | (95) | (69) | (1) | (37) | (40) | – | (456) |
| Total operating expenses | (86,279) | (13,102) | (1,324) | (406) | (134) | (3,048) | 756 | (103,537) |
| Operating profit | 6,556 | (389) | 717 | 457 | (513) | 503 | – | 7,331 |
| Add: Non-operating income | 12 | 6 | 7 | – | – | 52 | – | 77 |
| Less: Non-operating expenses | (51) | (32) | (2) | (1) | (10) | (2) | – | (98) |
| Profit/(loss) before tax | 6,517 | (415) | 722 | 456 | (523) | 553 | – | 7,310 |
| Less: Income taxes | (2,010) | (329) | (145) | (89) | (71) | (108) | – | (2,752) |
| Net profit/(loss) | 4,507 | (744) | 577 | 367 | (594) | 445 | – | 4,558 |

## IV. SEGMENT INFORMATION (CONTINUED)

| | For the six months ended 30 June 2008 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Life insurance (Audited) | Property and casualty insurance (Audited) | Banking (Audited) | Securities (Audited) | Corporate (Audited) | Others (Audited) | Elimination (Audited) | Total (Audited) |
| **Income statement** | | | | | | | | |
| Premium income | 54,557 | 14,671 | – | – | – | – | – | 69,228 |
| Less: Premiums ceded to reinsurers | (605) | (2,739) | – | – | – | – | – | (3,344) |
| Change in unearned premium reserves | (222) | (2,313) | – | – | – | – | – | (2,535) |
| Net earned premiums | 53,730 | 9,619 | – | – | – | – | – | 63,349 |
| Net interest income of banking operations | – | – | 1,985 | – | – | – | 119 | 2,104 |
| Including: Intersegment interest income of banking operations | – | – | (119) | – | – | – | 119 | – |
| Net fees and commission income of non-insurance operations | – | – | 87 | 854 | – | 242 | (19) | 1,164 |
| Including: Intersegment fees and commission income of non-insurance operations | – | – | – | 5 | – | 14 | (19) | – |
| Investment income | 19,948 | 1,033 | (16) | 314 | 1,694 | 591 | (119) | 23,445 |
| Including: Intersegment investment income | 175 | 7 | – | (19) | 79 | (123) | (119) | – |
| Fair value losses | (16,030) | (43) | (36) | (211) | (2,090) | (349) | – | (18,759) |
| Foreign exchange losses | (403) | (37) | (1) | (4) | (62) | (18) | – | (525) |
| Other income | 524 | 27 | 10 | 2 | – | 457 | (313) | 707 |
| Including: Intersegment other income | 118 | 1 | – | – | – | 194 | (313) | – |
| Total operating income | 57,769 | 10,599 | 2,029 | 955 | (458) | 923 | (332) | 71,485 |
| Surrenders | (6,840) | – | – | – | – | – | – | (6,840) |
| Claims paid | (11,152) | (6,353) | – | – | – | – | – | (17,505) |
| Less: Reinsurers' share of claims paid | 318 | 788 | – | – | – | – | – | 1,106 |
| Change in insurance contract liabilities | (19,356) | (2,420) | – | – | – | – | – | (21,776) |
| Less: Reinsurers' share of insurance contract liabilities | 23 | 1,288 | – | – | – | – | – | 1,311 |
| Policyholder dividends | (4,162) | – | – | – | – | – | – | (4,162) |
| Expenses for reinsurance accepted | – | (11) | – | – | – | – | – | (11) |
| Fees and commission expense of insurance operations | (5,934) | (1,394) | – | – | – | – | 82 | (7,246) |
| Business tax and surcharges | (601) | (834) | (126) | (59) | (18) | (64) | – | (1,702) |
| General and administrative expenses | (2,471) | (2,354) | (864) | (391) | 109 | (279) | 237 | (6,013) |
| Less: Reinsurers' share of expenses | 103 | 657 | – | – | – | – | – | 760 |
| Financial expenses | (52) | – | – | – | – | (200) | – | (252) |
| Other expenses | (327) | (8) | (1) | – | – | (110) | 2 | (444) |
| Impairment losses | (1,282) | 24 | (61) | (2) | (228) | 10 | – | (1,539) |
| Total operating expenses | (51,733) | (10,617) | (1,052) | (452) | (137) | (643) | 321 | (64,313) |
| Operating profit | 6,036 | (18) | 977 | 503 | (595) | 280 | (11) | 7,172 |
| Add: Non-operating income | 20 | 2 | 4 | 1 | – | – | – | 27 |
| Less: Non-operating expenses | (10) | (4) | (18) | (4) | (43) | (1) | – | (80) |
| Profit/(loss) before tax | 6,046 | (20) | 963 | 500 | (638) | 279 | (11) | 7,119 |
| Less: Income taxes | 135 | 94 | (168) | (99) | 299 | (70) | – | 191 |
| Net profit/(loss) | 6,181 | 74 | 795 | 401 | (339) | 209 | (11) | 7,310 |

(in RMB million)

## V. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. CASH ON HAND AND AT BANK

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Cash on hand | **457** | 574 |
| Cash at bank | **48,902** | 29,040 |
| Including: Brokerage customers | **10,282** | 5,782 |
| Balances with central bank | **22,859** | 20,103 |
| Including: Mandatory reserve deposits | **16,393** | 12,829 |
| Surplus reserve deposits | **6,466** | 7,274 |
| Due from banks and other financial institutions | **2,308** | 2,266 |
| Other monetary assets | **2,803** | 462 |
| Total | **77,329** | 52,445 |

### 2. HELD-FOR-TRADING FINANCIAL ASSETS

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Bonds | | |
| Government bonds | **4,339** | 4,573 |
| Central bank bills | **2,065** | 8,629 |
| Financial bonds | **7,830** | 9,773 |
| Corporate bonds | **7,998** | 6,689 |
| Equity investments | | |
| Funds | **43,035** | 31,445 |
| Stocks | **4,518** | 4,377 |
| Total | **69,785** | 65,486 |
| Listed | **24,321** | 15,714 |
| Unlisted | **45,464** | 49,772 |
| Total | **69,785** | 65,486 |

As at 30 June 2009, bond investments classified as held-for-trading financial assets with par value of RMB6,825 million (31 December 2008: RMB32,418 million) were pledged as collateral for assets sold under agreements to repurchase by the Group. Up to the approval date of these financial statements, the above amount has been released from such pledge.

### 3. DERIVATIVE FINANCIAL INSTRUMENTS

| | 30 June 2009 | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| | Nominal amount (Unaudited) | Fair value (Unaudited) | Nominal amount (Unaudited) | Fair value (Unaudited) |
| Interest rate swaps | **10** | **–** | **283** | **13** |
| Currency forwards and swaps | **907** | **–** | **206** | **1** |
| Equity warrants | **67** | **4** | **–** | **–** |
| Credit default swaps | **137** | **2** | **205** | **7** |
| Total | **1,121** | **6** | **694** | **21** |

# V. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

| | 31 December 2008 | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| | Nominal amount (Audited) | Fair value (Audited) | Nominal amount (Audited) | Fair value (Audited) |
| Interest rate swaps | 18 | 1 | 223 | 15 |
| Currency forwards and swaps | 215 | 1 | 194 | 1 |
| Equity warrants | 54 | 5 | – | – |
| Credit default swaps | 137 | 10 | 547 | 249 |
| Total | 424 | 17 | 964 | 265 |

## 4. PREMIUM RECEIVABLES

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Life insurance | **3,260** | 2,836 |
| Property and casualty insurance | **2,439** | 1,718 |
| Total | **5,699** | 4,554 |

There are no premium receivables from shareholders who individually hold no less than 5% of the Company's voting share capital.

Aging analysis is set out as follows:

| Aging | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Within 3 months (including 3 months) | **5,244** | 4,201 |
| 3 months to 1 year (including 1 year) | **313** | 240 |
| More than 1 year | **142** | 113 |
| Total | **5,699** | 4,554 |

## 5. DUE FROM REINSURERS

| Aging | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Within 9 months (including 9 months) | **2,076** | 2,591 |
| More than 9 months | **155** | 142 |
| Total | **2,231** | 2,733 |

There are no due from reinsurers from shareholders who individually hold no less than 5% of the Company's voting share capital.

(in RMB million)

## V. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. DUE FROM REINSURERS (CONTINUED)

Details of top 5 due from reinsurers/brokers of the Group are as follows:

| Reinsurance company/Brokers | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| China Property & Casualty Reinsurance Company Ltd. | **610** | 1,004 |
| China Life Reinsurance Company Ltd. | **539** | 467 |
| Aon Limited | **156** | 182 |
| Munich Reinsurance Co. | **138** | 132 |
| Allianz SE Reinsurance | **118** | 245 |
| Sum of amounts due from top 5 reinsurers | **1,561** | 2,030 |

### 6. LOANS AND ADVANCES TO CUSTOMERS

**(1) Loans and advances by individual and corporate customers**

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Individual customers | | |
| Credit card overdrafts | **3,768** | 2,592 |
| Mortgages loans | **19,156** | 18,000 |
| Others | **4,148** | 3,874 |
| Corporate customers | | |
| Loans | **61,321** | 46,635 |
| Discounted bills | **17,922** | 3,784 |
| Total | **106,315** | 74,885 |
| Less: Loan loss provision | | |
| Including: Individually assessed | **(187)** | (215) |
| Collectively assessed | **(611)** | (510) |
| Net | **105,517** | 74,160 |

As at 30 June 2009, RMB240 million (31 December 2008: RMB220 million) of loans and advances to customers was pledged as assets sold under agreements to repurchase. Up to the approval date of these financial statements, RMB220 million of such loans have been released from this pledge.

# V. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (2) Loan loss provision

| | For the six months ended 30 June 2009 | | | For the six months ended 30 June 2008 | | |
|---|---|---|---|---|---|---|
| | Individually assessed (Unaudited) | Collectively assessed (Unaudited) | Total (Unaudited) | Individually assessed (Audited) | Collectively assessed (Audited) | Total (Audited) |
| Beginning of period | **215** | **510** | **725** | 302 | 234 | 536 |
| Charge for the period | **(13)** | **101** | **88** | 20 | 44 | 64 |
| Transfer out during the period | **–** | **–** | **–** | (16) | – | (16) |
| Write-backs during the period | | | | | | |
| Accredited interest on impairment loans | **(15)** | **–** | **(15)** | (6) | – | (6) |
| Write-backs due to other reasons | **–** | **–** | **–** | (49) | – | (49) |
| End of period | **187** | **611** | **798** | 251 | 278 | 529 |

## 7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Bonds | | |
| Government bonds | **14,792** | 18,124 |
| Central bank bills | **16,379** | 18,401 |
| Financial bonds | **58,974** | 63,905 |
| Corporate bonds | **75,243** | 80,114 |
| Equity investments | | |
| Funds | **22,423** | 11,312 |
| Stocks | **24,983** | 20,380 |
| Total | **212,794** | 212,236 |
| Listed | **50,346** | 45,881 |
| Unlisted | **162,448** | 166,355 |
| Total | **212,794** | 212,236 |

As at 30 June 2009, bond investments classified as available-for-sale financial assets with par value of RMB15,680 million (31 December 2008: RMB6,945 million) were pledged for financial assets sold under agreements to repurchase. Up to the approval date of these financial statements, approximately RMB12,060 million of the above amount has been released from such pledge.

(in RMB million)

## V. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. HELD-TO-MATURITY INVESTMENTS

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Bonds | | |
| Government bonds | **81,136** | 75,542 |
| Central bank bills | **440** | 440 |
| Financial bonds | **49,649** | 36,800 |
| Corporate bonds | **23,672** | 13,720 |
| Less: Impairment provision of held-to-maturity investments | **–** | – |
| Net | **154,897** | 126,502 |
| Listed | **31,738** | 31,655 |
| Unlisted | **123,159** | 94,847 |
| Total | **154,897** | 126,502 |
| Fair Value | **158,878** | 135,621 |

The Group reviewed the intention and capability for holding the investment asset and did not note any change.

As at 30 June 2009, bond investments classified as held-to-maturity financial assets with par value of RMB11,770 million (31 December 2008: RMB1,830 million) were pledged for financial assets sold under agreements to repurchase. Up to the approval date of these financial statements, approximately RMB11,690 million of the above amount has been released from such pledge.

### 9. STATUTORY DEPOSITS

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Ping An Life Insurance Company of China, Ltd. ("Ping An Life") | **4,760** | 4,760 |
| Ping An Property and Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty") | **800** | 800 |
| Ping An Annuity Insurance Company of China, Ltd. ("Ping An Annuity") | **360** | 200 |
| Ping An Health Insurance Company of China, Ltd. ("Ping An Health") | **100** | 100 |
| Total | **6,020** | 5,860 |

According to related regulations of the "Insurance Law", subsidiaries operating insurance business shall set aside 20% of its registered capital as statutory deposits, which must be deposited in a Chinese invested commercial bank approved by the China Insurance Regulatory Commission ("CIRC"). The statutory deposit can only be used for the discharge of debts upon liquidation of the Company.

# V. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 10. CUSTOMER DEPOSITS

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Current deposits | | |
| Corporate client | **38,448** | 32,471 |
| Individual client | **8,386** | 7,339 |
| Term deposits | | |
| Corporate client | **42,330** | 33,216 |
| Individual client | **10,164** | 7,623 |
| Total | **99,328** | 80,649 |

## 11. DUE TO REINSURERS

| Aging | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Within 9 months (including 9 months) | **3,525** | 3,246 |
| More than 9 months | **302** | 325 |
| Total | **3,827** | 3,571 |

Details of top 5 due to reinsurers/brokers of the Group are as follows:

| Reinsurance company/Brokers | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| China Property and Casualty Reinsurance Co., Ltd. | **924** | 1,056 |
| China Life Reinsurance Company Ltd. | **655** | 339 |
| Munich Reinsurance Co. | **216** | 114 |
| Aon Limited | **215** | 194 |
| Willis Insurance Brokers Co., Limited | **116** | 100 |
| Sum of amounts due to top 5 reinsurers | **2,126** | 1,803 |

There is no balance of this account due to shareholders who individually hold no less than 5% of the Company's voting share capital.

(in RMB million)

## V. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. INSURANCE CONTRACT LIABILITIES

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Unearned premium reserves | | |
| Direct insurance contracts | **22,933** | 18,047 |
| Reinsurance contracts | **80** | 78 |
| Claim reserves | | |
| Direct insurance contracts | **9,972** | 9,659 |
| Reinsurance contracts | **100** | 81 |
| Policyholders' reserves for life insurance | | |
| Direct insurance contracts | **401,866** | 348,714 |
| Reserves for long-term health insurance | | |
| Direct insurance contracts | **47,225** | 43,485 |
| Total | **482,176** | 420,064 |

### 13. SUBORDINATED DEBTS

Ping An Property & Casualty and Ping An Bank Co., Ltd. ("Ping An Bank") issued subordinated debts of RMB2 billion and RMB3 billion, respectively, to institutional investors in the current period. These debts are unsecured and have a maturity period of 10 years. Both Ping An Property & Casualty and Ping An Bank have an option to redeem the subordinated debts at the end of the fifth year.

### 14. SHARE CAPITAL

The registered and paid-up share capital of the Company is RMB7,345,053,334 (with a par value of RMB1 per share).

### 15. CAPITAL RESERVE

| | | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|---|
| Share premium | (1) | **51,907** | 51,907 |
| Fair value gains and losses of available-for-sale financial assets | | **7,083** | (1,332) |
| Shadow accounting adjustment of policyholders' reserves | (2) | **(3,308)** | (3,872) |
| Other capital reserve | (3) | **311** | 311 |
| Related tax effect of above items | | **(747)** | 1,081 |
| Total | | **55,246** | 48,095 |

(1) The share premium was due to the initial public offering of A shares and H shares.

(2) In accordance with the Opinion of the Expert Task Force issued by Accounting Standards Committee of Ministry of Finance of the PRC on 1 February 2007, the Group's accounting treatment on the fair value gains and losses of available-for-sale financial assets of participating insurance and universal life insurance is as follows: the said fair value gains and losses attributable to policyholders are recognized as policyholders' reserves and those attributable to equity holders of the Company are recognized as capital reserve based on reasonable proportion method.

(3) The Company arranged revaluation on its life insurance and property and casualty insurance business prior to its capital injections into Ping An Life and Ping An Property & Casualty. In accordance with asset valuation reports Zhonghuapingbaozi [2002] No.039 and [2002] No.038 issued by Chinese Finance Appraisal Co., Ltd. the net valuation surplus amounted to RMB311 million.

# V. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 16. OTHER COMPREHENSIVE INCOME

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Exchange differences on translation of foreign operations | **72** | (28) |
| Available-for-sale financial assets | | |
| Add: Gains/(losses) arising during the period | **13,181** | (39,757) |
| Less: Reclassification adjustments for losses included in income statement | **(4,759)** | (7,646) |
| Shadow accounting adjustments | | |
| Add: Gains arising during the period | **1,748** | 7,111 |
| Less: Reclassification adjustments for gains/(losses) included in income statement | **(1,180)** | 2,708 |
| Other comprehensive income/(loss) | **9,062** | (37,612) |
| Income tax relating to components of other comprehensive income/(loss) | **(1,830)** | 7,607 |
| Total other comprehensive income/(loss) | **7,232** | (30,005) |

| | For the six months ended 30 June 2009 | | | For the six months ended 30 June 2008 | | |
|---|---|---|---|---|---|---|
| | Before-tax (Unaudited) | Income tax (Unaudited) | Net-of-tax (Unaudited) | Before-tax (Audited) | Income tax (Audited) | Net-of-tax (Audited) |
| Exchange differences on translation of foreign operations | **72** | **–** | **72** | (28) | – | (28) |
| Available-for-sale financial assets | **8,422** | **(1,678)** | **6,744** | (47,403) | 9,625 | (37,778) |
| Shadow accounting adjustments | **568** | **(152)** | **416** | 9,819 | (2,018) | 7,801 |
| Other comprehensive income/(loss) | **9,062** | **(1,830)** | **7,232** | (37,612) | 7,607 | (30,005) |

## 17. PROFITS APPROPRIATION

According to the articles of the Company and the relevant regulations, the Company makes appropriations from net profit according to the following order:

(1) To offset accumulated losses brought forward from prior years;

(2) To allocate 10% of profit after tax, after offsetting accumulated losses, to statutory surplus reserve fund;

(3) To provide for discretionary surplus reserve fund in accordance with the resolutions of the shareholders' meeting. The usage of the discretionary surplus reserve fund is determined in accordance with the articles of the Company or the resolutions of the shareholders' meeting;

(4) To distribute dividends to shareholders.

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Final dividend on ordinary shares declared for 2008: nil (2007: RMB0.50 per share) | **–** | 3,673 |
| Interim dividends on ordinary shares approved (not recognized as a liability as at 30 June 2009: RMB0.15 per share (2008: RMB0.20 per share) | **1,102** | 1,469 |

(in RMB million)

## V. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. PREMIUM INCOME

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Life insurance | | |
| Individual | **53,990** | 42,284 |
| Bancassurance | **16,299** | 6,855 |
| Group insurance | **3,632** | 5,418 |
| Subtotal | **73,921** | 54,557 |
| Property and casualty insurance | | |
| Automobile insurance | **13,378** | 10,225 |
| Non-automobile insurance | **4,418** | 3,650 |
| Accident and health insurance | **968** | 796 |
| Subtotal | **18,764** | 14,671 |
| Total | **92,685** | 69,228 |

### 19. NET INTEREST INCOME OF BANKING OPERATIONS

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Interest income of banking operations | | |
| Due from banks and other financial institutions | **73** | 8 |
| Balances with central bank | **133** | 146 |
| Placements with banks and other financial institutions | **11** | 51 |
| Loans and advances to customers | **2,179** | 2,274 |
| Including: Individual loans | **688** | 679 |
| Corporate loans | **1,376** | 1,407 |
| Discounted bills | **115** | 188 |
| Financial assets purchased under agreements to resell | **78** | 257 |
| Bond investments | **591** | 633 |
| Subtotal | **3,065** | 3,369 |
| Interest expenses of banking operations | | |
| Due to banks and other financial institutions | **198** | 102 |
| Placements from banks and other financial institutions | **5** | 7 |
| Customers deposits | **893** | 996 |
| Financial assets sold under agreements to repurchase | **45** | 160 |
| Subtotal | **1,141** | 1,265 |
| Net interest income of banking operations | **1,924** | 2,104 |

Accreted interest on impaired financial assets during the six months ended 30 June 2009 amounted to RMB1 million (for the six months ended 2008: RMB6 million).

# V. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 20. NET FEES AND COMMISSION INCOME OF NON-INSURANCE OPERATIONS

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Fees and commission income of non-insurance operations | | |
| Brokerage fees | **532** | 509 |
| Underwriting commission income | **137** | 392 |
| Trust service fees | **116** | 267 |
| Others | **244** | 114 |
| Subtotal | **1,029** | 1,282 |
| Fees and commission expenses of non-insurance operations | | |
| Brokerage fees paid | **65** | 58 |
| Other fees paid | **58** | 60 |
| Subtotal | **123** | 118 |
| Net fees and commission income of non-insurance operations | **906** | 1,164 |

(in RMB million)

## V. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. INVESTMENT INCOME

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Interest income of non-banking operations | | |
| Bonds | | |
| Held-to-maturity | **2,693** | 2,488 |
| Available-for-sale | **3,045** | 1,929 |
| At fair value through profit or loss | **374** | 416 |
| Term deposits | | |
| Loans and receivables | **1,910** | 1,432 |
| Current deposits | | |
| Loans and receivables | **539** | 405 |
| Others | | |
| Loans and receivables | **59** | 200 |
| Dividend income | | |
| Funds | | |
| Available-for-sale | **77** | 2,250 |
| At fair value through profit or loss | **277** | 3,007 |
| Stocks | | |
| Available-for-sale | **267** | 955 |
| At fair value through profit or loss | **23** | 75 |
| Realized gains | | |
| Bonds | | |
| Available-for-sale | **1,777** | 3 |
| At fair value through profit or loss | **294** | 29 |
| Funds | | |
| Available-for-sale | **(506)** | (1,067) |
| At fair value through profit or loss | **613** | (584) |
| Stocks | | |
| Available-for-sale | **3,783** | 10,295 |
| At fair value through profit or loss | **(1,079)** | 1,501 |
| Derivative financial instruments | **(217)** | 248 |
| Others | **–** | 8 |
| Share of profits and losses of associates and joint ventures | **52** | 41 |
| Interest expenses of non-banking operations | **(105)** | (186) |
| Others | **11** | – |
| Total | **13,887** | 23,445 |

# V. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22. FAIR VALUE GAINS AND LOSSES

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Held-for-trading financial assets | | |
| Bonds | **(484)** | (157) |
| Funds | **4,782** | (9,116) |
| Stocks | **2,134** | (9,219) |
| Financial assets designated at fair value through profit or loss | **(50)** | – |
| Derivative financial instruments | **233** | (267) |
| Total | **6,615** | (18,759) |

## 23. CLAIMS PAID

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Claims | **9,447** | 7,643 |
| Payments on maturities | **3,370** | 7,217 |
| Payments on annuities | **1,772** | 1,660 |
| Payments on death and medical claims | **1,270** | 985 |
| Total | **15,859** | 17,505 |

## 24. CHANGE IN INSURANCE CONTRACT LIABILITIES

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Change in claim reserves | | |
| Direct insurance contracts | **313** | 2,464 |
| Reinsurance contracts | **19** | 17 |
| Change in policyholders' reserves for life insurance | | |
| Direct insurance contracts | **53,720** | 15,599 |
| Change in reserves for long-term health insurance | | |
| Direct insurance contracts | **3,740** | 3,696 |
| Total | **57,792** | 21,776 |

(in RMB million)

## V. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses of the Group include following expenses:

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Wages, salaries and bonuses | **3,424** | 1,722 |
| Retirement benefits, social security contributions and welfare benefits | **787** | 722 |
| Depreciation of fixed assets | **353** | 239 |
| Amortization of intangible assets | **276** | 203 |
| Insurance guarantee funds | **282** | 219 |

The employee costs reversed for the scheme of share appreciation rights during the period amount to RMB92 million (six months ended 30 June 2008: expense reversal of RMB1,068 million).

According to "Administrative Regulations on the Insurance Guarantee Fund" (Baojianhuiling [2008] No.2), the Group calculates the insurance guarantee fund as follows:

- For the non-investment property insurance business, 0.8% of the premium income shall be paid to the insurance protection fund; for the investment property insurance business with guaranteed income, 0.08% of the business income shall be paid to the insurance protection fund, and for the investment property insurance business without guaranteed income, 0.05% of the business income shall be paid to the insurance protection fund.

- For the life insurance business with guaranteed income, 0.15% of the business income shall be paid to the insurance protection fund, and for the life insurance business without guaranteed income, 0.05% of the business income shall be paid to the insurance protection fund.

- For the short-term health insurance business, 0.8% of the premium income shall be paid to the insurance protection fund, and for the long-term health insurance business, 0.15% of the premium income shall be paid to the insurance protection fund; and

- For the non-investment accidental injury insurance business, 0.8% of the premium income shall be paid to the insurance protection fund; for the investment accidental injury insurance business with guaranteed income, 0.08% of the business income shall be paid to the insurance protection fund, and for the investment accidental injury insurance business without guaranteed income, 0.05% of the business income shall be paid to the insurance protection fund.

No additional provision is required when the accumulated insurance guarantee fund balances of Ping An Life, Ping An Annuity and Ping An Health reaches 1% of their respective total assets. For Ping An Property & Casualty, no additional provision is required when the accumulated balance reaches 6% of its total assets. As at 30 June 2009, the balance of the provision of the Group is RMB180 million (31 December 2008: RMB159 million).

# V. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 26. IMPAIRMENT LOSSES

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Bad debt provisions | **76** | (67) |
| Impairment losses for available-for-sale financial assets | **295** | 1,585 |
| – Bonds | **–** | 75 |
| – Equity investments | **295** | 1,510 |
| Impairment losses for loans | **85** | 16 |
| Impairment losses for fixed assets | **–** | 1 |
| Impairment losses for other assets | **–** | 4 |
| Total | **456** | 1,539 |

## 27. INCOME TAXES

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Current income tax expenses | **2,744** | 644 |
| Deferred income tax expenses/(benefits) | **8** | (835) |
| Total | **2,752** | (191) |

Please refer to Note XIII. (2) for amounts charged to the income statement for the six months ended 30 June 2009 in respect of taxation for years ended 31 December 2004, 2005, 2006.

## 28. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Company's net profit attributable to ordinary shareholders by the weighted average number of outstanding shares.

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Net profit attributable to ordinary shareholders for the period (in RMB million) | **4,347** | 7,102 |
| Weighted average number of outstanding shares of the Company (million shares) | **7,345** | 7,345 |
| Basic earnings per share (in RMB) | **0.59** | 0.97 |
| Diluted earnings per share (in RMB) | **0.59** | 0.97 |

(in RMB million)

## VI. CASH AND CASH EQUIVALENTS

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Cash | | |
| Cash on hand | **457** | 574 |
| Cash at bank readily available for payments | **42,150** | 23,258 |
| Other monetary assets readily available for payments | **2,803** | 462 |
| Balances with central bank available for payment | **6,466** | 7,274 |
| Balances with clearing companies | **255** | 51 |
| Balances with other financial institutions | **2,308** | 2,266 |
| Placements with other financial institutions | **859** | 3 |
| Subtotal | **55,298** | 33,888 |
| Cash equivalents | | |
| Bonds with original maturity within 3 months | **–** | 50 |
| Money market funds | **20,203** | 18,335 |
| Financial assets purchased under agreements to resell with original maturity within 3 months | **25,378** | 12,216 |
| Subtotal | **45,581** | 30,601 |
| Cash and cash equivalents at end of period | **100,879** | 64,489 |

## VII. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of the financial instruments held by the Group, except for held-to-maturity investments long duration term deposits and loans and advances to customers, approximate the estimated fair values.

The principal methods and assumptions used by the Group in estimating the fair values of the financial instruments are:

(1) Fixed maturity investments (mainly including bond investments and securities purchased under agreements to resell): Fair values are generally based upon quoted market prices. Where quoted market prices are not readily available, fair values are estimated using either prices observed in recent transactions or values obtained from discounted cash flow models using current market yield rates of comparable investments. When discounted cash flow model is used, market yield and discounting rate is obtained from www.ChinaBond.com.cn which is the official website of China Government Securities Depository Trust & Clearing Co., Ltd.

(2) Equity investments: Fair values are based on quoted market prices except for certain unlisted equity investments, which are carried at cost as a reasonable estimate of their fair value.

(3) Derivative financial instruments: Fair values are determined by counterparty quotes or independent appraiser's reports.

(4) Others (Loans and receivables and other financial liabilities): Including other financial instruments with short duration (usually within 1 year) and financial instruments which are periodically revalued according to market quotes by adjusting the interest rate with the announced rate by People's Bank of China or market rate on the revaluation date. These financial instruments are mainly loans, customer deposits, assets sold under agreements to repurchase. The carrying amount of these assets and liabilities approximates their fair values.

# VIII. RISK MANAGEMENT

## 1. INSURANCE RISK

### (1) Insurance risk types

The risk under an insurance contract is the possibility of occurrence of an insured event and uncertainty of the amount and timing of the resulting claim. 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 year.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines.

The business of the Group mainly comprises long-term life insurance contracts, property and casualty and short-term life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued 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 annuity conversion rights etc.. Thus, the resultant insurance risk is subject to policyholders' behavior and decisions.

### (2) Assumption

*Long-term life insurance contracts*

The policyholders' reserves for life insurance and reserves for long-term health insurance are calculated in accordance with related actuarial regulations promulgated by the CIRC. Moreover, the policyholders' reserves for life insurance and reserves for long-term health insurance provided by the Group should meet the requirements of liability adequacy test. Unless the reserves are inadequate under liability adequacy test, no adjustment is needed for the policyholders' reserves for life insurance and reserves for long-term health insurance. In liability adequacy test: other variables held constant, if assumptions of mortality rate, morbidity rate lapse rate or expense rate increase or decrease by 10% based on the current best assumptions, the reserves would not be inadequate; other variables held constant, the investment return assumptions increase or decrease 50 basis points based on the current best assumptions, the accrued reserves also would not be inadequate.

## VIII. RISK MANAGEMENT (CONTINUED)

### 1. INSURANCE RISK (CONTINUED)

#### (2) Assumption (Continued)

*Property and casualty and short-term life insurance contracts*

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of the speed of claim settlement, claim amounts and claims handling costs for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions, government legislation and internal management factors affect the estimates.

*Reinsurance*

The Group transfers its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on quota share basis and surplus basis with retention limits varying by product lines. In addition, the Group also entered into catastrophe excess of loss reinsurance to transfer the risk of suffering catastrophe insurance loss arising from a single accident. 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 balance sheet as reinsurers' share of insurance liabilities.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

### 2. MARKET RISK

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), such change in market price may be caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

#### (1) 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 condition and results of operations. The foreign currency risk faced by the Group mainly comes from movements in the USD/RMB, HKD/RMB and EUR/RMB exchange rates. The Group seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position.

#### (2) Price risk

The Group's price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities and equity investment funds classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

The above investments are exposed to price risk because of change in market price, whether changes are caused by factors specific to the individual financial instruments or its 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..

# VIII. RISK MANAGEMENT (CONTINUED)

## 2. MARKET RISK (CONTINUED)

### (3) 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 risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group's interest 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 re-priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

## 3. FINANCIAL RISK

### (1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investment in bonds, equity investment, reinsurance arrangements with reinsurers, policy loans, etc.. The Group mitigates credit risk by using a variety of controls including credit control policies, credit analysis on potential investments, and imposing aggregate counter party exposure limits.

The Group's banking business carries out credit assessment before granting credit to customers and monitors the credit granted on a regular basis. Credit risk is also managed through obtaining collateral and guarantees. In the case of off-balance sheet credit related commitments, guarantee deposits are in general received by the Group to reduce credit risk.

### (2) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group seeks to manage its liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis. The banking business of the Group is exposed to potential liquidity risk. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, maintaining stable deposits, etc..

## 4. 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 duration and interest rate. In the current regulatory and market environment, however, the Group is unable to invest in assets that have duration of sufficient length to match the duration of its insurance and investment contract liabilities. When the current regulatory and market environment permits, however, the Group aims to lengthen the duration of its assets so as to match more recent liabilities of lower guarantee rates, while narrowing the gap for existing liabilities with higher guarantee rates.

# Notes to the interim condensed consolidated financial statements

As at 30 June 2009
(in RMB million)

## VIII. RISK MANAGEMENT (CONTINUED)

### 5. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, people and systems or from uncontrollable external events. The Group is exposed to many types of operational risks in the conduct of its business from inadequate or failure to obtain proper authorizations, supporting documentation and ensuring operational and informational security procedures as well as from fraud or errors by employees. The Group attempts to manage operational risk by establishing clear policies and requiring well-documented business processes to ensure transactions are properly authorized, supported and recorded.

### 6. CAPITAL MANAGEMENT

The Group's capital requirements are primarily dependent on the scale and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains 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 complied with the externally imposed capital requirements during the period and no changes were made to its capital base, objectives, policies and processes from the previous period.

## IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

### 1. RELATED PARTY RELATIONSHIP

#### (1) During the period, related parties of the Company comprise:

(i) subsidiaries;
(ii) investors having significant influence on the Company;
(iii) associates and joint ventures;
(iv) key management personnel, as well as their close family members;
(v) corporations which are controlled, or under common control, or significantly influenced by the Company's key management personnel or their close family members.

#### (2) Other related parties

| Name of related parties | Relationship with the Company |
|---|---|
| HSBC Holdings Limited ("HSBC Holdings") | Parent of shareholders |
| HSBC Insurance Holdings Limited ("HSBC Insurance") | Shareholder |
| The Hongkong and Shanghai Banking Corporation Limited ("HSBC") | Shareholder |

In late August 2005, HSBC Holdings through its wholly owned subsidiaries, HSBC Insurance and HSBC, held 19.90% of the Company's shares. Since then, HSBC Holdings and its subsidiaries became the Company's related parties with significant influence over the Group. As at 30 June 2009, HSBC Holdings holds over 16% of the Company's shares through its subsidiaries.

# IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONTINUED)

## 1. RELATED PARTY RELATIONSHIP (CONTINUED)

### (3) Shareholders who hold more than 5% shares of the Company as at 30 June 2009:

| Name of the shareholders | Number of shares held | Type of share | Percentage of total shares (%) |
|---|---|---|---|
| HSBC Insurance | 618,886,334 | H-share | 8.43% |
| HSBC | 613,929,279 | H-share | 8.36% |
| Shenzhen Investment Holdings Co., Ltd. | 546,672,967 | A-Share | 7.44% |
| Shenzhen New Horse Investment Development Co., Ltd. & Shenzhen Jingao Industrial Development Co., Ltd. | 720,710,154 | Non-tradable A-Share | 9.81% |
| Yuan Trust Investment Co., Ltd. | 380,000,000 | A-Share | 5.17% |

**(4)** According to the regulations of the China Securities Regulatory Commission, from 1 March 2007 Bank of Communications Co., Ltd. ("Bank of Communications") was defined as a related legal person of the Company, because one of its directors also held the position of director in the Company.

## 2. RELATED PARTY TRANSACTIONS

### (1) Significant transactions

Interest income earned by the Group from related parties and related legal persons is as follows:

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| HSBC | | |
| – Bank deposits | **–** | 1 |
| Bank of Communications | | |
| – Bank deposits | **128** | 11 |
| – Statutory deposits | **51** | – |

Interest expense paid by the Group to related parties and related legal persons is as follows:

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Bank of Communications | | |
| – Due to banks and other financial institutions | **18** | – |
| – Financial assets sold under agreements to repurchase | **6** | – |

(in RMB million)

## IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONTINUED)

### 2. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (2) Balances with related parties and related legal persons

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| HSBC | | |
| – Cash at bank | **36** | 32 |
| – Balances with banks and other financial institutions | **17** | 38 |
| Bank of Communications | | |
| – Cash at bank | **783** | 1,292 |
| – Term deposits | **6,515** | 4,315 |
| – Statutory deposits | **3,000** | 3,000 |
| – Balances with banks and other financial institutions | **29** | 18 |
| – Due to banks and other financial institutions | **6,000** | 1,760 |
| – Financial assets sold under agreements to repurchase | **70** | 2,347 |

#### (3) Compensation for key management personnel is as follows:

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| Salaries and other short-term employee benefits | **56** | 35 |

Key management personnel comprise the Company's directors, supervisors and senior officers as defined in the Company's articles of association. Besides the above compensation items, the Group established a scheme of share appreciation rights for key management personnel. During the period, no share appreciation rights were issued by the Group and no due share appreciation rights were exercised.

#### (4) Related party transactions between the Company and the subsidiaries of the Company for the current period are as follows:

| | For the six months ended 30 June 2009 (Unaudited) | For the six months ended 30 June 2008 (Audited) |
|---|---|---|
| **Interest income from bank deposits** | | |
| Ping An Bank | **33** | 71 |
| Ping An Securities Company, Ltd. ("Ping An Securities") | **4** | 5 |
| **IT services fees** | | |
| Ping An Processing & Technology (Shenzhen) Co., Ltd. | **2** | – |
| Ping An Technology (Shenzhen) Co., Ltd. ("Ping An Technology") | **17** | – |
| **Asset management fees** | | |
| Ping An Asset Management Co., Ltd. ("Ping An Asset Management") | **5** | 11 |
| **Investment consultation fees** | | |
| Ping An Asset Management (Hong Kong) Company Limited. ("Ping An Asset Management (Hong Kong)") | **11** | 4 |
| **Property management fees** | | |
| Shenzhen Ping An Property and Facilities Management Co., Ltd. ("Ping An Property") | **11** | 10 |
| **Dividend income** | | |
| Ping An Life | **–** | 4,891 |

# IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONTINUED)

## 2. RELATED PARTY TRANSACTIONS (CONTINUED)

### (5) Balances with the subsidiaries of the Company:

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| **Cash at bank** | | |
| Ping An Bank | **3,035** | 1,017 |
| **Brokerage deposits** | | |
| Ping An Securities | **21** | 23 |
| **Other receivables** | | |
| Ping An Life | **4** | 25 |
| Ping An Property & Casualty | **–** | 25 |
| **Other payables** | | |
| Ping An Asset Management | **2** | – |
| Ping An Asset Management (Hong Kong) | **6** | – |
| Ping An Technology | **3** | – |

### (6) Guarantees provided by the Company to its subsidiaries:

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Shenzhen Ping An Real Estate Investment Co., Ltd. | **2,300** | 2,800 |
| China Ping An Insurance Overseas (Holdings) Limited | **2,255** | 2,221 |
| Shenzhen Ping An New Capital Investment Co., Ltd. | **3,050** | 3,000 |
| XJ Group | **1,500** | – |

# X. FIDUCIARY BUSINESS

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Assets under trust schemes | **76,613** | 43,765 |
| Assets under corporate annuity schemes | **17,235** | 12,402 |
| Entrusted loans | **1,238** | 1,233 |
| Assets under asset management schemes | **8,416** | 6,974 |
| Total | **103,502** | 64,374 |

All of the above are off-balance sheet items.

# XI. CONTINGENCIES

Owing to the nature of insurance and financial service business, the Group is involved in making estimates for contingencies and legal proceedings in the ordinary course of business, including but not limited to being the plaintiff or the defendant in litigation and arbitration. The adverse effect of the above mentioned events mostly involve claims on the Group's insurance policies and other claims. Provision has been made for the probable losses to the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability of losing the lawsuit 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.

(in RMB million)

## XII. COMMITMENTS

### 1. CAPITAL COMMITMENTS

The Group has the following capital commitments relating to property development projects and investments:

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Contracted but not provided for | **4,735** | 7,052 |
| Authorized but not contracted for | **1,296** | 1,688 |
| Total | **6,031** | 8,740 |

### 2. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancelable operating leases are as follows:

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Within 1 year (including 1 year) | **1,169** | 902 |
| 1-2 years (including 2 years) | **863** | 695 |
| 2-3 years (including 3 years) | **619** | 467 |
| More than 3 years | **1,124** | 926 |
| Total | **3,775** | 2,990 |

### 3. CREDIT COMMITMENTS

| | 30 June 2009 (Unaudited) | 31 December 2008 (Audited) |
|---|---|---|
| Irrevocable loan commitments | | |
| Within one year under original maturity | **13,079** | 7,376 |
| One year or above under original maturity | **20,565** | 13,423 |
| Credit limit of credit cards | **18,129** | 20,741 |
| Subtotal | **51,773** | 41,540 |
| Financial guarantee contracts | | |
| Letters of credit issued | **420** | 592 |
| Guarantees issued | **10,666** | 9,773 |
| Bank acceptance | **22,025** | 12,006 |
| Others | **1,529** | – |
| Subtotal | **34,640** | 22,371 |
| Total | **86,413** | 63,911 |

Irrevocable loan commitments represent contractual amount to grant loans to customers in future, including unused credit card facilities. Since the commitment amount and credit card facilities are the maximum amount that could be used by customers, the total contract amounts do not necessarily represent future cash outflow requirements.

Financial guarantee contracts commit the Group to make payments on behalf of customers upon the failures of the customers to perform under the terms of the contract.

## XIII. OTHER SIGNIFICANT EVENTS

1. On 12 June 2009, Ping An Life entered into a share subscription agreement with Shenzhen Development Bank Co., Ltd. ("SDB") pursuant to which it conditionally agreed to subscribe for not less than 370,000,000 but not more than 585,000,000 new SDB shares, based on its average market price for the 20 consecutive trading days preceding the date of announcement of the resolutions of SDB's board of directors approving the transaction. On the same day, the Company entered into a share purchase agreement with Newbridge Asia AIV III L.P. ("Newbridge"), the existing largest shareholder of SDB, pursuant to which the Company conditionally agreed to purchase from Newbridge 520,414,439 SDB shares, representing approximately 16.76% of the issued share capital of SDB as at 12 June 2009. The consideration for such acquisition shall be satisfied by the Company, at the election of Newbridge, by way of the cash consideration of RMB11,449,117,658 or 299,088,758 of the Company's H shares. The above deals were approved by the shareholders of SDB on 29 June 2009 and the specific mandate to issue the new H shares was approved by shareholders of the Company at the Extraordinary General Meeting and the class meeting of H shareholders and A shareholders, respectively, on 7 August 2009. The transactions are subject to regulatory approvals.

2. The State Administration of Taxation has completed their regular inspection of the Group's tax affairs for fiscal years ended 31 December 2004, 2005 and 2006. The Group has made relevant tax provisions based on the results of the inspection and the Group's current understanding of the tax laws. As at 30 June 2009, the total amount of provision for corporate income tax, business tax and individual income tax, etc. made arising from this tax inspection amounted to RMB1,018 million, of which RMB147 million was charged to the income statement for the year ended 31 December 2008 and RMB871 million (RMB812 million of which is corporate income tax) was charged to the income statement for the six months ended 30 June 2009.

## XIV. POST BALANCE SHEET EVENTS

1. On 17 July 2009, China Electric Power Research Institute ("CEPRI"), Ping An Trust and XJ Group entered into an agreement for CEPRI to inject additional capital into XJ Group. The capital injection is still undergoing related procedures required by laws and regulations, and will not be effective or completed until approval is received from the relevant governmental departments. Upon completion of this capital injection, CEPRI and Ping An Trust will hold 60% and 40% of equity interest in XJ Group respectively. In addition, Ping An Trust will exchange its then 40% equity interest in XJ Group with CEPRI for direct equity interest in XJ Electric Co., Ltd. ("XJ Electric") that are currently held by XJ Group. Ping An Trust will eventually hold equity shares of XJ Electric.

2. On 14 August 2009, the directors approved 2009 interim dividend distribution of RMB0.15 per ordinary share totaling RMB1,102 million.

## XV. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current period's presentation.

## XVI. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Company's board of directors on 14 August 2009.

# Additional information

## DISCLOSURE OF INTERESTS

### Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at June 30, 2009, the following persons (other than the Directors and Supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

| Name of substantial shareholder | H/A shares | Capacity | Notes | No. of H/A shares | Nature of interest | Percentage of total number of H/A shares in issue (%) | Percentage of total shares in issue (%) |
|---|---|---|---|---|---|---|---|
| HSBC Holdings plc | H | Interest of controlled corporations | 1, 2, 3 | 1,233,870,388 | Long position | 48.22 | 16.80 |

2. Interests and short positions of other substantial shareholders

| Name of substantial shareholder | H/A shares | Capacity | Notes | No. of H/A shares | Nature of interest | Percentage of total number of H/A shares in issue (%) | Percentage of total shares in issue (%) |
|---|---|---|---|---|---|---|---|
| HSBC Insurance Holdings Limited | H | Beneficial owner | 1 | 618,886,334 | Long position | 24.19 | 8.43 |
| The Hongkong and Shanghai Banking Corporation Limited | H | Beneficial owner | 3 | 614,099,279 | Long position | 24.00 | 8.36 |
| JPMorgan Chase & Co. | H | Beneficial owner | | 14,539,838 | Long position | 0.57 | 0.20 |
| | | Investment manager | | 52,956,500 | Long position | 2.07 | 0.72 |
| | | Custodian | | 85,081,156 | Long position | 3.33 | 1.16 |
| | | Total: | 4 | 152,577,494 | | 5.96 | 2.08 |
| | | Beneficial owner | 4 | 7,465,500 | Short position | 0.29 | 0.10 |
| Shenzhen Investment Holdings Co., Ltd. | A | Beneficial owner | | 546,672,967 | Long position | 11.42 | 7.44 |
| Shenzhen Jingao Industrial Development Co., Ltd. | A | Beneficial owner | 5 | 331,117,788 | Long position | 6.92 | 4.51 |
| Ping An Securities Company, Ltd. Labor Union | A | Interest of controlled corporations | 5 | 331,117,788 | Long position | 6.92 | 4.51 |
| China Ping An Trust & Investment Co., Ltd. Labor Union | A | Interest of controlled corporations | 5 | 331,117,788 | Long position | 6.92 | 4.51 |

| Name of substantial shareholder | H/A shares | Capacity | Notes | No. of H/A shares | Nature of interest | Percentage of total number of H/A shares in issue (%) | Percentage of total shares in issue (%) |
|---|---|---|---|---|---|---|---|
| Shenzhen New Horse Investment Development Co., Ltd. | A | Beneficial owner | 6 | 389,592,366 | Long position | 8.14 | 5.30 |
| Ping An Insurance (Group) Company of China, Ltd. Labor Union | A | Interest of controlled corporations | 6 | 389,592,366 | Long position | 8.14 | 5.30 |
| Yuan Trust Investment Company Ltd. | A | Beneficial owner | | 380,000,000 | Long position | 7.94 | 5.17 |
| Shum Yip Group Limited | A | Beneficial owner | | 271,271,633 | Long position | 5.67 | 3.69 |

Notes:

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

(2) Besides (1) above, HSBC Holdings plc was also interested in the Company by virtue of its control over HSBC CCF Financial Products (France) SNC ("CCF SNC") which held a direct interest in 884,775 H shares in the Company. The interest in 884,775 H shares of the Company was held through cash settled unlisted securities.

CCF SNC was 100% owned by CCF S.A. which was owned as to 99.99% by HSBC Bank plc. HSBC Holdings plc owned 100% interest in HSBC Bank plc.

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

(4) JPMorgan Chase & Co. held interest in a total of 152,577,494 H shares (Long position) and 7,465,500 H shares (Short position) in the Company by virtue of its control over the following corporations:

(i) JPMorgan Chase Bank, N.A. held 87,526,156 H shares (Long position) in the Company. JPMorgan Chase Bank, N.A. was a wholly-owned subsidiary of JPMorgan Chase & Co.

(ii) J.P. Morgan Whitefriars Inc. held 10,489,838 H shares (Long position) and 3,399,000 H shares (Short position) in the Company. J.P. Morgan Whitefriars Inc. was a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly-owned by Bank One International Holdings Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Inc. JPMorgan Chase Bank, N.A., referred to in (i) above, owned 100% interest in J.P. Morgan International Inc.

(iii) J.P. Morgan Securities Ltd. held 4,050,000 H shares (Long position) and 4,050,000 H shares (Short position) in the Company. J.P. Morgan Securities Ltd. was owned as to 98.95% by J.P. Morgan Chase International Holdings Limited, which in turn was wholly-owned by J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited was wholly-owned by J.P. Morgan Capital Holdings Limited, which in turn was wholly-owned by J.P. Morgan International Finance Limited, referred to in (ii) above.

(iv) J.P. Morgan Investment Management Inc. held 8,223,500 H shares (Long position) in the Company. J.P. Morgan Investment Management Inc. was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc. JPMorgan Asset Management Holdings Inc. was wholly-owned by JPMorgan Chase & Co.

(v) JF Asset Management Limited held 21,573,000 H shares (Long position) in the Company. JF Asset Management Limited was wholly-owned by JPMorgan Asset Management (Asia) Inc., a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc., referred to in (iv) above.

(vi) JPMorgan Asset Management (UK) Limited held 19,789,500 H shares (Long position) in the Company. JPMorgan Asset Management (UK) Limited was wholly-owned by JPMorgan Asset Management Holdings (UK) Limited, which was a wholly-owned subsidiary of JPMorgan Asset Management International Limited. JPMorgan Asset Management International Limited was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc., referred to in (iv) above.

(vii) JPMorgan Asset Management (Taiwan) Limited held 925,500 H shares (Long position) in the Company. JPMorgan Asset Management (Taiwan) Limited was a wholly-owned subsidiary of JPMorgan Asset Management (Asia) Inc., referred to in (v) above.

(viii) J.P. Morgan Structured Products B.V. held 16,500 H shares (Short position) in the Company. J.P. Morgan Structured Products B.V. was a wholly-owned subsidiary of J.P. Morgan International Finance Limited, referred to in (ii) above.

The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 85,081,156 H shares (Long position). Besides, 3,623,440 H shares (Long position) and 3,415,500 H shares (Short position) were held through derivatives as follows:

| | | |
|---|---|---|
| 16,500 H shares (Short position) | – | through cash settled listed securities |
| 1,458,440 H shares (Long position) and 2,384,000 H shares (Short position) | – | through physically settled unlisted securities |
| 2,165,000 H shares (Long position) and 1,015,000 H shares (Short position) | – | through cash settled unlisted securities |

(5) Shenzhen Jingao Industrial Development Co., Ltd. was owned as to 80% and 20% by Ping An Securities Company, Ltd. Labor Union and China Ping An Trust & Investment Co., Ltd. Labor Union respectively. The interest in 331,117,788 A shares relates to the same block of shares in the Company.

(6) Shenzhen New Horse Investment Development Co., Ltd. was owned as to 95% by Ping An Insurance (Group) Company of China, Ltd. Labor Union. The interest in 389,592,366 A shares relates to the same block of shares in the Company.

Save as disclosed above, the Company is not aware of any other person (other than the Directors and Supervisors of the Company) having any interests or short positions in the shares and underlying shares of the Company as at June 30, 2009 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### Interests and short positions of directors and supervisors

As at June 30, 2009, the interests and short positions of the Directors and Supervisors 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 have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and Supervisors of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified by the directors and supervisors to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

| Name | Position | H/A shares | Capacity | No. of H/A shares | Nature of interest | Percentage of total number of H/A shares in issue (%) | Percentage of total shares in issue (%) |
|---|---|---|---|---|---|---|---|
| Cheung Chi Yan Louis | Executive Director | H | Beneficial owner | 248,000 | Long position | 0.01 | 0.003 |
| Jason Bo Yao | Executive Director | H | Beneficial owner | 12,000 | Long position | 0.00047 | 0.000 |
| Chow Wing Kin Anthony | Independent Non-executive Director | H | Interest held jointly with another person* | 7,500 | Long position | 0.00029 | 0.000 |

* Chow Wing Kin Anthony jointly held these H shares with Chow Suk Han Anna.

Save as disclosed above, as at June 30, 2009, none of the Directors or Supervisors held or was deemed to hold any interests or short positions in the shares and underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors or Supervisors to the Company and the Stock Exchange pursuant to the Model Code nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

## PURCHASE, SALE, OR REDEMPTION OF LISTED SHARES

Neither the Company, nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed shares from January 1, 2009 to June 30, 2009.

## AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

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

At the 2008 Annual General Meeting held on June 3, 2009, the Company re-elected the members for the next session of the Board of Directors. Mr. Kwong Che Keung Gordon (existing Chairman of the Audit Committee) and Mr. Cheung Wing Yui resigned as Independent Non-executive Directors of the Company due to expiry of their term of office. At the First Meeting of the Eighth Session of the Board of Directors held on June 10, 2009, it was considered and approved to appoint Independent Non-executive Directors Mr. Tang Yunwei and Mr. Chung Yu-wo Danny as members of the Audit Committee. The Audit Committee comprises five Independent Non-executive Directors, namely Mr. Tang Yunwei, Mr. Chow Wing Kin Anthony, Mr. Zhang Hongyi, Mr. Chen Su, and Mr. Chung Yu-wo Danny and one Non-executive Director, namely Mr. Ng Sing Yip. The Audit Committee is chaired by Mr. Tang Yunwei, a newly-elected Independent Non-executive Director who also possesses the professional qualifications of accounting and related financial management expertise.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed the internal controls and financial reporting matters including a review of the interim accounts of the Company.

The Company has also established a Remuneration Committee and a Nomination Committee. Further details of the roles and functions, composition and summary of the work of these Board Committees were set out under the paragraph headed "Board Committees" in the Corporate Governance Report on pages 72 to 74 of the Company's 2008 Annual Report dated April 8, 2009 and on the Company's announcement of H share headed "Appointment of Directors" dated June 10, 2009.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices for any part of the period from January 1, 2009 to June 30, 2009 except that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and Chief Executive Officer of the Company.

Code Provision A.2.1 of the Code on Corporate Governance Practices provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. However, the Board is of the opinion that the Company has built up a board structure of international standard and has developed a very structured and strict operation system and a set of procedural rules for meeting of the Board of Directors. The Chairman does not have any special power different from that of the other Directors in relation to the decision making process. Also, in the day-to-day operation of the Company, the Company has in place an established management system and structure. Decisions on all material matters will be subject to complete and stringent deliberation and decision making procedures in order to ensure that the Chief Executive Officer can perform his duties diligently and effectively. Further, the current management model of the Company has been recognised in the industry and this model proves to be reliable, efficient and successful, therefore the continuous adoption of this model will be beneficial to the future development of the Company. There is also clear delineation in the responsibilities of the Board and the management set out in the Articles of Association of the Company.

Therefore, the Board is of the opinion that the Company's management structure is able to provide the Company with efficient management and at the same time, protect shareholders' rights to the greatest extent. The Company therefore does not currently intend to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company.

# Additional information

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 were set out under the paragraph headed "Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules" in the Corporate Governance Report on pages 69 to 70 of the Company's 2008 Annual Report dated April 8, 2009.

## CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS OF THE COMPANY

On May 28, 2004, the Company adopted the Code of Conduct, which was amended on July 3, 2007, regarding securities transactions by Directors and Supervisors of the Company ("Code of Conduct") 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 complied with the required standard set out in the Model Code and the Code of Conduct for the period from January 1, 2009 to June 30, 2009.

## INTERIM DIVIDEND AND CLOSURE OF REGISTER

The Board declared that an interim dividend of RMB0.15 (equivalent to HK$0.1701) per share for the six months ended June 30, 2009 will be paid to shareholders of the Company. Holders of H shares whose names are on the Company's register of members of H shares on September 1, 2009 (the "Record Date") will be entitled to the interim dividend. The registration date and arrangements in relation to the rights of holders of A shares to receive the interim dividend for the period ended June 30, 2009 will be separately announced in the PRC.

According to the Articles of Association of the Company, dividends will be denominated and declared in Renminbi. Dividends on A shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong dollars. The relevant exchange rate will be the average middle exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of interim dividends (RMB0.8818 equivalent to HK$1.00).

In order to determine the list of holders of H shares who are entitled to receive the interim dividend for the period ended June 30, 2009, the Company's register of members of H shares will be closed from Tuesday, September 1, 2009 to Monday, September 7, 2009, both days inclusive, during which period no transfer of H shares will be effected. In order to qualify for the interim dividend, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on Monday, August 31, 2009. The address of the transfer office of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The Company has appointed Bank of China (Hong Kong) Trustees Limited as the receiving agent in Hong Kong (the "Receiving Agent") and will pay to the Receiving Agent the interim dividend declared for payment to holders of H shares. The interim dividend will be paid by the Receiving Agent and relevant cheques will be despatched on or before September 9, 2009 to holders of H Shares whose names appear on the register of members of the Company on the Record Date by ordinary post at their own risk.

## ENTERPRISE INCOME TAX WITHHOLDING OF OVERSEAS NON-RESIDENT ENTERPRISES

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China which came into effect on January 1, 2008 and its implementing rules, the Company shall be obligated to withhold 10% enterprise income tax when it distributes 2009 interim dividends 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 the Record Date; after the legal opinion is provided by the resident enterprise shareholders within the stipulated time frame and upon the Company's confirmation of such opinion, the Company will not withhold any enterprise income tax when it distributes 2009 interim dividends to resident enterprise holders of H shares listed on the Company's register of members of H shares on the Record Date.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company's register of members of H shares which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company 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 Monday, August 31, 2009 a legal opinion, issued by a PRC qualified lawyer (inscribed with the seal of the applicable law firm), that establishes its resident enterprise status. The Company will also not withhold any individual income tax for natural person holders of H shares listed on the Company's register of members of H shares on the Record Date.

All investors are requested to read this report carefully. Should you wish to change your shareholder status, please consult your agent or trust institution over the relevant procedure. The Company will withhold the enterprise income tax for the non-resident enterprise 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 enterprise income tax withholding triggered by failure to submit proof materials within the stipulated time frame.

## DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE

All information required by paragraphs 46(1) to 46(9) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.pingan.com) respectively in due course.

By Order of the Board of Directors

**Ma Mingzhe**
*Chairman and Chief Executive Officer*

Shenzhen, PRC
August 14, 2009

# Definition

In this report, unless the context otherwise indicated, the following expressions shall have the following meanings:

| | |
|---|---|
| Ping An, Company, the Company, Group, the Group | Ping An Insurance (Group) Company of China, Ltd. |
| Ping An Life | Ping An Life Insurance Company of China, Ltd., a subsidiary of the Company |
| Ping An Property & Casualty | Ping An Property & Casualty Insurance Company of China, Ltd., a subsidiary of the Company |
| Ping An Health | Ping An Health Insurance Company of China, Ltd., a subsidiary of the Company |
| Ping An Annuity | Ping An Annuity Insurance Company of China, Ltd., a subsidiary of the Company |
| Ping An Trust | China Ping An Trust & Investment Co., Ltd., a subsidiary of the Company |
| Ping An Securities | Ping An Securities Company, Ltd., a subsidiary of Ping An Trust |
| Ping An Asset Management | Ping An Asset Management Co., Ltd., a subsidiary of the Company |
| Ping An Bank | Ping An Bank Co., Ltd., a subsidiary of the Company |
| Ping An Overseas Holdings | China Ping An Insurance Overseas (Holdings) Limited, a subsidiary of the Company |
| Ping An Hong Kong | China Ping An Insurance (Hong Kong) Company Limited, a subsidiary of Ping An Overseas Holdings |
| Ping An Asset Management (Hong Kong) | Ping An of China Asset Management (Hong Kong) Company Limited, a subsidiary of Ping An Overseas Holdings |
| XJ Group | XJ Group Corporation, a subsidiary of Ping An Trust |
| 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 |
| IFRS | International Financial Reporting Standards issued by International Accounting Standards Board |
| Premium Income | Gross written premiums, policy fees and premium deposits |
| CSRC | China Securities Regulatory Commission |
| CIRC | China Insurance Regulatory Commission |
| CBRC | China Banking Regulatory Commission |
| PBOC | The People's Bank of China |
| Stock Exchange | The Stock Exchange of Hong Kong Limited |
| HSBC | The Hongkong and Shanghai Banking Corporation Limited |
| ICBC | Industrial and Commercial Bank of China |

| | |
|---|---|
| ICBC (Asia) | Industrial and Commercial Bank of China (Asia) Limited |
| Listing Rules | the Rules Governing the list of Securities of The Stock Exchange of Hong Kong Limited |
| Code on Corporate Governance Practices | the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules |
| SFO | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| Model Code | the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules |
| SDB, Shenzhen Development Bank | Shenzhen Development Bank Co., Ltd. |

# Corporate information

## REGISTERED NAMES

### Chinese name

中國平安保險（集團）股份有限公司

### English name

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

## REGISTERED ADDRESS

15/F, 16/F, 17/F and 18/F,
Galaxy Development Center,
Fu Hua No.3 Road,
Futian District,
Shenzhen, Guang Dong Province, China

## PLACE OF BUSINESS

15/F to 18/F,
Galaxy Development Center,
Fu Hua No.3 Road,
Futian District,
Shenzhen, PRC

## LEGAL REPRESENTATIVE

MA Mingzhe

## AUTHORIZED REPRESENTATIVES

SUN Jianyi
YAO Jun

## COMPANY SECRETARY

YAO Jun

## AUDITORS

Ernst & Young

## CONSULTING ACTUARIES

Ernst & Young (China) Advisory Limited

## LEGAL ADVISORS

DLA Piper Hong Kong

## TYPE OF STOCK AND LISTING PLACE

| | |
|---|---|
| H share | The Stock Exchange of Hong Kong Limited |
| A share | The Shanghai Stock Exchange |

## STOCK CODE

| | |
|---|---|
| H share | 2318 |
| A share | 601318 |

## H SHARE REGISTRAR AND TRANSFER OFFICE

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

## AMERICAN DEPOSITARY SHARES

The Bank of New York

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