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### Cautionary Statements Regarding Forward-Looking Statements

To the extent any statements made in this report containing 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 including the words or phrases "potential", "estimates", "expects", "anticipates", "objective", "intends", "plans", "believes", "will", "may", "should", and similar expressions or variations on such expressions may be considered forward-looking statements.

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

# 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 more than 74 million customers. We do this by combining local knowledge with high international standards of corporate governance.

## HIGHLIGHTS

- Net profit attributable to shareholders of the parent company reached RMB13,959 million, up 9.4% over the same period last year.
- Significant progress was made in the integration of SDB and the Original Ping An Bank, and the two banks officially became one legal entity.
- Life insurance business continued to record healthy growth, in particular written premiums from the more profitable individual life insurance increased by 7.9%; the premium income of Ping An Property & Casualty increased by 19.7% with sound quality of its business.
- Our banking business grew continuously, with profit contribution of RMB3,467 million to the Group in the first half of 2012.
- The personal wealth management business of Ping An Trust grew at a stable pace. The investment banking business of Ping An Securities ranked third by the number of deals and fourth by the underwriting revenues for IPO transactions.

### Total Assets (in RMB million)



### Total Income (in RMB million)



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



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



### Total Liabilities (in RMB million)



### Basic Earnings Per Share (in RMB)



# Corporate Information

## REGISTERED NAMES

### Full name of the Company (Chinese/English)

中國平安保險（集團）股份有限公司  
Ping An Insurance (Group) Company of China, Ltd.

### Short name of the Company (Chinese/English)

中國平安  
Ping An of China

## LEGAL REPRESENTATIVE

MA Mingzhe

## TYPE OF STOCK AND LISTING PLACE

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

## STOCK NAME AND STOCK CODE

A share Ping An of China 601318  
H share Ping An of China 2318

## AUTHORIZED REPRESENTATIVES

SUN Jianyi  
YAO Jun

## SECRETARY OF THE BOARD

JIN Shaoliang

## COMPANY SECRETARY

YAO Jun

## REPRESENTATIVE OF SECURITIES AFFAIRS

LIU Cheng

## TELEPHONE

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## FAX

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## REGISTERED ADDRESS/PLACE OF BUSINESS

Offices at 15, 16, 17, 18 Floors,  
Galaxy Development Center,  
Fu Hua No. 3 Road,  
Futian District,  
Shenzhen, Guang Dong Province, PRC

## POSTAL CODE

518048

## COMPANY WEBSITE

<http://www.pingan.com>

## DESIGNATED NEWSPAPERS FOR INFORMATION DISCLOSURE OF A SHARE

China Securities Journal,  
Shanghai Securities News,  
Securities Times and Securities Daily

## WEBSITE FOR THE PUBLICATION OF THE REGULAR REPORT OF THE COMPANY

<http://www.sse.com.cn>  
<http://www.hkexnews.hk>

## REGULAR REPORT AVAILABLE FOR INSPECTION

Board Office of the Company

## CONSULTING ACTUARIES

Ernst & Young (China) Advisory Limited

## AUDITORS AND PLACE OF BUSINESS

### Domestic Auditor

Ernst & Young Hua Ming  
Level 16, Ernst & Young Tower, Oriental Plaza,  
No.1 East Chang An Avenue,  
Dong Cheng District, Beijing, China

### International Auditor

Ernst & Young  
22/F, CITIC Tower, 1 Tim Mei Avenue,  
Central, Hong Kong

## LEGAL ADVISORS

DLA Piper Hong Kong  
17th Floor, Edinburgh Tower, The Landmark,  
No. 15 Queen's Road,  
Central, Hong Kong

## H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre,  
183 Queen's Road East,  
Wanchai, Hong Kong

## AMERICAN DEPOSITARY SHARES

The Bank of New York

## OTHER RELEVANT INFORMATION

### First-time Registration date

March 21, 1988

### Place of Registration

State Administration for Industry and Commerce of  
the PRC

### Registration Number of the Business License of the Legal Entity

100000000012314

### Tax Registration Number

Shen Shui Deng Zi No. 440300100012316

### Organization Code

10001231-6

# Financial Highlights

(in RMB million)	For the six months ended June 30, 2012/ June 30, 2012	For the six months ended June 30, 2011/ December 31, 2011
<b>GROUP</b>		
Total income	<b>179,003</b>	133,810
Net profit	<b>17,527</b>	12,998
Net profit attributable to shareholders of the parent company	<b>13,959</b>	12,757
Basic earnings per share (in RMB)	<b>1.76</b>	1.67
Total assets	<b>2,644,999</b>	2,285,424
Total liabilities	<b>2,451,318</b>	2,114,082
Equity attributable to shareholders of the parent company	<b>146,762</b>	130,867
Investment portfolio of insurance funds	<b>986,047</b>	867,301
Net investment yield of insurance funds (%)	<b>4.5</b>	4.3
Total investment yield of insurance funds (%)	<b>3.7</b>	4.2
Embedded value	<b>259,005</b>	235,627
Group solvency margin ratio (%)	<b>176.7</b>	166.7
<b>INSURANCE BUSINESS</b>		
<b>Life Insurance Business</b>		
Written premiums	<b>114,837</b>	112,630
Premium income	<b>78,898</b>	75,158
Net profit	<b>7,031</b>	6,762
Net investment yield (%)	<b>4.6</b>	4.3
Total investment yield (%)	<b>3.7</b>	4.3
Embedded value	<b>156,198</b>	144,400
Solvency margin ratio - Ping An Life (%)	<b>167.3</b>	156.1
<b>Property and Casualty Insurance Business</b>		
Premium income	<b>48,914</b>	40,922
Net profit	<b>2,746</b>	2,693
Net investment yield (%)	<b>4.7</b>	4.3
Total investment yield (%)	<b>3.9</b>	4.2
Combined ratio (%)	<b>93.1</b>	92.9
Solvency margin ratio - Ping An Property & Casualty (%)	<b>164.5</b>	166.1
<b>BANKING BUSINESS</b>		
Net interest income <sup>(1)</sup>	<b>16,286</b>	3,308
Net profit <sup>(1)</sup>	<b>6,731</b>	2,397
Net interest spread (%) <sup>(1)</sup>	<b>2.22</b>	2.28
Net interest margin (%) <sup>(1)</sup>	<b>2.42</b>	2.44
Cost/income ratio (%) <sup>(1)</sup>	<b>39.29</b>	45.87
Total deposits <sup>(2)</sup>	<b>949,578</b>	850,845
Total loans <sup>(2)</sup>	<b>682,906</b>	620,642
Capital adequacy ratio (%) <sup>(2)</sup>	<b>11.40</b>	11.51
Core capital adequacy ratio (%) <sup>(2)</sup>	<b>8.44</b>	8.46
Non-performing loan ratio (%) <sup>(2)</sup>	<b>0.73</b>	0.53
Provision coverage ratio (%) <sup>(2)</sup>	<b>237.96</b>	320.66
<b>INVESTMENT BUSINESS</b>		
<b>Securities Business</b>		
Total income	<b>1,724</b>	1,779
Net profit	<b>663</b>	715
<b>Trust Business</b>		
Total income	<b>982</b>	877
Net profit	<b>409</b>	343

(1) These figures in the first half of 2012 relate to SDB after merger with the Original Ping An Bank. In the first half of 2011, SDB was an associate of Ping An, so net profit of banking business included the share of profit from SDB based on the equity method and profit from the Original Ping An Bank, and other data related to the Original Ping An Bank.

(2) These figures all refer to SDB after merger with the Original Ping An Bank.

# Chairman's Statement



1. Currently, over 95% of our sales agents use MIT. Through subsequent upgrades, MIT has evolved from a single sales platform for life insurance into an integrated financial support platform, and is geared to become a key integrated sales, management and service platform for Ping An in the future.
2. The Chinese national table tennis team, accompanied by a mascot for the automobile insurance direct sales, fronted an endorsement campaign for Ping An's automobile insurance. In 2012, Ping An's automobile insurance business launched the first-of-its-kind integrated sales platform as well as a set of industry-first service standards known as the "Bee Service Standard".
3. In the first half of 2012, Ping An-UOB Fund issued its third public fund, the "Ping An-UOB Strategic and Pioneer Hybrid Fund", and two wealth management products for designated customers, further broadening the product mix of our investment business.

In the first half of 2012, we continued to face a complex and unstable external operating environment. The global economic recovery was tumultuous; the global financial markets turbulent; and the outlook for the European debt crisis fraught with uncertainties. While inflation in the PRC has been brought under control, reflected by month-to-month declines in the CPI, economic growth also slowed, the capital markets moved within a narrow band, and the interest rate for banks was reduced for the first time in three years. Amidst such a complex economic and market environment, Ping An managed its business with a steady hand and met challenges head-on, working towards its integrated financial model of "one customer, one account, multiple products, and one-stop services". This ensured the healthy and sustainable growth of all business units and facilitated the seamless integration of SDB and the Original Ping An Bank. At the same time, we sought to explore the innovative use of technology in the financial industry, premised on the new financial customer experience of "expertise makes life simple" which lay a solid foundation for the further implementation of our integrated financial strategy.

Looking back over the first half of the year, each pillar of the Company's businesses delivered healthy performance. Notable achievements include:

- **The overall performance of the Company remained sound.** As at June 30, 2012, total assets of the Group amounted to RMB2,644,999 million, representing an increase of 15.7% as compared with the beginning of 2012. Equity attributable to shareholders of the parent company amounted to RMB146,762 million, representing an increase of 12.1% as compared with the beginning of 2012. Net profit attributable to shareholders of the parent company for the first half of the year was RMB13,959 million, representing an increase of 9.4% as compared with the same period of last year.

- **The insurance business maintained stable and healthy growth.** The Group's life insurance business continued to develop in a steady manner with written premiums amounting to RMB114,837 million. Written premiums from the more profitable individual life insurance business amounted to RMB102,367 million, representing an increase of 7.9% as compared with the same period of last year. The number of sales agents of individual life insurance business was nearly 494 thousand, representing an increase of 1.4% as compared with the end of 2011. Ping An Life is committed to establishing its e-sales platform and improving its customer service standards and differentiated competitiveness through the innovation of e-sales methods. As at June 30, 2012, more than 95% life insurance agents used the Mobile Integrated Terminal (MIT) system, and the total number of customers insured through MIT exceeded 5 million. Leveraging its increasingly professional operation and advanced service standards, Ping An Property & Casualty achieved stable business growth and recorded premium income of RMB48,750 million in the first half of the year, representing an increase of 19.7% as compared with the same period of last year; its market share was 17.4%, maintaining its second-largest position in the market. Of this, premium income from cross-selling and telephone marketing increased by 31.7%, with contribution of these channels to the business increasing to 41.9%. Meanwhile, the quality of its business remained sound with a combined ratio that stood at 93.1%. Our annuity business also achieved healthy and rapid growth, with three major performance indicators - annuity payments received, assets entrusted, and assets under investment management - all maintaining leading positions in the annuity industry. In May 2012, Ping An Health successfully launched the "Hiking the World - Vitality" health promotion program, which will give Ping An Health a unique competitive edge in the industry.



- **The integration of SDB and the Original Ping An Bank has made substantial progress while the banking business has demonstrated stable growth.** In April 2012, SDB obtained approval from the CBRC for the absorption merger with the Original Ping An Bank. The deregistration of the Original Ping An Bank was completed on June 12. On July 27, SDB formally changed its name to “Ping An Bank Co., Ltd.”. The Original Ping An Bank and SDB officially became one legal entity. In the first half of 2012, our banking business contributed profit of RMB3,467 million to the Group. Total assets of the bank amounted to approximately RMB1.5 trillion, demonstrating the expanding scale of the bank’s business and greater overall strength. During the transitional period, the banking business exhibited healthy growth and constant improvement in its business structure. Total deposits amounted to RMB949,578 million, an increase of 11.6% as compared with the end of 2011, of which retail deposits amounted to RMB176,611 million, up 16.0% as compared with the end of 2011. Total loans amounted to RMB682,906 million, up 10.0% as compared with the end of 2011. The trade finance business maintained rapid growth, while trade finance facilities balance amounted to RMB277.5 billion, representing an increase of 18.9% as compared with the end of 2011. In the area of credit card business, the system, products and processes achieved comprehensive integration, while the cumulative number of credit cards in circulation as at the end of June 2012 reached 9,890 thousand.
- **The personal wealth management business of Ping An Trust grew at a stable pace while the investment banking business of Ping An Securities held a leading position in the market.** The personal wealth management business of Ping An Trust achieved stable growth, with the number of high net worth customers exceeding 15,000, an increase of 21.3% compared with the end of 2011. Assets held in trust amounted to RMB236.24 billion, up 20.4% compared with the end of last year. Non-capital market investment services also made significant progress in the area of commercial property funds, with risks in relation to property trusts kept under control. By virtue of its solid business performance and outstanding services in the first half of the year, Ping An Trust received the Annual Trustee Award “Credit Trustee – Award of Excellence”, presented by Shanghai Securities News and CNSTOCK.com, for the third time. Ping An Securities has successfully sponsored 11 IPOs and two refinancing projects as lead underwriter, and was ranked No. 3 and No. 4 in terms of the number of deals and underwriting revenues for IPO transactions, respectively. We also sponsored 22 bond projects as lead underwriter, and the total number of deals increased by 14 as compared with the same period of last year. Ping An-UOB Fund successfully issued its third public fund, the “Ping An-UOB Strategic and Pioneer Hybrid Fund”. The separately managed account business introduced two products, enriching the product line of our investment business. Our investment management business actively explored new business
- 4. Ping An is the first domestic institution in finance and insurance to have achieved back-office centralization. The shared operation hub of Ping An Processing & Technology located at Zhangjiang, Shanghai has been named as “The Best Call Center in China” for three consecutive years.

# Chairman's Statement



opportunities and launched three HKEx-listed ETF funds in Hong Kong for overseas investors, further strengthening the influence of Ping An's investment brands in foreign markets.



In the first half of 2012, the Ping An brand continued to maintain its leading position and won widespread recognition for its overall strength, corporate governance, investor relations and corporate social responsibility from domestic and overseas rating agencies and media. The Group received the following honors and awards:

5. In April 2012, the CBRC approved SDB's absorption merger with the Original Ping An Bank. The Original Ping An Bank completed deregistration procedures on June 12, 2012. On July 27, 2012, SDB formally changed its name to "Ping An Bank Co., Ltd.". The new bank will strengthen its advantage and is gearing up to realize "The Best Banking Strategy" fueled by Ping An's strong customer base and sales team.
6. We place great importance on customer experience throughout the integration of SDB and the Original Ping An Bank. The New Ping An Bank will offer customers greater accessibility to a wider range of products and services at 404 business outlets in 27 cities.

- Ranked 242nd in the Fortune 500, rising by 86 places in the ranking from 2011 and maintaining top ranking among mainland Chinese companies in the non-SOE category.
- Included in the Forbes Global 2000 for the eighth time, advancing 47 places from 2011 in the ranking to 100th overall; ranked 8th among mainland Chinese companies. In the global diversified insurance company category, Ping An ranked No.6 and was the only Chinese company on the list.
- Ranked 78th in the Top 100 Most Valuable Global Brands released in 2012 by Millward Brown, an authoritative research company under WPP, the world's leading brand communications services group, advancing by five places in the ranking in respect of brand value and maintaining the second position in the global insurance industry category.

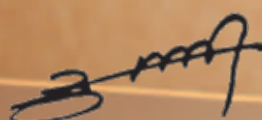
- Named "Best Managed Insurer in Asia" by renowned financial magazine Euromoney in its "2012 Best Managed Companies" ranking. This is the fourth consecutive year in which Ping An has won this title; Ping An was also the only insurance company in Asia on the list.
- Winner of "Corporate Governance Asia Recognition Awards" for the sixth consecutive year, as named by Corporate Governance Asia, a leading corporate governance magazine in Asia.
- Winner of "The Most Respected Companies of China", jointly awarded by the Economic Observer and the Management Case Center of Peking University (MCCP). Ping An is one of the only two companies to have received the prestigious award 11 years in a row since it was launched.

Currently, the recovery of the global economy is confronted with numerous challenges amid the lingering fallout from the European debt crisis, and the market uncertainty looks set to remain for some time. China's economy is facing slowing growth, economic restructuring, a lack of effective demand and many other conundrums. National macro-economic policy adjustments, a lackluster external investment environment and rising labor costs will pose bigger challenges to the Company's performance in the second half of the year.



In the second half of the year, the Company will continue to adhere to its established strategies and overall planning, actively respond to the changing market environment, and promote the healthy and balanced growth of its three key pillars of business. We will further strengthen the management of each business unit to achieve value-added, sustainable and above-market growth, and further enhance our core competitiveness. Meanwhile, we will proceed with our banking integration to consolidate our strengths, practise the best banking strategy and continue to enhance our cross-selling management platform, so as to expedite our back-office consolidation and strengthen the Group's synergies. Further, we will closely monitor and actively study the latest advances in financial technology, explore innovative growth models of technology coupled with traditional businesses and improve service quality to deliver the best customer experience.

Finally, on behalf of the Board of Directors and the Executive Committee of Ping An Group, I would like to extend my most sincere and heartfelt thanks to our investors, partners and various stakeholders for their trust and support, as well as to our colleagues who have quietly toiled behind the scenes for the success of the Company.



*Chairman and Chief Executive  
Officer*

Shenzhen, PRC  
August 23, 2012



# Management Discussion and Analysis Overview

- Our three pillars: insurance, banking and investment businesses maintained healthy and stable growth.
- The integration of SDB and the Original Ping An Bank has made substantial progress, and the two banks officially became one legal entity.
- Net profit attributable to shareholders of the parent company reached RMB13,959 million, up 9.4% over the same period last year.

We offer a broad variety of financial products and services to clients under a single brand with a multi-channel distribution network built on the platforms provided by our major subsidiaries, which include Ping An Life, Ping An Property & Casualty, Ping An Annuity, Ping An Health, Ping An Bank, Ping An Trust, Ping An Securities, Ping An Asset Management, Ping An Asset Management (Hong Kong), and Ping An-UOB Fund.

In the first half of 2012, facing the complex economic situation and market environment, Ping An adhered to its prudent operational strategy, carried through the philosophy of “Expertise Creates Value”, and took active steps to respond to market changes and challenges. Consequently, the Group’s three key pillars of businesses, namely insurance, banking and investment, all achieved healthy and steady growth. Our individual life insurance business and the number of insurance agents continued to grow at a steady pace, while the scale of our property and casualty insurance business gained healthy growth with sound quality of business. Ping An’s annuity business also maintained its industry lead. Substantial progress was made in the integration of SDB and the Original Ping An Bank. Following the deregistration of the Original Ping An Bank on June 12, 2012 and SDB’s name change to “Ping An Bank Co., Ltd.” on July 27, 2012, the two banks officially became one legal entity, which will give greater impetus to our integrated financial strategy. Our banking business

maintained growth, contributing profit of RMB3,467 million to the Group. The cumulative number of the bank’s credit cards in circulation reached 9,890 thousand. The personal wealth management business of Ping An Trust grew at a stable pace while the investment banking business of Ping An Securities held a leading position in the market. Ping An-UOB Fund successfully launched its third fund and two separately managed account programs, while our investment management business successfully launched three HKEx-listed ETF funds, strengthening the influence of Ping An’s investment brand in the overseas market.

In the first half of 2012, net profit attributable to shareholders of the parent company reached RMB13,959 million, up 9.4% as compared with the same period last year.

## CONSOLIDATED RESULTS

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

	2012	2011
Total income	<b>179,003</b>	133,810
Total expenses	<b>(158,482)</b>	(117,544)
Profit before tax	<b>20,521</b>	16,266
Net profit	<b>17,527</b>	12,998
Net profit attributable to shareholders of the parent company	<b>13,959</b>	12,757

## NET PROFIT BY BUSINESS SEGMENT

For the six months ended June 30 (in RMB million)	2012	2011
Life insurance	<b>7,031</b>	6,762
Property and casualty insurance	<b>2,746</b>	2,693
Banking <sup>(1)</sup>	<b>6,731</b>	2,397
Securities	<b>663</b>	715
Other businesses and elimination <sup>(2)</sup>	<b>356</b>	431
Net profit	<b>17,527</b>	12,998

(1) Since July 2011, the Company consolidated SDB with the shareholding of 52.38%. The profit of banking business attributable to shareholders of the parent company in the first half of 2012 was RMB3,467 million.

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

For a detailed analysis of the operational results of each business line, please refer to the respective sections below.

## 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 assets of insurance funds account for 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)	2012	2011
Net investment income <sup>(1)</sup>	<b>20,944</b>	16,225
Net realized and unrealized gains <sup>(2)</sup>	<b>(3,212)</b>	551
Impairment losses	<b>(3,912)</b>	(942)
Others	<b>82</b>	2
Total investment income	<b>13,902</b>	15,836
Net investment yield (%) <sup>(3)</sup>	<b>4.5</b>	4.3
Total investment yield (%) <sup>(3)</sup>	<b>3.7</b>	4.2

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

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

(3) Net foreign currency gains or losses on investment assets denominated in foreign currencies are excluded from 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 increased by 29.1% to RMB20,944 million in the first half of 2012 from RMB16,225 million in the same period 2011. This was primarily due to the increase of interest income from fixed maturity investments as a result of the increase in scale of investment assets, as well as the increase in dividend income from equity investments as compared with the same period last year. Net investment

# Management Discussion and Analysis

## Overview

yield increased to 4.5% in the first half of 2012 from 4.3% in the same period 2011, mainly due to higher interest rates of newly-added fixed maturity investments and the above mentioned increase in dividend income from equity investments.

As a result of the volatile domestic stock market, reported net realized and unrealized gains were greatly decreased to a loss of RMB3,212 million in the first half of 2012 from a gain of RMB551 million in the same period 2011, and impairment losses on the available-for-sale equity investments increased to RMB3,912 million in the first half of 2012 from RMB942 million in the same period 2011.

As a result, total investment income decreased by 12.2% to RMB13,902 million in the first half of 2012 from RMB15,836 million in the same period 2011, and total investment yield dropped to 3.7% from 4.2%.

### Investment Portfolio

In the first half of 2012, the global economy was on a rough ride to recovery, with the European sovereign debt crisis still unresolved and domestic interest rates on a gradual

decline. Against this backdrop, the focus in macroeconomic policy shifted from “price control” to “stabilizing growth”. The A-share stock market showed a significant rebound in the first quarter, but later retreated on the back of the European sovereign debt crisis, lowered expectation for economic growth and corporate profitability and related factors. The Hong Kong stock market underwent major corrections while the bond market was buoyed by bullish sentiments. The Company has closely monitored changes in macroeconomic conditions to better manage market risks, steadily increasing high-interest fixed income investments in its portfolio, optimizing its equity structure, and enhancing its investment returns.

We have proactively optimized the asset allocation of the investment portfolio in order to respond effectively to the new economic environment. The percentage of fixed maturity investments decreased from 81.0% of total investments as at December 31, 2011 to 78.0% as at June 30, 2012, while that for equity investments increased from 11.5% to 12.7%.

The following table sets out the allocations of our investment portfolio with regard to our insurance funds:

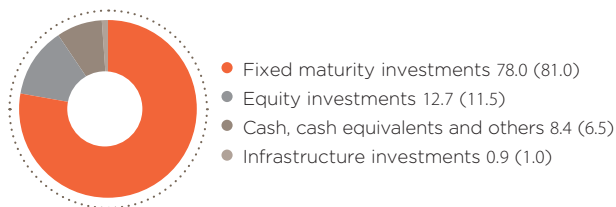
(in RMB million)	June 30, 2012		December 31, 2011	
	Carrying Value	%	Carrying Value	%
<b>By category</b>				
Fixed maturity investments				
Term deposits <sup>(1)</sup>	<b>225,556</b>	<b>22.9</b>	169,946	19.6
Bond investments <sup>(1)</sup>	<b>521,654</b>	<b>52.9</b>	504,909	58.2
Other fixed maturity investments <sup>(1)</sup>	<b>21,565</b>	<b>2.2</b>	27,372	3.2
Equity investments				
Equity investment funds <sup>(1)</sup>	<b>32,365</b>	<b>3.3</b>	25,362	2.9
Equity securities	<b>93,158</b>	<b>9.4</b>	74,508	8.6
Infrastructure investments	<b>9,020</b>	<b>0.9</b>	8,938	1.0
Cash, cash equivalents and others	<b>82,729</b>	<b>8.4</b>	56,266	6.5
<b>Total investments</b>	<b>986,047</b>	<b>100.0</b>	867,301	100.0
<b>By purpose</b>				
Carried at fair value through profit or loss	<b>14,816</b>	<b>1.5</b>	21,803	2.5
Available-for-sale	<b>218,549</b>	<b>22.2</b>	208,991	24.1
Held-to-maturity	<b>399,220</b>	<b>40.5</b>	373,072	43.0
Loans and receivables	<b>332,445</b>	<b>33.7</b>	246,715	28.5
Others	<b>21,017</b>	<b>2.1</b>	16,720	1.9
<b>Total investments</b>	<b>986,047</b>	<b>100.0</b>	867,301	100.0

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

### Investment Portfolio by Category

(%)

June 30, 2012 (December 31, 2011)



### FOREIGN CURRENCY GAINS OR LOSSES

In the first half of 2012, the Company consolidated the operating results of SDB; meanwhile, the Renminbi depreciated slightly against other major currencies, especially the US dollar. As a result, we recorded a net exchange gain of RMB236 million as compared to a loss of RMB149 million in the same period 2011.

### GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were RMB30,439 million in the first half of 2012, including RMB6,984 million due to the consolidation of SDB's general and administrative expenses. Excluding this, general and administrative expenses increased by 22.4%, mainly because of business growth and the increase of operating costs, such as labor costs and office expenses due to inflation.

### INCOME TAX

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

	2012	2011
Current income tax	4,177	3,306
Deferred income tax	(1,183)	(38)
Total	2,994	3,268

Income tax decreased by 8.4% to RMB2,994 million in the first half of 2012 from RMB3,268 million in the same period 2011.

# Management Discussion and Analysis

## Insurance Business

- The business scale of individual life insurance and the number of individual sales agents grew steadily.
- Premium income of Ping An Property & Casualty increased by 19.7% as compared with the same period of last year with sound quality of business.
- Ping An Annuity maintained its leading position in the industry.

In the first half of 2012, our life insurance business maintained stable growth, achieving written premiums of RMB114,837 million. In particular, the more profitable individual life insurance business has maintained its leading position, achieving written premiums of RMB102,367 million, representing an increase of 7.9% as compared with the same period of last year. Agency size further expanded and the number of individual life insurance sales agents reached nearly 494 thousand, representing an increase of 1.4% as compared to the end of 2011. Leveraging its advantages in specialized operation and leading service, Ping An Property & Casualty obtained healthy growth in business, achieving RMB48,750 million in premium income in the first half of 2012, representing an increase of 19.7% as compared with the same period 2011; its market share was 17.4%, continuously ranked second in the industry. Of this, premium income from cross-selling and telephone marketing increased by 31.7%, with contribution of these channels to business increasing to 41.9%. Meanwhile, the quality of its business remained sound with a combined ratio that stood at 93.1%. Our annuity business also achieved healthy and rapid growth, with three major performance indicators – annuity payments received, assets entrusted, and assets under investment management – all maintaining leading positions in the annuity industry. In May 2012, Ping An Health successfully launched the “Hiking the World- Vitality” health promotion program, which will give Ping An Health a unique competitive edge in the industry.

### LIFE INSURANCE BUSINESS

#### Business Overview

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

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

For the six months ended June 30 (in RMB million)	2012	2011
<b>Written premiums<sup>(1)</sup></b>		
Ping An Life	<b>110,945</b>	109,351
Ping An Annuity	<b>3,624</b>	3,128
Ping An Health	<b>268</b>	151
Total written premiums	<b>114,837</b>	112,630
<b>Premium income<sup>(2)</sup></b>		
Ping An Life	<b>75,372</b>	72,190
Ping An Annuity	<b>3,406</b>	2,911
Ping An Health	<b>120</b>	57
Total premium income	<b>78,898</b>	75,158

(1) Written premiums of life insurance business mean all premiums received from the policies underwritten by the Company, which are prior to the significant insurance risk testing and unbundling of hybrid contracts.

(2) Premium income of life insurance business refers to premiums calculated according to the “Circular on the Printing and Issuing of the Regulations regarding the Accounting Treatment of Insurance Contracts” (Cai Kuai [2009] No.15), which is after the significant insurance risk testing and unbundling of hybrid contracts.

In the first half of 2012, China’s economy grew at a slower pace. With changes in the macro-economic environment and new policies governing the bancassurance business sector, the life insurance market faced greater challenges with industry growth slowing across the board. Under its compliance and risk management framework, the Company grew its more profitable individual life business and ramped up scale and efficiency in its sales force to maintain its growth trajectory and enhance its competitiveness.

Of the total premium income generated by all life insurance companies in the PRC, our life insurance business captured a market share of 13.8%, as calculated in accordance with 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 China.

### Ping An Life

With a national service network comprising 35 branches and over 2,500 business outlets, Ping An Life offers life insurance products to individual customers and corporate clients.

The following is a summary of operating data of Ping An Life:

	June 30, 2012	December 31, 2011
<b>Number of customers (in thousands)</b>		
Individual	<b>51,888</b>	49,784
Corporate	<b>831</b>	795
<b>Total</b>	<b>52,719</b>	50,579
<b>Persistency ratio (%)</b>		
13-month	<b>93.7</b>	94.2
25-month	<b>91.6</b>	89.5
<b>Agent productivity</b>		
First-year written premiums (per agent per month in RMB)	<b>7,316</b>	7,527
New individual life insurance policies (per agent per month)	<b>1.1</b>	1.1
<b>Distribution network</b>		
Number of individual life sales agents	<b>493,589</b>	486,911
Number of group sales representatives	<b>3,152</b>	3,016
Bancassurance outlets	<b>62,061</b>	62,022

Ping An Life continued building its e-operation platform and expanded channels for its usage. After successfully launching of the Mobile Integrated Terminal (MIT), in the first half of 2012, we expanded our e-operation platform on mobile devices such as tablets and smart phones, realizing support across various smart devices. As at the end of June 2012, the utilization rate of our e-operation platform exceeded 95%.

In terms of its customer service channels, Ping An Life made continuous improvements and innovations during the period under review. In addition to traditional over-the-counter services, Ping An Life successively launched new channels such as internet, telephone and mobile phone channels to provide efficient, convenient and comprehensive service to its customers. As at the end of June 2012, Ping An Life had approximately 51.89 million individual customers and 831 thousand corporate clients. We managed to maintain excellent 13-month and 25-month persistency ratios of 93.7% and 91.6% respectively for individual life insurance policies.

By optimizing its channel structure, enhancing the implementation of e-service and automation in its work processes, improving its operational process and outsourcing non-core businesses, Ping An Life managed to continue reducing its operating costs and its operating expense ratio, keeping the relevant risks under control.

The distribution network of Ping An Life consists of a sales force of approximately 490 thousand individual sales agents, over 3,000 group insurance sales representatives, and over 60,000 bank outlets that have bancassurance arrangements with Ping An Life.

### Ping An Annuity

Since its inception on December 13, 2004, Ping An Annuity has become one of the few professional annuity companies in China to have obtained three licenses in the areas of fiduciary management, investment management and account management. On December 27, 2006, Ping An Annuity received the approval from the CIRC to restructure its business. Upon completion of the restructuring, Ping An Annuity has transformed into a business that provides corporate annuity, supplementary pension products and short-term accident and health insurance services.

The first half of 2012 witnessed the smooth development of Ping An Annuity with cumulative annuity payments received recorded at RMB17,033 million. As at June 30, 2012, assets entrusted amounted to RMB50,794 million, and assets under investment management amounted to RMB61,649 million. These figures firmly cemented Ping An Annuity's leading position amongst domestic professional annuity companies.

# Management Discussion and Analysis

## Insurance Business

### Ping An Health

In the first half of 2012, Ping An Health made rapid progress in its business development. Written premiums increased by 77.5% as compared to the same period of last year. Ping An Health kept its focus on offering mid- and high-end medical insurance and medical services, continuing to innovate in terms of products and services while anchored on professional service and risk management. In May 2012, Ping An Health successfully launched the “Hiking the World-Vitality” health promotion program, an innovative idea originated by Ping An Health, which will give Ping An Health a unique competitive edge in the industry and lay a solid foundation for the fast growth of business in the future.

### Financial Analysis

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

### Results of operation

For the six months ended June 30 (in RMB million)	2012	2011
Written premiums	<b>114,837</b>	112,630
Less: Written premiums on products not passing significant insurance risk testing	<b>(1,625)</b>	(1,527)
Less: Premium deposits for universal life products and investment linked products	<b>(34,314)</b>	(35,945)
Premium income	<b>78,898</b>	75,158
Net earned premiums	<b>77,857</b>	73,957
Investment income	<b>12,345</b>	13,891
Other income	<b>2,305</b>	1,592
Total income	<b>92,507</b>	89,440
Claims and policyholders' benefits	<b>(68,399)</b>	(66,242)
Commission expenses of insurance operations	<b>(7,233)</b>	(6,080)
Foreign currency gains or losses	<b>19</b>	(121)
General and administrative expenses	<b>(7,747)</b>	(6,613)
Other expenses	<b>(2,881)</b>	(1,944)
Total expenses	<b>(86,241)</b>	(81,000)
Income tax	<b>765</b>	(1,678)
Net profit	<b>7,031</b>	6,762

In the first half of 2012, life insurance business recorded a net profit of RMB7,031 million, representing an increase of 4.0% from RMB6,762 million over the same period last year, due to a combination of factors such as the volatilities in capital market, changes in assumptions of the benchmark yield curve for the measurement of insurance contract liabilities, and changes in income tax.

### Written premiums and premium income

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

For the six months ended June 30 (in RMB million)	Written premiums		Premium income	
	2012	2011	2012	2011
<b>Individual life</b>				
New business				
First-year regular premiums	<b>21,822</b>	22,963	<b>17,477</b>	13,371
First-year single premiums	<b>429</b>	5,894	<b>15</b>	5,119
Short-term accident and health premiums	<b>1,040</b>	998	<b>1,334</b>	1,174
Total new business	<b>23,291</b>	29,855	<b>18,826</b>	19,664
Renewal business	<b>79,076</b>	65,005	<b>48,709</b>	41,890
Total individual life	<b>102,367</b>	94,860	<b>67,535</b>	61,554
<b>Bancassurance</b>				
New business				
First-year regular premiums	<b>1,327</b>	735	<b>1,313</b>	722
First-year single premiums	<b>4,716</b>	11,743	<b>4,732</b>	8,682
Short-term accident and health premiums	<b>1</b>	1	<b>1</b>	1
Total new business	<b>6,044</b>	12,479	<b>6,046</b>	9,405
Renewal business	<b>1,554</b>	980	<b>1,520</b>	957
Total bancassurance	<b>7,598</b>	13,459	<b>7,566</b>	10,362
<b>Group insurance</b>				
New business				
First-year regular premiums	<b>123</b>	77	<b>-</b>	-
First-year single premiums	<b>1,155</b>	1,196	<b>277</b>	228
Short-term accident and health premiums	<b>3,514</b>	3,003	<b>3,496</b>	2,992
Total new business	<b>4,792</b>	4,276	<b>3,773</b>	3,220
Renewal business	<b>80</b>	35	<b>24</b>	22
Total group insurance	<b>4,872</b>	4,311	<b>3,797</b>	3,242
Total	<b>114,837</b>	112,630	<b>78,898</b>	75,158



*Individual life insurance.* Written premiums for our individual life insurance business increased by 7.9% to RMB102,367 million in the first half of 2012 from RMB94,860 million in the same period 2011. Among this, there was a 22.0% decrease in written premiums of new business for individual life insurance to RMB23,291 million in the first half of 2012 from RMB29,855 million in the same period 2011, mainly decreasing in the first-year single premiums due to the adjustment in product strategies. The persistency ratios kept with high levels. As a result, the renewal written premiums for our individual life insurance business increased by 21.6% to RMB79,076 million in the first half of 2012 from RMB65,005 million in the same period 2011.

*Bancassurance.* Written premiums for our bancassurance business decreased by 43.5% to RMB7,598 million in the first half of 2012 from RMB13,459 million in the same period 2011. This decrease was primarily due to a decline in first-year single premiums from our bancassurance business as a result of our adjustment in sales strategy under the changing industry environment.

*Group insurance.* Written premiums for our group insurance business increased by 13.0% to RMB4,872 million in the first half of 2012 from RMB4,311 million in the same period 2011. This increase was primarily because the Company strengthened the development of multiple distribution channels and promoted the sales of employee benefits scheme. As a result, written premiums for our new business of short-term group accident and health insurance increased by 17.0% to RMB3,514 million in the first half of 2012 from RMB3,003 million in the same period 2011.

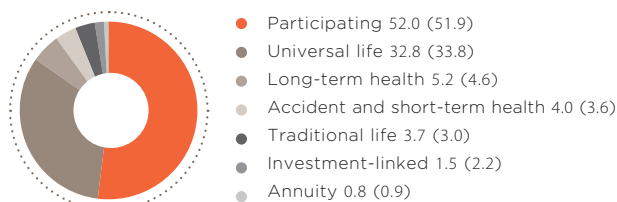
The following is the breakdown of written premiums for our life insurance business by product type:

For the six months ended June 30 (in RMB million)	2012	2011
Participating	<b>59,667</b>	58,465
Universal life	<b>37,702</b>	38,124
Long-term health	<b>5,972</b>	5,138
Accident and short-term health	<b>4,643</b>	4,043
Traditional life	<b>4,232</b>	3,391
Investment-linked	<b>1,761</b>	2,455
Annuity	<b>860</b>	1,014
<b>Total written premiums</b>	<b>114,837</b>	112,630

### Written premiums by product type

(%)

2012 (2011)



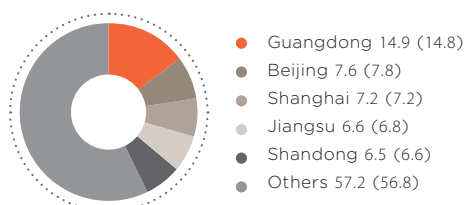
The following is the breakdown of written premiums for our life insurance business by region:

For the six months ended June 30 (in RMB million)	2012	2011
Guangdong	<b>17,080</b>	16,690
Beijing	<b>8,749</b>	8,774
Shanghai	<b>8,225</b>	8,151
Jiangsu	<b>7,571</b>	7,609
Shandong	<b>7,499</b>	7,477
<b>Subtotal</b>	<b>49,124</b>	48,701
<b>Total written premiums</b>	<b>114,837</b>	112,630

### Written premiums by region

(%)

2012 (2011)



# Management Discussion and Analysis

## Insurance Business

### Total investment income

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

	2012	2011
Net investment income <sup>(1)</sup>	<b>18,635</b>	14,279
Net realized and unrealized gains <sup>(2)</sup>	<b>(2,638)</b>	582
Impairment losses	<b>(3,686)</b>	(910)
Others	<b>82</b>	2
<b>Total investment income</b>	<b>12,393</b>	13,953
Net investment yield (%) <sup>(3)</sup>	<b>4.6</b>	4.3
Total investment yield (%) <sup>(3)</sup>	<b>3.7</b>	4.3

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

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

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

Net investment income for our life insurance business increased by 30.5% to RMB18,635 million in the first half of 2012 from RMB14,279 million in the same period 2011. This was primarily due to the increase of interest income from fixed maturity investments as a result of the growth in scale of investment assets, as well as the increase in dividend income from equity investments as compared with the same period last year. Net investment yield increased to 4.6% in the first half of 2012 from 4.3% in the same period 2011, mainly because of higher interest rates of newly-added fixed maturity investments and the increase in dividend income from equity investments.

Affected by the volatility in the domestic stock market, net realized and unrealized gains were down to a loss of RMB2,638 million in the first half of 2012 from a gain of RMB582 million in the same period 2011, and impairment losses on the available-for-sale equity investments increased greatly to RMB3,686 million in the first half of 2012 from RMB910 million in the same period 2011.

As a result, total investment income for life insurance business decreased by 11.2% to RMB12,393 million in the first half of 2012 from RMB13,953 million in the same period 2011, and total investment yield dropped to 3.7% from 4.3%.

### Claims and policyholders' benefits

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

	2012	2011
Surrenders	<b>2,576</b>	2,058
Claims	<b>4,351</b>	3,301
Annuities	<b>2,702</b>	2,326
Maturities and survival benefits	<b>9,817</b>	7,185
Policyholder dividends	<b>3,784</b>	2,842
Interest credited to policyholder contract deposits	<b>3,967</b>	2,790
Net increase in policyholders' reserves	<b>41,202</b>	45,740
<b>Total claims and policyholders' benefits</b>	<b>68,399</b>	66,242

Payments for surrenders were up 25.2% to RMB2,576 million in the first half of 2012 from RMB2,058 million in the same period 2011. This was primarily due to the increased payments for surrenders of certain participating products as compared to those in the same period 2011.

Payments for claims rose by 31.8% to RMB4,351 million in the first half of 2012 from RMB3,301 million in the same period 2011. This was primarily due to the continuous growth in our accident and health insurance business.

Payments for annuities increased by 16.2% to RMB2,702 million in the first half of 2012 from RMB2,326 million in the same period 2011. This was primarily due to the fact that the policies entitled to annuity payments gradually increased.

In the first half of 2012, maturities and survival benefits expenses increased by 36.6% to RMB9,817 million from RMB7,185 million for the same period 2011. This increase was mainly because the maturity of certain life insurance products reached their peak during the period.

Payments for policyholder dividends increased by 33.1% to RMB3,784 million in the first half of 2012 from RMB2,842 million in the same period 2011. This was primarily due to the increase in sales of participating insurance policies.

Payments for interest credited to policyholder contract deposits increased by 42.2% to RMB3,967 million in the first half of 2012 from RMB2,790 million in the same period 2011. This was primarily due to the increase in interest payments resulting from the growth in our universal life products.

Net increase in policyholders' reserves decreased by 9.9% to RMB41,202 million in the first half of 2012 from RMB45,740 million in the same period 2011. This was due to a combination of factors such as slowdown of growth rate in business, restructuring of business and changes in assumptions of the benchmark yield curve for the measurement of insurance contract liabilities.

#### Commission expenses of insurance operations

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

	2012	2011
Health insurance	930	644
Accident insurance	332	275
Life insurance and others	5,971	5,161
Total commission expenses of insurance operations	7,233	6,080

Commission expenses of insurance operations which are mainly paid to our sales agents increased by 19.0% to RMB7,233 million in the first half of 2012 from RMB6,080 million in the same period 2011. This was primarily due to the product restructuring.

#### General and administrative expenses

General and administrative expenses increased by 17.1% to RMB7,747 million in the first half of 2012 from RMB6,613 million in the same period 2011. This increase was primarily due to the increase in our operating costs such as labor costs and office expenses from inflation.

#### Income tax

Income tax decreased greatly in the first half of 2012 compared to that in the same period 2011, primarily due to a newly released policy of pre-tax deduction rules of financing costs from policyholder deposits and investment business.

### PROPERTY AND CASUALTY INSURANCE BUSINESS

#### Business Overview

We conduct our property and casualty insurance business mainly through Ping An Property & Casualty. In addition, Ping An Hong Kong offers property and casualty insurance services in the Hong Kong market. As at June 30, 2012, Ping An Property & Casualty had a paid-up capital of RMB17 billion, while its capital and solvency were both adequate. Ping An Property & Casualty is dedicated to enhancing its overall service standards and optimizing internal control system, laying a strong foundation for specialized operation and sustainable business growth in the future.

# Management Discussion and Analysis

## Insurance Business

### Market share

The premium income and market share of Ping An Property & Casualty are as follows:

For the six months ended June 30 (in RMB million)	2012	2011
Premium income	<b>48,750</b>	40,734
	<b>June 30, 2012</b>	December 31, 2011
Market share (%) <sup>(1)</sup>	<b>17.4</b>	17.4

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

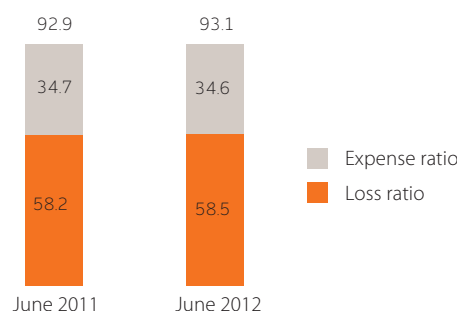
In the first half of 2012, China's economy grew at a steady pace, but the insurance market was adversely affected by factors such as the slowdown in fixed asset investments and the weakening demand in foreign markets. Meanwhile, despite the gradual increase in automobile sales, growth remained slow. Ping An Property & Casualty adhered to the philosophy "professional operation and leading services", implemented a customer-oriented selling and service system, continuously promoted the development of channels, and put efforts into enhancing the customer experience. In the first half of 2012, Ping An Property & Casualty recorded a premium income of RMB48,750 million, representing an increase of 19.7% as compared with the same period in 2011. Of this, premium income from cross-selling and telemarketing increased by 31.7% and accounted for a higher proportion of sales through these channels at 41.9%. Ping An Property & Casualty accounted for approximately 17.4% of the total premium income received by property and casualty insurance companies in China, as calculated in accordance with the PRC insurance industry data published by the CIRC. Ping An Property & Casualty is the second largest property and casualty insurance company in China in terms of premium income.

### Combined ratio

In the first half of 2012, more stringent management requirements were imposed on the property and casualty insurance industry in China, which gradually intensified market competition at many levels. The general market conditions remained favorable. Ping An Property & Casualty is committed to innovation and continuous enhancement of professional techniques and to implementing cost control initiatives. Its profitability was maintained at a stable level with a combined ratio of 93.1%.

### Combined ratio

(%)



### Summary of operating data

	June 30, 2012	December 31, 2011
<b>Number of customers (in thousands)</b>		
Individual	<b>20,243</b>	18,894
Corporate	<b>1,595</b>	1,892
Total	<b>21,838</b>	20,786
<b>Distribution network</b>		
Number of direct sales representatives	<b>7,469</b>	7,444
Number of insurance agents	<b>27,914</b>	26,067

Ping An Property & Casualty distributes its products mainly through its network of 40 branches and over 1,800 sub-branches across various provinces, autonomous regions and centrally supervised municipalities in China. Main distribution channels include in-house sales representatives, cross-selling between Ping An's subsidiaries, sales agents, insurance brokers and telemarketing.

### Reinsurance arrangement

In the first half of 2012, Ping An Property & Casualty's outward reinsurance premiums amounted to RMB6,710 million in total, of which, RMB3,391 million and RMB3,305 million were from the automobile and non-automobile insurance businesses, respectively, while RMB14 million came from the accident and health insurance division. Ping An Property & Casualty's gross inward reinsurance premiums amounted to RMB9 million, all of which were from the non-automobile insurance business.

Ping An Property & Casualty's reinsurance arrangements helped diversify its operating risks by adhering to the guiding principles of expanding underwriting capabilities, maintaining a stable and healthy growth. Through the consistent implementation of a stable reinsurance policy, Ping An Property & Casualty endeavoured to expand the scope of collaboration and outward reinsurance channels in cooperation with other reinsurers. In 2012, Ping An Property & Casualty has partnered with major reinsurers such as China Property & Casualty Reinsurance Company Ltd., Munich Reinsurance Company, Swiss Reinsurance Company, General Reinsurance AG, Hannover Rückversicherung AG, SCOR Reinsurance Company, Everest Reinsurance Company, Partner Reinsurance Company, Allianz SE Reinsurance, and etc.

### Financial Analysis

Financial data in this section include that of Ping An Property & Casualty together with Ping An Hong Kong.

### Results of operation

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

	2012	2011
Premium income	<b>48,914</b>	40,922
Net earned premiums	<b>37,714</b>	29,442
Reinsurance commission income	<b>2,404</b>	1,845
Investment income	<b>1,311</b>	1,583
Other income	<b>127</b>	118
Total income	<b>41,556</b>	32,988
Claim expenses	<b>(22,053)</b>	(17,130)
Commission expenses of insurance operations	<b>(4,297)</b>	(3,359)
Foreign currency gains or losses	<b>5</b>	(13)
General and administrative expenses	<b>(11,178)</b>	(8,717)
Including: investment- related general and administrative expenses	<b>(25)</b>	(7)
Finance costs	<b>(125)</b>	(122)
Other expenses	<b>(56)</b>	(93)
Total expenses	<b>(37,704)</b>	(29,434)
Income tax	<b>(1,106)</b>	(861)
Net profit	<b>2,746</b>	2,693

Ping An Property & Casualty grew its professional channel operations and maintained profitability through a more focused management approach. Net profit increased by 2.0% from RMB2,693 million in the six months ended June 30, 2011 to RMB2,746 million in the same period 2012.

# Management Discussion and Analysis

## Insurance Business

### Premium income

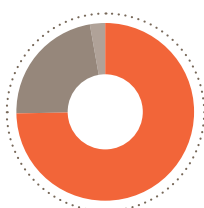
In the first half of 2012, all three principal lines of our property and casualty insurance business recorded steady growth.

For the six months ended June 30 (in RMB million)	2012	2011
Automobile insurance	<b>36,660</b>	30,792
Non-automobile insurance	<b>10,993</b>	8,979
Accident and health insurance	<b>1,261</b>	1,151
<b>Total premium income</b>	<b>48,914</b>	40,922

### Premium income by product type

(%)

2012 (2011)



- Automobile insurance 74.9 (75.3)
- Non-automobile insurance 22.5 (21.9)
- Accident and health insurance 2.6 (2.8)

**Automobile insurance.** Premium income was RMB36,660 million in the first half of 2012, representing an increase of 19.1% from RMB30,792 million in the same period of 2011. Leveraging its specialized distribution channel, the Company enhanced marketing efforts and achieved rapid growth in premium income from the cross-selling and telemarketing channels.

**Non-automobile insurance.** Premium income was RMB10,993 million in the first half of 2012, representing an increase of 22.4% from RMB8,979 million in the same period 2011. This was primarily driven by the rapid growth of premium income from guarantee insurance and liability insurance. Premium income attributable to guarantee insurance increased by 77.1% to RMB3,598 million in the first half of 2012 from RMB2,032 million in the same period 2011. Premium income attributable to liability insurance grew by 29.8% to RMB1,215 million in the first half of 2012 from RMB936 million in the same period 2011.

**Accident and health insurance.** Premium income was RMB1,261 million in the first half of 2012, representing an increase of 9.6% from RMB1,151 million in the same period of 2011. The increase was mainly because the Company optimized its business structure and controlled the growth of high-risk businesses.

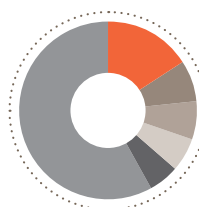
The following is the breakdown of premium income for our property and casualty insurance business by region:

For the six months ended June 30 (in RMB million)	2012	2011
Guangdong	<b>7,801</b>	6,620
Jiangsu	<b>3,790</b>	3,027
Shanghai	<b>3,336</b>	2,905
Sichuan	<b>2,951</b>	2,487
Zhejiang	<b>2,860</b>	2,425
<b>Subtotal</b>	<b>20,738</b>	17,464
<b>Total premium income</b>	<b>48,914</b>	40,922

### Premium income by region

(%)

2012 (2011)



- Guangdong 16.0 (16.2)
- Jiangsu 7.8 (7.4)
- Shanghai 6.8 (7.1)
- Sichuan 6.0 (6.1)
- Zhejiang 5.8 (5.9)
- Others 57.6 (57.3)

**Total investment income**

For the six months ended June 30 (in RMB million)	2012	2011
Net investment income <sup>(1)</sup>	<b>2,046</b>	1,625
Net realized and unrealized gains <sup>(2)</sup>	<b>(509)</b>	(17)
Impairment losses	<b>(226)</b>	(25)
<b>Total investment income</b>	<b>1,311</b>	1,583
Net investment yield (%) <sup>(3)</sup>	<b>4.7</b>	4.3
<b>Total investment yield (%)<sup>(3)</sup></b>	<b>3.9</b>	4.2

- (1) Net investment income includes interest income from bonds and deposits, dividend income from equity investments, and operating lease income from investment properties.
- (2) Net realized and unrealized gains include realized gains from security investments and profit or loss through fair value change.
- (3) Net foreign currency gains or 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 rise of 25.9% to RMB2,046 million in the first half of 2012 from RMB1,625 million in the same period 2011, mainly due to the significant increase in investment assets corresponding to the growth in the premium income, hence interest income from fixed maturity investments increased accordingly. Net investment yield increased to 4.7% in the first half of 2012 from 4.3% in the same period 2011, mainly as a result of higher interest rates of newly-added fixed maturity investments.

Affected by the volatility in domestic stock market, net realized and unrealized losses and impairment losses on the available-for-sale equity investments increased compared with those in the same period 2011.

As a whole, total investment income attributable to our property and casualty insurance business decreased by 17.2% to RMB1,311 million in the first half of 2012 from RMB1,583 million in the same period 2011. Total investment yield decreased to 3.9% from 4.2%.

**Claims expenses**

For the six months ended June 30 (in RMB million)	2012	2011
Automobile insurance	<b>19,301</b>	14,828
Non-automobile insurance	<b>2,293</b>	1,919
Accident and health insurance	<b>459</b>	383
<b>Total claims expenses</b>	<b>22,053</b>	17,130

Claims attributable to automobile insurance business increased by 30.2% to RMB19,301 million in the first half of 2012 from RMB14,828 million in the same period 2011. This was primarily due to the rapid growth in premium income during the past twelve months.

Claims attributable to non-automobile insurance business increased by 19.5% to RMB2,293 million in the first half of 2012 from RMB1,919 million in the same period 2011. This was primarily due to the growth in premium income during the past twelve months.

Claims attributable to accident and health insurance business increased by 19.8% to RMB459 million in the first half of 2012 from RMB383 million in the same period 2011. This was primarily due to the growth in premium income during the past twelve months.

**Commission expenses of insurance operations**

For the six months ended June 30 (in RMB million)	2012	2011
Automobile insurance	<b>2,980</b>	2,303
Non-automobile insurance	<b>1,077</b>	856
Accident and health insurance	<b>240</b>	200
<b>Total commission expenses</b>	<b>4,297</b>	3,359
Commission expenses as a percentage of premium income (%)	<b>8.8</b>	8.2

# Management Discussion and Analysis

## Insurance Business

Commission expenses of our property and casualty insurance business increased by 27.9% to RMB4,297 million in the first half of 2012 from RMB3,359 million in the same period 2011. Commission expenses as a percentage of premium income was 8.8% in the first half of 2012, higher than the 8.2% in the same period 2011. This was primarily due to the increase in premium income and the increase in commission rate in the industry.

### General and administrative expenses

General and administrative expenses increased by 28.2% to RMB11,178 million in the first half of 2012 from RMB8,717 million in the same

period 2011. This increase was primarily due to the growth in our insurance business, and accordingly the increases in resources for customer services and strategic initiatives.

### Income tax

Income tax was RMB1,106 million in the first half of 2012, 28.5% higher than the RMB861 million for the same period of last year, which was mainly due to an increase in the taxable profits.

## 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		Ping An Property & Casualty	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Actual capital	<b>62,039</b>	52,489	<b>19,628</b>	18,174
Minimum capital	<b>37,080</b>	33,623	<b>11,935</b>	10,943
Solvency margin ratio (%)	<b>167.3</b>	156.1	<b>164.5</b>	166.1

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.

The solvency margin ratio of Ping An Life increased slightly as compared with the end of 2011. With solvency pressured by business development, capital market volatility and dividend distribution, Ping An Life issued subordinated bonds of RMB9 billion in the first half of 2012 to enhance its capital adequacy. Ping An Property & Casualty achieved stable profitability in the first half of 2012, which brought about the growth in actual capital. Due to dividend distribution, however, the solvency margin ratio as at the end of the period decreased slightly as compared with the end of 2011.

The solvency margins of Ping An Life and Ping An Property & Casualty as at June 30, 2012 were comfortably above the regulatory requirement.



# Management Discussion and Analysis

## Banking Business

- Significant progress was made in the integration of our banking business, with the two banks officially becoming one legal entity.
- Our banking business grew continuously, with profit contribution of RMB3,467 million to the Group in the first half of 2012.
- Our core businesses delivered healthy performance with an improving business structure.

The Company conducts its banking business through Ping An Bank. In the first half of 2012, the integration of SDB and the Original Ping An Bank reached a critical stage and achieved significant progress. On April 24, 2012, CBRC approved SDB's absorption merger with the Original Ping An Bank (Yin Jian Fu [2012] No.192). The deregistration of the Original Ping An Bank was completed on June 12, 2012, after which SDB and the Original Ping An Bank officially became one legal entity. On July 27, 2012, SDB formally changed its name to "Ping An Bank Co., Ltd."

With inflation moderating in 2012, the Chinese government maintained its prudent monetary policy to strengthen its macroeconomic regulation. In view of a cyclical macroeconomic downturn, a slowdown in credit demand, together with the lowering of the benchmark interest rate and increasing interest rate liberalization, the interest rate margin of the banking business narrowed, putting more pressure on deposit growth. Meanwhile, as a result of the new regulation on capital adequacy management, various risk regulatory indices and requirements have become more stringent in China and increased pressure on risk management in the banking sector. Despite the complex and ever-changing macroeconomic situation and an increasingly competitive operating environment, the Company made steady progress towards implementing the business development strategy and the integration of the two banks by adjusting the asset-liability structure and improving pricing management. As a result, there was stable growth momentum across our

business with improved performance. In the first half of 2012, our banking business achieved a profit of RMB6,731 million and contributed RMB3,467 million to the Group.

Our core businesses delivered healthy performance with an improving business structure. Steady progress was made in the construction of our financial business channel based on a "headquarter to headquarter" supply chain. The contribution of supply chain finance and cash management to growth has become more evident. In the first half of 2012, trade finance facilities balance amounted to RMB277.5 billion, representing an increase of 18.9% compared with the beginning of the year. Retail deposits amounted to RMB176,611 million, representing an increase of 16.0% compared with the beginning of the year. The retail banking business has developed a sophisticated customer relations management system and unveiled a "Retail Synergy Operation" mechanism to enhance customer satisfaction. Leveraging the Group's integrated financial platform, cross-selling in the credit card business achieved remarkable results. As at June 30, 2012, the loan balance of credit cards amounted to RMB30,629 million, credit cards in circulation reached 9.89 million and newly-issued cards in the first half of the year reached 1.85 million.

### RESULTS OF OPERATION

Since July 2011, the financial statements of SDB were incorporated into those of the Group. In this interim report, the results of operation for our banking business for the first half of

# Management Discussion and Analysis

## Banking Business

2012 included those of SDB. While in the same period of 2011, the Group recognized the investment income of SDB as an associate on a pro rata basis to shareholding based on the equity method. The change in shareholding percentage and consolidation led to a substantial increase in profit contribution from the banking business as compared with the same period last year.

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

For the six months ended June 30 (in RMB million)	2012	2011
Net interest income	<b>16,286</b>	3,308
Net fees and commission income	<b>2,780</b>	794
Investment income <sup>(1)</sup>	<b>500</b>	1,158
Income from other businesses <sup>(2)</sup>	<b>322</b>	8
Total operating income	<b>19,888</b>	5,268
Asset impairment losses	<b>(1,569)</b>	(299)
Net operating income	<b>18,319</b>	4,969
General, administrative and other expenses <sup>(3)</sup>	<b>(9,594)</b>	(2,226)
Profit before tax	<b>8,725</b>	2,743
Income tax	<b>(1,994)</b>	(346)
Net profit	<b>6,731</b>	2,397

- (1) Investment income in 2011 included the Company's share of profits in SDB on a pro rata basis to shareholding based on the equity method.
- (2) Income from other businesses includes foreign exchange gains or losses, other operating income and non-operating income.
- (3) General, administrative and other expenses include operating expense, business tax and surcharges, other expenses and non-operating expenses.

In the first half of 2012, the banking business realized a net profit of RMB6,731 million and contributed RMB3,467 million to the Group, representing substantial growth from the same period last year. The increase in net profit was mainly due to that we consolidated SDB's operating results in the first half of 2012, and in the same period of 2011, SDB was an associate of the Group. In addition, the new bank also saw stable business growth and good profitability.

### NET INTEREST INCOME

For the six months ended June 30 (in RMB million)	2012	2011
<b>Interest income</b>		
Due from the PBOC	<b>1,320</b>	250
Due from financial institutions	<b>4,084</b>	642
Loans and advances to customers	<b>22,111</b>	4,310
Interest income on investment securities	<b>4,853</b>	1,127
Others	<b>5,003</b>	2
Total interest income	<b>37,371</b>	6,331
<b>Interest expenses</b>		
Due to the PBOC	<b>(12)</b>	(4)
Due to financial institutions	<b>(7,439)</b>	(1,198)
Customer deposits	<b>(11,434)</b>	(1,756)
Bonds payable	<b>(515)</b>	(62)
Others	<b>(1,685)</b>	(3)
Total interest expenses	<b>(21,085)</b>	(3,023)
Net interest income	<b>16,286</b>	3,308
Net interest spread (%) <sup>(1)</sup>	<b>2.22</b>	2.28
Net interest margin (%) <sup>(2)</sup>	<b>2.42</b>	2.44
Average balance of interest-earning assets	<b>1,345,326</b>	271,274
Average balance of interest-bearing liabilities	<b>1,268,665</b>	253,097

- (1) Net interest spread (NIS) refers to the difference between the average interest-earning assets yield and the average cost rate of interest-bearing liabilities.
- (2) Net interest margin (NIM) refers to net interest income/average balance of interest-earning assets.

Net interest income increased significantly to RMB16,286 million for the six months ended June 30, 2012 from RMB3,308 million for the same period of 2011, mainly due to the effect of consolidation of SDB's operating results in the first half of 2012. The increase was also attributable to the positive effect of an expanded scale of interest-bearing assets and improved asset-liability structure.

Net interest spread and net interest margin decreased slightly due to the expansion of scale of interbank businesses.

### NET FEES AND COMMISSION INCOME

For the six months ended June 30 (in RMB million)	2012	2011
<b>Fees and commission income</b>		
Settlement fees income	450	97
Agency commissions	500	173
Bank card fees income	1,037	335
Wealth management fees income	326	74
Consultancy fees income	177	75
Others	610	133
<b>Total fees and commission income</b>	<b>3,100</b>	887
<b>Fees and commission expenses</b>		
Agency expense	(56)	-
Bank card fees expenses	(216)	(78)
Others	(48)	(15)
<b>Total fees and commission expenses</b>	<b>(320)</b>	(93)
<b>Net fees and commission income</b>	<b>2,780</b>	794

Due to the consolidation of SDB's operating results for the first half of 2012, net fees and commission income surged to RMB2,780 million for the six months ended June 30, 2012 from RMB794 million for the same period of 2011. In addition, the continued expansion of business and customer scale, speedy development of our bank card business, innovation in wealth management products, enhanced service quality made contribution to the growth.

### GENERAL, ADMINISTRATIVE AND OTHER EXPENSES

For the six months ended June 30 (in RMB million)	2012	2011
General and administrative expenses	7,766	1,842
Business tax and surcharges	1,736	285
Other expenses and non-operating expenses	92	99
<b>Total general, administrative and other expenses</b>	<b>9,594</b>	2,226
<b>Cost/income ratio<sup>(1)</sup></b>	<b>39.29%</b>	45.87%

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

General, administrative and other expenses soared to RMB9,594 million for the six months ended June 30, 2012 from RMB2,226 million for the same period of 2011, mainly due to the consolidation of SDB's operating results for the first half of 2012. This increase was also attributable to the continued expansion of business scale, inputs on the integration of procedures, workflows and systems of the two banks, as well as continued investment in the optimization of management workflow and the IT system.

Cost/income ratio decreased to 39.29% in 2012 from 45.87% in the same period of last year. The decrease was mainly due to the consolidation of SDB's operating results in the first half of 2012 and SDB has a relatively low cost/income ratio compared with the Original Ping An Bank.

### ASSET IMPAIRMENT LOSSES

Asset impairment losses rose greatly from RMB299 million for the six months ended 30 June 2011 to RMB1,569 million for the same period in 2012, mainly as a result of the consolidation of SDB's operation results in the first half of 2012.

### INCOME TAX

For the six months ended June 30	2012	2011
Effective tax rate (%) <sup>(1)</sup>	22.85	22.18

(1) Effective tax rate refers to income tax/profit before tax (in the first half of 2011, excluding the Company's share of profits in SDB as an associate company based on the equity method).

# Management Discussion and Analysis

## Banking Business

The effective tax rate increased from 22.18% for the six months ended 30 June 2011 to 22.85% for the same period in 2012, primarily due to the "Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax" coming into force. In accordance with the notice, as of January 1, 2008, the applicable tax rate of enterprises that previously enjoyed the preferential policies featuring low tax rates was progressively migrated to the statutory tax rate 25% within five years.

### DEPOSIT MIX

(in RMB million)	June 30, 2012	December 31, 2011
Corporate deposits	<b>772,967</b>	698,565
Retail deposits	<b>176,611</b>	152,280
Total deposits	<b>949,578</b>	850,845

### Deposit mix

(%)

June 30, 2012 (December 31, 2011)



The total amount of customer deposits increased by 11.6% to RMB949,578 million as at June 30, 2012 from RMB850,845 million as at December 31, 2011. Both types of deposits maintained stable growth.

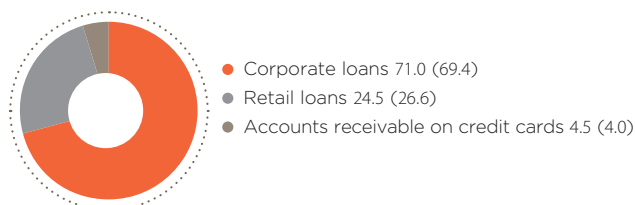
### LOAN MIX

(in RMB million)	June 30, 2012	December 31, 2011
Corporate loans	<b>485,228</b>	430,702
Retail loans	<b>167,049</b>	165,227
Accounts receivable on credit cards	<b>30,629</b>	24,713
Total loans	<b>682,906</b>	620,642

### Loan mix

(%)

June 30, 2012 (December 31, 2011)



Total loans increased by 10.0% to RMB682,906 million as at June 30, 2012 from RMB620,642 million as at December 31, 2011. Corporate loans increased by 12.7% to RMB485,228 million, contributing 71.0% to total loans as at June 30, 2012 (as at December 31, 2011: 69.4%). Retail loans increased by 1.1% to RMB167,049 million, contributing 24.5% to total loans as at June 30, 2012 (as at December 31, 2011: 26.6%). Accounts receivable on credit cards increased by 23.9% to RMB30,629 million, contributing 4.5% to total loans as at June 30, 2012 (as at December 31, 2011: 4.0%).

### LOAN QUALITY

(in RMB million)	June 30, 2012	December 31, 2011
Pass	<b>673,011</b>	612,937
Special mention	<b>4,924</b>	4,410
Sub-standard	<b>3,388</b>	1,744
Doubtful	<b>824</b>	893
Loss	<b>759</b>	658
Total loans	<b>682,906</b>	620,642
Total non-performing loans	<b>4,971</b>	3,295
Non-performing loan ratio	<b>0.73%</b>	0.53%
Impairment provision balance	<b>11,830</b>	10,566
Provision coverage ratio	<b>237.96%</b>	320.66%

In the first half of 2012, notwithstanding the overall favorable conditions of the Chinese economy, there was a greater degree of uncertainty. External influences such as the European debt crisis and slowing domestic economic growth, coupled with operational difficulties for SMEs in the Yangtze River Delta and Pearl River Delta regions impeding repayment ability, an economic downturn plus distinct risks in regional and industry sectors all have affected the soundness of our banking credit assets. As such, SDB has taken a proactive approach in line with its “Best Banking Strategy”, further optimizing the credit risk management mechanism and raising its standards so as to ensure healthy, stable and sustainable growth of the credit business, in effect achieving stable growth of the credit business and effective control of total new non-performing loans and non-performing loan ratio.

As at the end of June 2012, the carrying amount of non-performing loans was RMB4,971 million, up by RMB1,676 million; the non-performing loan ratio 0.73%, up by 0.2 percentage points; the provision coverage ratio 237.96%, down by 82.70 percentage points from the end of 2011.

## CAPITAL ADEQUACY RATIO

(in RMB million)	June 30, 2012	December 31, 2011
Net capital	<b>96,425</b>	91,491
Including:		
Net Core Capital	<b>71,375</b>	67,244
Supplementary Capital	<b>25,547</b>	24,664
Total risk weighted assets	<b>845,914</b>	794,702
CAR (regulatory requirement $\geq 8\%$ )	<b>11.40%</b>	11.51%
Core CAR (regulatory requirement $\geq 4\%$ )	<b>8.44%</b>	8.46%

As at June 30, 2012, the CAR and Core CAR of our banking business were at 11.40% and 8.44% respectively, well above the regulatory requirement level.

# Management Discussion and Analysis

## Investment Business

- Ping An Securities successfully sponsored 11 IPOs and two refinancing projects as lead underwriter, and was ranked No.3 and No.4 in terms of the number of deals and underwriting fees for IPO transactions, respectively.
- Ping An Trust's private wealth management business recorded steady growth, with the number of high net worth customers exceeding 15,000, alongside the volume of its assets held in trust increasing by 20.4% compared with the end of last year.
- The investment management business remains innovative and has successfully launched three HKEx-listed ETF funds, strengthening the influence of Ping An's investment brand in the overseas market.

### SECURITIES BUSINESS

We conduct our securities business through Ping An Securities, providing brokerage, investment banking, asset management, financial advisory services, etc. Ping An Securities became an innovative securities company in 2006, and in 2008 formed a wholly-owned subsidiary, Ping An Caizhi, which conducts direct investment. In 2009, it set up another subsidiary in Hong Kong, Ping An Securities (Hong Kong).

During the first half of 2012, under the influence of multiple factors such as the Euro-zone debt crisis and austerity measures in the domestic real estate market, despite a 4.94% rise in the CSI 300 Index in the first half of the year, overall market turnover plunged 29.4% compared to the same period last year, commission rates in the industry trending downwards, the number of stocks issued in the primary market decreasing substantially as compared with the same period last year. The continuing market downturn put pressure on our brokerage businesses. Ping An Securities firmly believes in the strategic approach of accumulating customers and assets, creating products and transactions and striving to become one of the market's main suppliers of products and traders, as well as facing challenges actively. Our investment banking business maintained its advantageous position in the SMEs and GEM markets. We successfully sponsored 11 IPOs and two refinancing projects as lead underwriter, ranked third and fourth by the number of deals and underwriting fees for IPO transactions, respectively. While bond market

has stepped up the pace of issuance, our fixed income business completed 22 corporate bond issuances as lead underwriter. The total number of deals increased by 14 compared with the same period of last year. At the same time, we proactively pursued innovation and issued four private placement bonds for SMEs. In our brokerage business, we further built our distribution capability. The closing balance of margin trading and securities lending at the end of the period was up 50% as compared to the end of 2011.

With its performance in underwriting and sponsoring, Ping An Securities won a total of five awards, including "Best Domestic Investment Bank", "Best Investment Bank for Large Projects", "Best Investment Bank for Small-to-Micro Projects", "Best IPO Project on the Main Board" and "Best IPO Project on the SME Board" at the sixth annual "New Fortune Magazine Best Investment Banks Award". Our asset management product - "High Quality Mid & Small Cap Growth Equities Collective Asset Management Plan" was awarded "Continued Excellence Award for Collective Asset Management Products of Securities Companies" and "Best Equities Collective Asset Management Plan of Securities Companies" by Sinolink Securities and Shanghai Securities News.

Looking ahead, Ping An Securities will take advantage of innovative opportunities in the industry, proactively initiate new business models and practices, and continue to leverage the integrated financial strategy of the Group with a focus on its investment banking, fixed

income, brokerage and asset management businesses, and an aim to achieve steady growth in all lines of its business with effective operational risk management and improved service quality.

## Results of Operation

For the six months ended June 30 (in RMB million)	2012	2011
Net fees and commission income	<b>868</b>	1,542
Investment income	<b>840</b>	231
Other income	<b>16</b>	6
Total operating income	<b>1,724</b>	1,779
Foreign currency gains or losses	<b>1</b>	(4)
General, administrative and other expenses	<b>(882)</b>	(877)
Total operating expenses	<b>(881)</b>	(881)
Income tax	<b>(180)</b>	(183)
Net profit	<b>663</b>	715

During the first half of 2012, net profit from our securities business decreased by 7.3% to RMB663 million from the same period of last year, which was mainly due to the slowdown in underwriting and brokerage businesses affected by the macroeconomic environment.

## Net Fees and Commission Income

For the six months ended June 30 (in RMB million)	2012	2011
<b>Fees and commission income</b>		
Brokerage fees income	<b>338</b>	509
Underwriting commission income	<b>646</b>	1,181
Others	<b>5</b>	5
Total fees and commission income	<b>989</b>	1,695
<b>Fees and commission expenses</b>		
Brokerage fees expenses	<b>(63)</b>	(95)
Others	<b>(58)</b>	(58)
Total fees and commission expenses	<b>(121)</b>	(153)
Net fees and commission income	<b>868</b>	1,542

In the first half of 2012, with the pressure from lowered commission rates in the industry and continuous market downturn, our brokerage fees income decreased by 33.6% to RMB338 million from RMB509 million in the same period last year.

Underwriting commission income decreased by 45.3% to RMB646 million in the first half of 2012 from RMB1,181 million in the same period 2011, since we sponsored 11 IPOs and two refinancing projects in the first half of 2012, comparing to 18 IPOs and three refinancing projects in the first half of 2011.

## Total Investment Income

For the six months ended June 30 (in RMB million)	2012	2011
Net investment income <sup>(1)</sup>	<b>491</b>	434
Net realized and unrealized gains <sup>(2)</sup>	<b>371</b>	(203)
Impairment losses	<b>(22)</b>	-
Total investment income	<b>840</b>	231

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

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

Total investment income from our securities business increased significantly to RMB840 million in the first half of 2012 from RMB231 million in the same period 2011, mainly due to the higher realized gains from the sale of equity investments.

## TRUST BUSINESS

We provide asset management services to our high net worth customers through Ping An Trust. In addition, Ping An Trust provides non-capital market investment services, such as infrastructure, properties and private equity (PE), to other subsidiaries of Ping An.

In the first half of 2012, industry-wide regulation and austerity measures remained in place; the macro economy was influenced by a lack of domestic demand and ailing regional economies; while industry growth was stymied by numerous pressures and challenges, as well as intensifying competition. Leveraging on the Group's strengths in its integrated financial services platform, Ping An Trust continued to

# Management Discussion and Analysis

## Investment Business

explore new business and maintained stable operation, achieving steady growth in its overall business. Its private wealth management business grew steadily with the number of high net worth customers exceeding 15,000, representing an increase of 21.3% compared with the end of 2011; the volume of its assets held in trust amounted to RMB236,242 million, representing an increase of 20.4% compared with the end of last year.

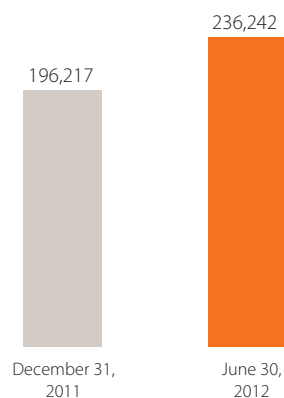
Ping An Trust continued to promote its three engines of business growth – products, channels and services. Based on its customers’ needs and market trends, the Group strengthened the establishment of its open-ended product platform; created asset allocation products across the board; prioritized a comprehensive, scientific, and effective risk management system; leveraged its strong investment capacity in non-capital markets; and continued to improve its proactive management capabilities for wealth management business. Ping An Trust continued building its sales channels. As productivity improved, the private wealth management and cross-selling teams were further reinforced with new talent to better provide professional and customized wealth management service to individual high-end customers. With regard to the systems support and customer service enhancement, Ping An Trust saw initial success in its operations enhancement project in 2011 and continued to enhance its systems and processes in 2012. By setting up an industry-leading systems support platform, Ping An Trust is aiming to provide a first-class customer service experience.

Riding on its remarkable performance and prominent service standards, Ping An Trust was accredited with the Annual Trustee Awards “Credit Trustee – Award of Excellence” for the third time by Shanghai Securities News and CNSTOCK.com in the first half of 2012.

Ping An Trust’s investments in non-capital markets progressed as planned, with all investment projects pushing ahead smoothly. Along with the expansion of our investment team and the improvement of our investment platform, Ping An Trust is expected to contribute strongly to the Company’s overall profit growth in the future.

### Assets held in trust

(in RMB million)



### Results of Operation

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

	2012	2011
Net fees and commission income	<b>684</b>	721
Investment income	<b>297</b>	143
Other income	<b>1</b>	13
<b>Total operating income</b>	<b>982</b>	877
Asset impairment losses	<b>6</b>	36
General, administrative and other expenses	<b>(479)</b>	(417)
<b>Total operating expenses</b>	<b>(473)</b>	(381)
Income tax	<b>(100)</b>	(153)
<b>Net profit</b>	<b>409</b>	343

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

In the first half of 2012, our trust business realized a net profit of RMB409 million, up 19.2% from RMB343 million in the same period last year, mainly due to the increase in investment income.



## Net Fees and Commission Income

For the six months ended June 30 (in RMB million)	2012	2011
<b>Fees and commission income</b>		
Management fees income of trust products	843	756
Others	84	109
Total fees and commission income	927	865
<b>Fees and commission expenses</b>		
Handling charges of trust products	(242)	(80)
Others	(1)	(64)
Total fees and commission expenses	(243)	(144)
Net fees and commission income	684	721

Management fees income of trust products for the first half of 2012 was RMB843 million, representing an increase of 11.5% from RMB756 million over the same period last year. This was primarily due to an increase in fixed management fees income of trust products as a result of the enlarged scale of assets held in trust.

Handling charges of trust products went up to RMB242 million in the first half of 2012 from RMB80 million in the same period 2011. This was primarily due to the enlarged scale and structural adjustment of trust products.

## Total Investment Income

For the six months ended June 30 (in RMB million)	2012	2011
Net investment income <sup>(1)</sup>	47	168
Net realized and unrealized gains <sup>(2)</sup>	250	(25)
Total investment income	297	143

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

(2) Net realized and unrealized gains include realized gains from security investments, profit or loss through fair value change, and equity investment income excluding dividends.

Total investment income increased greatly to RMB297 million in the first half of 2012 from RMB143 million in the same period 2011, as the realized gains from equity investments were higher in the first half of 2012 than in the same period 2011.

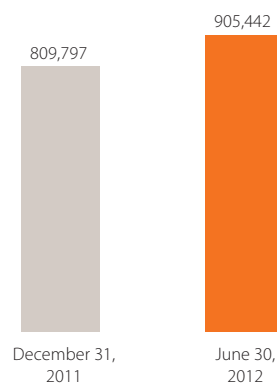
## INVESTMENT MANAGEMENT BUSINESS

We provide investment management services primarily through two subsidiaries of the Group, 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 the insurance funds of the Group as well as investment assets of other subsidiaries under the Group. It also provides investment products and third-party asset management services to other investors through various channels.

## Assets under investment management

(in RMB million)



As at June 30, 2012, assets under management of Ping An Asset Management amounted to RMB905,442 million, representing an increase of 11.8% compared to the end of 2011. This was mainly attributed to an increase in investable assets generated from the steady growth in our insurance business.

# Management Discussion and Analysis

## Investment Business

In the first half of 2012, a shift in macroeconomic policy from “price control” to “stabilizing growth”, a gradual decrease in interest rates, lowered expectation for economic growth and corporate profitability and other factors cast a pall on the capital market. The domestic stock market remained volatile, with the Shanghai Composite Index edging up by 1.18% for the first half of the year, while the bond market was buoyed by bullish sentiments, with CSI Aggregate Bond Index growing by 2.35% for the first half year.

Utilizing our expertise in investment assessment and effective risk management, Ping An Asset Management ensured a timely response to the changes in the bond and equity markets, maintaining the flexibility of equity assets and optimizing asset allocation with prudent steps to increase investments in fixed income assets with high interest rates, enhancing its investment returns. We also expanded our third-party business with improved service quality and enhanced marketing support. This not only enlarged our scales but also increased our income. Our platform continued to lead the transformation and upgrading of systems, as well as the streamlining of workflows, which laid a solid foundation for the Company to expand its business both in China and overseas.

Ping An Asset Management (Hong Kong) operates the overseas investment management business of the Group, as well as managing investments for other subsidiaries under the Group, it also provides a range of overseas investment products and third-party investment management services to clients from China and overseas. Ping An Asset Management (Hong Kong) has a professional team with ample experience in international investment, overseeing research on global macroeconomics, strategic asset allocation, investment in Hong Kong stocks, and other core functions. The team also focuses on the building of an international investment platform, introducing products from overseas to achieve innovation in service offerings. In February 2012, the Company successfully launched three HKEx-listed ETF funds for overseas investors in Hong Kong, strengthening the influence of Ping An’s investment brand in the overseas market.

As at June 30, 2012, the assets denominated in foreign currency under management of Ping An Asset Management (Hong Kong) amounted to HK\$26,188 million.

Looking to the future, we will continue to strengthen our research of the macroeconomic environment, industry trends and regulations and optimize the investment decision-making process. We will seek to unlock the full potential of asset allocation, strengthen the interaction between the investment and the research units, improve our risk control and build a world class investment management system platform. Together, this will strengthen our competitive advantage over peers and continue to enhance our image as a leading brand in the industry.

### FUND BUSINESS

In the first half of 2012, Ping An-UOB Fund embarked on its business development activities in line with its strategic plans. The Company’s public funds business continued to optimize the mix of its product lines, with the establishment of the third public fund, the Ping An-UOB Strategic Pioneer Hybrid Fund, announced in May. The fourth public fund, the Ping An-UOB Capital Preservation Fund, was approved by the CSRC for public offering and is expected to be officially issued in August. Separately managed account (SMA) program saw success at the onset. After qualified for SMA program at the end of last year, the Ping An-UOB Fund quickly established a dedicated team and a platform, procuring customers and addressing their needs through internal and external channels. As at the end of June 2012, Ping An-UOB Fund offered two SMA products, Ping An-UOB Fixed Income Enhancement No. 1 and Ping An-UOB High Interest Debt Classification No. 1, raising RMB41.1 million and RMB85.6 million, respectively.

In the second half of the year, the Company will promote its public funds business as according to plan, monitor industry developments and policy moves, and seize opportunities to develop the asset management business for specific customers so as to roll out products quickly and to improve our business platform gradually.

# Management Discussion and Analysis

## Synergy

- Steady progress was made in expanding the cross-selling depth and coverage.
- Further optimization and expansion of the highly efficient, stable and cost-effective operating platform.

Three divisions of the Company – Ping An Technology, Ping An Processing & Technology, and Ping An Channel Development – together form the backbone of the Company's new resource-sharing IT platform, back office centralization and cross-selling initiatives. In the first half of 2012, through the operations of these three business units, the Company further improved its integrated financial business framework and governance structure, and reduced service cost by enabling a more efficient use of resources through a market-oriented approach.

### CROSS-SELLING

Through years of hard work, we have greatly enhanced the depth and scope of our cross-selling activities. Cross-selling has produced remarkable results and the synergies of integrated financial services are increasingly visible. The following table sets out the Company's cross-selling performance in the first half of 2012:

### New Business Acquired through Cross-selling

For the six months ended June 30, 2012 (in RMB million)	Amount	Business contribution percentage (%)
<b>Property and casualty insurance business</b>		
Premium income	7,264	14.9
<b>Group short-term insurance of Ping An Annuity</b>		
Sales volume	1,457	41.6
<b>Trust business</b>		
Trust schemes	28,473	17.9
<b>Banking business</b>		
Retail deposits (increase of daily average size) <sup>(1)</sup>	3,652	13.5
Credit cards (in ten thousands) <sup>(2)</sup>	77	41.5

(1) These retail deposits were through cross-selling by SDB and the Original Ping An Bank.

(2) These new credit cards were issued through cross-selling by SDB and the Original Ping An Bank.

### BACK OFFICE CENTRALIZATION

In 2012, in recognition of its solid business system and platform, outstanding service, all-around integrated financial operating services and other strengths, Ping An Processing & Technology was awarded the title of "Growth Enterprise in Service Outsourcing in China" for the fourth time. As at June 30, 2012, the Company made progress in the centralization of its back office and operating platform in the following areas:

#### Specialized Operations:

- With the full completion of centralization in individual life insurance underwriting

and claims functions, centralization for policyholder services was 59.7% complete.

- Full completion of centralization of claims processing for automobile insurance and property and casualty insurance and manual underwriting for automobile insurance through telemarketing channels. Centralization of underwriting for individual property and casualty insurance (including automatic underwriting), credit insurance and construction, machinery and equipment insurance was 28.2% complete. The underwriting operation of Ping An Property & Casualty's accident and health insurance business were also fully centralized.

# Management Discussion and Analysis

## Synergy

- For the group insurance business, from January to June 2012, centralization of claims and underwriting was 98.0% and 100% complete, respectively. Centralization of policyholder services was 79.7% complete. For the annuity business, centralization of investment management and fiduciary management services, as well as account management services, was 100% complete.
- For the health insurance business, centralization of policyholder services, underwriting of group insurance, and underwriting of individual insurance was 100%, 100% and 61.9% complete, respectively.
- Centralized sharing was achieved in the banking business and the direction of business is of steady expansion. The achievement rate of service commitment is higher than that before centralization and the level of cost optimization is higher than the average level of the Company.
- Centralization of over-the-counter collection and issuance for property and casualty insurance was 60.0% complete.
- Full completion of centralization of life insurance investigation among major Ping An subsidiaries such as Ping An Property & Casualty, Ping An Life and Ping An Annuity.

### Shared Operations:

- Shared operation in documentation processing among Ping An Property & Casualty, Ping An Life, Ping An Annuity, Ping An Health, the Original Ping An Bank, Ping An Securities and Ping An's other subsidiaries has been achieved with an overall documentation processing centralization rate of 55.6%.
- 100% of accounting processing of the major subsidiaries of the Company such as Ping An Property & Casualty, Ping An Life, Ping An Annuity, Ping An Health, the Original Ping An Bank, Ping An Trust, Ping An Securities, Ping An Asset Management, Ping An Technology and Ping An Channel Development, was done on a shared-service basis.

- Shared operation of call center services in Ping An Property & Casualty, Ping An Life, Ping An Annuity, Ping An Health, the Original Ping An Bank, Ping An Securities, Ping An Trust and Ping An Technology was achieved, with 72.0% of all calls taken at the call center.

In the first half of 2012, the Company continued to strengthen the centralization of its integrated financial back-office, achieved growing synergy and continued the ongoing upgrade of its services. Through the implementation of one-stop service channels, including comprehensive service counters, remote service terminals and unified customer service hotline, as well as the use of innovative technologies such as mobile phone locators and caller identification, the Company further optimized service procedures and promoted the centralization of its integrated financial back-office. Its e-integrated financial business platform has realized full-coverage in services in its insurance business. It also enables the Company to open for its customers multiple accounts such as banking and securities accounts, therefore providing an integrated financial services platform covering insurance, banking and investment for its customers. More than 95% of Ping An Life's agents have adopted MIT, and insured more than 5 million customers through the system. The MIT usage rate in the Ping An Property & Casualty's automobile insurance business also exceeded 30%. In the first half of 2012, through the enhancement of shared operation, an increase in automation and other optimizing measures, Ping An Processing & Technology continued to upgrade claims services for Ping An Life and Ping An Property & Casualty. As a result, Ping An Property & Casualty became the first in the industry to commit "settlement within 72 hours from reporting to receiving benefit payment for claims below RMB10,000" and has achieved a 94.5% success rate with an average processing time of 1.7 days. Ping An Life has committed to "settlement within 72 hours for standard cases with full documentation", and has achieved a 99.7% success rate with an average processing time of 2.1 days.

In the future, the Company will continue to stick to its four core values of risk management, service enhancement, professionalism improvement and cost reduction. Through its well-run operations, the Company will better support and promote the leapfrog development of its all lines of business to realize the successful implementation of its integrated financial strategy.

# 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.

In accordance with the related provisions of the Rules for the Compilation of Information Disclosures by the Companies Offering Securities to the Public (No.4) - Special Provisions on Information Disclosures by Insurance Companies, the Company has engaged Ernst & Young (China) Advisory Limited to review the reasonableness of the methodology, the assumptions and the calculation results of the Company's embedded value as at June 30, 2012.

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

On December 22, 2009, the Ministry of Finance issued the "Regulations regarding the Accounting Treatment of Insurance Contracts" (Cai Kuai [2009] No.15), regulating the measurement of the premiums income and the reserves on accounting terms, and requiring insurance companies to adopt such regulations since the preparation of their 2009 annual financial statements. On January 25, 2010, CIRC promulgated the "Rules on the Preparation of Insurance Company Solvency Reports-Q&A No.9: Connection between Rules on the Preparation of Solvency Reports and No.2 Interpretation of Accounting Standards for Business Enterprises" (Bao Jian Fa [2010] No.7), pursuant to which, admitted principles for insurance contract liabilities in solvency reports still follow the statutory assessment standards set up by CIRC, while admitted principles for non-insurance contract liabilities in solvency reports should apply to accounting standards. The future profit involved in the calculation of embedded value shall be the distributable profit when solvency requirements are satisfied. Therefore, during the preparation of 2012 interim embedded value report, relevant contract liabilities of life insurance business were measured according to the assessment standards of the liabilities pursuant to the solvency regulations, and the income tax was also based on the results before adoption of the "Regulations regarding the Accounting Treatment of Insurance Contracts".

## COMPONENTS OF ECONOMIC VALUE (in RMB million)

	June 30, 2012	December 31, 2011
	<b>Earned rate/</b>	Earned rate/
Risk discount rate	<b>11.0%</b>	11.0%
Adjusted net asset value	<b>152,826</b>	139,446
Including: Adjusted net asset value of life insurance business	<b>50,019</b>	48,219
Value of in-force insurance business written prior to June 1999	<b>(8,251)</b>	(8,549)
Value of in-force insurance business written since June 1999	<b>137,977</b>	126,099
Cost of holding the required solvency margin	<b>(23,547)</b>	(21,369)
<b>Embedded value</b>	<b>259,005</b>	235,627
Including: Embedded value of life insurance business	<b>156,198</b>	144,400

# Embedded Value

(in RMB million)	June 30, 2012	December 31, 2011
Risk discount rate	<b>11.0%</b>	11.0%
Value of one year's new business	<b>18,200</b>	19,339
Cost of holding the required solvency margin	<b>(2,238)</b>	(2,518)
<b>Value of one year's new business after cost of solvency</b>	<b>15,962</b>	16,822
<b>Value of first half year's new business after cost of solvency</b>	<b>9,160</b>	10,019

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

(2) In the table above, the assumptions used to calculate the value of first half year's new business in 2011 are the same with current assumptions used to calculate the new business value. If the 2011 mid-year valuation's assumptions were used, the value of first half year's new business in 2011 would be RMB10,148 million.

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

## KEY ASSUMPTIONS

The key assumptions used in the embedded value calculation as at June 30, 2012 have been the same as those used in 2011 year-end valuation.

## NEW BUSINESS VOLUMES AND VALUE OF NEW BUSINESS

The volume of new business sold and modelled during the past 12 months prior to June 30, 2012 to calculate the value of one year's new business was RMB56,449 million in terms of first year premium (FYP), while that was RMB69,355 million during 2011.

The volume of new business sold and modelled used to calculate the value of first half year's new business were RMB33,502 million and RMB46,409 million in term of FYP for year 2012 and 2011. The first half year's new business volumes measured by FYP and first half year's new business value by segment was:

For the six months ended June 30 (in RMB million)	FYP used to calculate value of new business			Value of new business		
	2012	2011	Growth	2012	2011	Growth
Individual	<b>21,038</b>	27,965	-24.8%	<b>8,363</b>	9,219	-9.3%
Group	<b>6,404</b>	5,954	7.6%	<b>394</b>	367	7.4%
Bancassurance	<b>6,060</b>	12,490	-51.5%	<b>403</b>	433	-6.9%
<b>Total</b>	<b>33,502</b>	46,409	-27.8%	<b>9,160</b>	10,019	-8.6%

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

(2) In the table above, the assumptions used to calculate the value of first half year's new business in 2011 are the same with current assumptions used to calculate the new business value. If the 2011 mid-year valuation's assumptions were used, the value of first half year's new business in 2011 would be RMB10,148 million.

## 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

(in RMB million)	Risk Discount Rate			
	Earned Rate/10.5%	Earned Rate/11.0%	Earned Rate/11.5%	11.0%
Value of in-force business	110,913	106,180	101,707	106,744
	10.5%	11.0%	11.5%	Earned Rate/11.0%
Value of one year's new business	16,832	15,962	15,154	16,400

Assumptions (in RMB million)	Value of in-force business	Value of one year's new business
Central case	106,180	15,962
Investment return increased by 50bp every year	120,883	16,998
Investment return decreased by 50bp every year	90,560	14,929
10% reduction in mortality and morbidity rates	108,228	16,289
10% reduction in policy discontinuance rates	108,755	16,482
10% reduction in maintenance expense	107,738	16,269
5% increase in the policyholders' dividend payout ratio	102,079	15,368
Solvency margin at 150% of the regulatory level	94,190	14,843

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

# Liquidity and Financial Resources

- The Company manages its liquidity and financial resources from the perspective of the Group as a whole.
- As at June 30, 2012, 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.

## CAPITAL STRUCTURE

As at June 30, 2012, the Group's equity attributable to shareholders of the parent company was RMB146,762 million, representing an increase of 12.1% as compared to the end of 2011.

As at June 30, 2012, capital structure of the Company mainly comprised capital injection from shareholders as well as proceeds from the H share and A share listing. The Company did not issue any debt securities. On May 17, 2012, the Company received the approval from the CIRC regarding the issuance of A Share Subordinated Convertible Corporate Bonds with issue size of not more than RMB26 billion.

As at the date of this report, the issuance of A Share Subordinated Convertible Corporate Bonds is subject to the approval of the relevant security regulatory authorities.

In the first half of 2012, in order to reinforce capital strength as well as increase the solvency margin ratio, Ping An Life, a subsidiary of the Group, issued RMB9 billion 10-year subordinated term debts.

## GEARING RATIO

	June 30, 2012	December 31, 2011
Gearing ratio (%)	94.5	94.3

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

## CASH FLOW ANALYSIS

For the six months ended June 30 (in RMB million)	2012	2011
Net cash flows from operating activities	204,563	80,838
Net cash flows from investing activities	(94,207)	(84,241)
Net cash flows from financing activities	30,223	(390)

Net cash inflows from operating activities increased by 153.1% to RMB204,563 million in the first half of 2012 from RMB80,838 million in the same period of 2011. This was mainly because in the first half of 2012 SDB's operating



results were consolidated into those of the Group, but not in the same period of 2011. The consolidation increased the cash inflows from customer deposits and due to financial institutions.

Net cash outflows from investing activities increased by 11.8% to RMB94,207 million in the first half of 2012 from RMB84,241 million in the same period of 2011, mainly due to the expanded scale of investment resulting from business development.

For the financing activities, there were net cash inflows of RMB30,223 million in the first half of 2012, while net cash outflows of RMB390 million in the same period of last year. This was mainly due to the increase in cash inflows from the short-term repurchase business of our insurance subsidiaries and the issuance of subordinated debts of RMB9 billion by Ping An Life, one of our subsidiaries.

### CASH AND CASH EQUIVALENTS

(in RMB million)	June 30, 2012	December 31, 2011
Cash	<b>169,407</b>	95,178
Money market funds	<b>6,941</b>	4,334
Bond investments with an original maturity of less than 3 months	<b>980</b>	103
Assets purchased under agreements to resell with an original maturity of less than 3 months	<b>73,764</b>	10,866
<b>Total cash and cash equivalents</b>	<b>251,092</b>	110,481

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.

### 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, 2012	December 31, 2011
Actual capital	<b>209,405</b>	182,492
Minimum capital	<b>118,485</b>	109,489
<b>Solvency margin ratio (%)</b>	<b>176.7</b>	166.7

The above figures indicate that the solvency of the Group was adequate as at June 30, 2012.

The solvency margin ratio increased slightly as compared with that at the end of 2011, because one of our subsidiaries, Ping An Life replenish its capital adequacy through issuing subordinated debts of RMB9 billion.

# Changes in the Share Capital and Shareholders' Profile

## SHAREHOLDINGS DISCLOSED UNDER A SHARES REGULATORY REQUIREMENTS

### Changes in Share Capital

#### Statement of changes in share capital

Unit: shares	January 1, 2012		Change during the Reporting Period				June 30, 2012		
	Number of shares	Percentage(%)	Issue of new shares	Bonus issue	Transfer from reserve	Others	Sub-total	Number of shares	Percentage(%)
I. Selling-restricted Shares	-	-	-	-	-	-	-	-	-
II. Selling-unrestricted Shares									
1. RMB ordinary shares	4,786,409,636	60.46	-	-	-	-	-	4,786,409,636	60.46
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	3,129,732,456	39.54	-	-	-	-	-	3,129,732,456	39.54
4. Others	-	-	-	-	-	-	-	-	-
Total	7,916,142,092	100.00	-	-	-	-	-	7,916,142,092	100.00
III. Total number of shares	7,916,142,092	100.00	-	-	-	-	-	7,916,142,092	100.00

### Share issuance and listing

#### Offering of shares of the Company

There was no public issuance of shares during the reporting period.

#### Timetable for listing and circulation of selling-restricted shares

At the end of the reporting period, the Company had no selling-restricted shares.

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

During the reporting period, total number of shares of the Company was 7,916,142,092 shares and there was no change in the total number of shares.

#### Existing staff shares

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

### Shareholders' Information

#### Number of shareholders and their shareholdings

##### Total number of shareholders as at the end of the reporting period

268,619 shareholders (of which there were 263,005 domestic shareholders)

### Shareholdings of top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage(%)	Total number of shares held	Type of shares	Change during the reporting period (+, -)	Number of selling-restricted shares held	Number of pledged or frozen shares
HSBC Insurance Holdings Limited	Overseas legal person	7.82	618,886,334	H	-	-	-
The Hongkong and Shanghai Banking Corporation Limited	Overseas legal person	7.76	613,929,279	H	-	-	-
Shenzhen Investment Holdings Co., Ltd.	State	6.08	481,359,551	A	-	-	239,980,000 pledged shares
Yuan Trust Investment Co., Ltd.	Domestic non-state-owned legal person	4.80	380,000,000	A	-	-	-
Linzi New Horse Investment Development Co., Ltd.	Domestic non-state-owned legal person	4.03	319,094,187	A	-	-	-
Linzi Jingao Industrial Development Co., Ltd.	Domestic non-state-owned legal person	3.46	273,701,889	A	-	-	-
Shum Yip Group Limited	State-owned legal person	2.27	179,675,070	A	-	-	-
Shenzhen Wuxin Yufu Industrial Co., Ltd.	Domestic non-state-owned legal person	2.22	175,891,626	A	-2,910,478	-	-
Gongbujiangda Jiangnan Industrial Development Co., Ltd.	Domestic non-state-owned legal person	1.76	139,112,886	A	-	-	33,300,000 pledged shares
Shenzhen Liye Group Co., Ltd.	Domestic non-state-owned legal person	1.00	78,829,088	A	-12,560,705	-	77,400,000 pledged shares

### Shareholdings of top ten holders of selling-unrestricted shares

Name of shareholder	Number of selling-unrestricted shares held	Type of shares
HSBC Insurance Holdings Limited	618,886,334	H shares
The Hongkong and Shanghai Banking Corporation Limited	613,929,279	H shares
Shenzhen Investment Holdings Co., Ltd.	481,359,551	A shares
Yuan Trust Investment Co., Ltd.	380,000,000	A shares
Linzi New Horse Investment Development Co., Ltd.	319,094,187	A shares
Linzi Jingao Industrial Development Co., Ltd.	273,701,889	A shares
Shum Yip Group Limited	179,675,070	A shares
Shenzhen Wuxin Yufu Industrial Co., Ltd.	175,891,626	A shares
Gongbujiangda Jiangnan Industrial Development Co., Ltd.	139,112,886	A shares
Shenzhen Liye Group Co., Ltd.	78,829,088	A shares

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

HSBC Insurance Holdings Limited and The Hongkong and Shanghai Banking Corporation Limited are wholly-owned subsidiaries of HSBC Holdings plc.

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

# Changes in the Share Capital and Shareholders' Profile

## Particulars of controlling shareholder and de facto controller

The shareholding structure of the Company is relatively scattered. There is no controlling shareholder, nor de facto controller. The largest and second largest shareholders of the Company are two wholly-owned subsidiaries of HSBC Holdings plc – HSBC Insurance Holdings Limited and The Hongkong and Shanghai Banking Corporation Limited. As at June 30, 2012, the total number of H shares of the Company held by such two companies amounted to 1,232,815,613 shares, accounting for approximately 15.57% of the total existing share capital of the Company of 7,916 million shares.

## Other legal person holding more than 10% shares

As at the end of the reporting period, the Company did not have any other legal person holding more than 10% shares of the Company.

## SHAREHOLDINGS DISCLOSED UNDER H SHARES REGULATORY REQUIREMENTS

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

As far as is known to any Director or Supervisor of the Company, as at June 30, 2012, the following persons (other than the Directors and Supervisors of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

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

## Interests and short positions of other substantial shareholders

Name of substantial shareholder	H/A Shares	Capacity	Notes	No. of H/A Shares	Nature of interest	Percentage of total number of H/A shares in issue (%)	Percentage of total shares in issue (%)
HSBC Insurance Holdings Limited	H	Beneficial owner	(1)	618,886,334	Long position	19.77	7.82
The Hongkong and Shanghai Banking Corporation Limited	H	Beneficial owner	(3)	613,929,279	Long position	19.62	7.76
JPMorgan Chase & Co.	H	Beneficial owner		22,673,874	Long position	0.73	0.29
		Investment Manager		140,347,054	Long position	4.48	1.77
		Custodian		88,315,345	Long position	2.82	1.12
		Total:	(4)	251,336,273		8.03	3.18
		Beneficial owner	(4)	8,727,258	Short position	0.28	0.11
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		481,359,551	Long position	10.06	6.08
Linzi Jingao Industrial Development Co., Ltd.	A	Beneficial owner	(5)	273,701,889	Long position	5.72	3.46
China Foreign Economic Trading Trust Co., Ltd.	A	Interest of controlled corporation	(5)	273,701,889	Long position	5.72	3.46
Linzi New Horse Investment Development Co., Ltd.	A	Beneficial owner	(6)	319,094,187	Long position	6.67	4.03
Beijing Fengrui Investment Fund (LLP)	A	Interest of controlled corporation	(6)	319,094,187	Long position	6.67	4.03
Yuan Trust Investment Company Ltd.	A	Beneficial owner		380,000,000	Long position	7.94	4.80

### Notes:

- (1) HSBC Insurance Holdings Limited was a wholly-owned subsidiary of HSBC Holdings plc and its interests in 618,886,334 H shares of the Company was deemed to be the interest of HSBC Holdings plc.
- (2) Apart from (1) above, HSBC Holdings plc by virtue of its control over (i) The Hongkong and Shanghai Banking Corporation Limited; and (ii) Hang Seng Bank Trustee International Limited, which respectively held a direct interest in 613,929,279 H shares and 1,110,812 H shares in the Company, were also deemed to be interested in an aggregate of 615,040,091 H shares of the Company.
- (3) The Hongkong and Shanghai Banking Corporation Limited was wholly owned by HSBC Asia Holdings BV, a wholly-owned subsidiary of HSBC Asia Holdings (UK) Limited, which in turn was a wholly-owned subsidiary of HSBC Holdings BV. HSBC Holdings BV was wholly-owned by HSBC Finance (Netherlands), a wholly-owned subsidiary of HSBC Holdings plc.  
  
The Hongkong and Shanghai Banking Corporation Limited directly held 613,929,279 H shares of the Company and indirectly held 1,110,812 H shares of the Company through Hang Seng Bank Trustee International Limited. Hang Seng Bank Trustee International Limited is a wholly-owned subsidiary of Hang Seng Bank Limited, of which 62.14% equity is held by The Hongkong and Shanghai Banking Corporation Limited.
- (4) JPMorgan Chase & Co. was deemed to be interested in a total of 251,336,273 H shares (Long position) and 8,727,258 H shares (Short position) in the Company by virtue of its control over the following corporations:
  - (i) JP Morgan Chase Bank, N.A, which was a wholly-owned subsidiary of JPMorgan Chase & Co., held 99,238,845 H shares (Long position) in the Company.

# Changes in the Share Capital and Shareholders' Profile

- (ii) J.P. Morgan Whitefriars Inc. held 11,024,083 H shares (Long position) and 3,631,937 H shares (Short position) in the Company. J.P. Morgan Whitefriars Inc. was a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly owned by Bank One International Holdings Corporation, being a corporation wholly owned by J.P. Morgan International Inc. and J.P. Morgan International Inc. was wholly owned by JPMorgan Chase Bank, N.A. which was in turn held by JPMorgan Chase & Co. as to 100%.
- (iii) J.P. Morgan Securities Ltd. held 11,649,791 H shares (Long position) and 4,750,030 H shares (Short position) in the Company. J.P. Morgan Securities Ltd. was a 98.95% owned subsidiary of J.P. Morgan Chase International Holdings Limited which was in turn a wholly-owned subsidiary of J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited was a wholly-owned subsidiary of J.P. Morgan Capital Holdings Limited which in turn was wholly owned by J.P. Morgan International Finance Limited as mentioned in (ii) above.
- (iv) J.P. Morgan Investment Management Inc. held 20,711,554 H shares (Long position) in the Company and was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc. which was in turn wholly owned by JPMorgan Chase & Co..
- (v) JF Asset Management Limited held 49,426,500 H shares (Long position) in the Company. JF Asset Management Limited was wholly owned by JPMorgan Asset Management (Asia) Inc. which in turn was wholly owned by JPMorgan Asset Management Holdings Inc. as referred to in (iv) above.
- (vi) JPMorgan Asset Management (UK) Limited held 43,512,000 H shares (Long position) in the Company. JPMorgan Asset Management (UK) Limited was wholly owned by JPMorgan Asset Management Holdings (UK) Limited. JPMorgan Asset Management Holdings (UK) Limited was wholly owned by JPMorgan Asset Management International Limited which was in turn wholly owned by JPMorgan Asset Management Holdings Inc. as referred to in (iv) above.
- (vii) JPMorgan Asset Management (Taiwan) Limited held 3,550,000 H shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. as referred to in (v) above.
- (viii) JPMorgan Asset Management (Singapore) Limited held 7,165,500 H shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. as referred to in (v) above.
- (ix) JF International Management Inc. held 720,000 H shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. as referred to in (v) above.
- (x) China International Fund Management Co., Ltd. held 4,089,500 H shares (Long position) in the Company and was owned as to 49% by JPMorgan Asset Management (UK) Limited which in turn was a wholly-owned subsidiary of JPMorgan Asset Management Holdings (UK) Limited as referred to in (vi) above.
- (xi) J.P. Morgan Whitefriars (UK) held 345,291 H shares (Short position) in the Company. J.P. Morgan Whitefriars (UK) was a 99.99% owned subsidiary of J.P. Morgan Whitefriars Inc., which in turn was a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation as referred to in (ii) above.
- (xii) JPMorgan Funds (Asia) Limited held 248,500 H shares (Long position) in the Company and was a 99.99% owned subsidiary of JPMorgan Asset Management (Asia) Inc. as referred to in (v) above.

The entire interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 88,315,345 H shares (Long position). Besides, 966,082 H shares (Long position) and 4,317,728 H shares (Short position) were held through derivatives as follows:

362,500 H shares (Long position) and 652,500 H shares (Short position)	-	through physically settled listed securities
660,250 H shares (Short position)	-	through cash settled listed securities
125,000 H shares (Long position) and 604,829 H shares (Short position)	-	through physically settled unlisted securities
478,582 H shares (Long position) and 2,400,149 H shares (Short position)	-	through cash settled unlisted securities

- (5) Linzhi Jingao Industrial Development Co., Ltd. was owned as to 100% by China Foreign Economic Trading Trust Co., Ltd., its interests in 273,701,889 A shares of the Company was deemed to be the interest of China Foreign Economic Trading Trust Co., Ltd.
- (6) Linzhi New Horse Investment Development Co., Ltd. was owned as to 95% by Beijing Fengrui Investment Fund (LLP) and its interests in 319,094,187 A shares of the Company was deemed to be the interest of Beijing Fengrui Investment Fund (LLP).

Save as disclosed above, the Company is not aware of any other person (other than the Directors and Supervisors of the Company) having any interest or short position in the shares and underlying shares of the Company as at June 30, 2012 which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

# Directors, Supervisors and Senior Management

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

### Direct Shareholding

As at June 30, 2012, the interests of the Directors, Supervisors and Senior Management (including chief executive) of the Company in the shares which shall be disclosed pursuant to the “Standards Concerning the Contents and Formats of Information Disclosure by Listed Companies No. 3 – The Contents and Formats of Interim Report (Revised in 2007)” issued by CSRC, and the interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) shall have been notified to the Company and HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors or Supervisors of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified by the Directors, Supervisors and Senior Management (including chief executive) to the Company and HKEx pursuant to the Model Code, were as follows:

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

Name	Position	Capacity	H/A shares	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Change	Reason for the change	Nature of interest	Percentage of total issued H/A shares (%)	Percentage of total issued shares (%)
Sun Jianyi	Vice Chairman and Executive Vice President	Beneficial Owner	A	0	1,898,280	+1,898,280	Acquisition	Long position	0.03966	0.02398
Ren Huichuan	Executive Director, President	Beneficial owner	A	0	100,000	+100,000	Acquisition	Long position	0.00209	0.00126
Yao Jason Bo	Executive Director, Senior Vice President and Chief Financial Officer	Beneficial owner	H	12,000	12,000	-	-	Long position	0.00038	0.00015
Peng Zhijian	Supervisor	Beneficial owner	A	6,600	6,600	-	-	Long position	0.00014	0.00008
Xiao Jiyan	Supervisor	Beneficial owner	H	16,000	16,000	-	-	Long position	0.00051	0.00020

Note: Mr. Xiao Jiyan has resigned as the Supervisor of the Company on July 17, 2012.

# Directors, Supervisors and Senior Management

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

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

## Indirect Shareholding

As at June 30, 2012, the A shares of the Company indirectly held by some of the Directors, Supervisors and Senior Management of the Company through Employee Investment Pool and Gongbujiangda Jiangnan Industrial Development Co., Ltd. were fully distributed with interest through share transfer. At present, no Directors, Supervisors and Senior Management of the Company indirectly hold any A shares of the Company through Employee Investment Pool and Gongbujiangda Jiangnan Industrial Development Co., Ltd.

Change in the indirect shareholdings of the Directors, Supervisors and Senior Management of the Company are as follows:

## Share of interests in employee investment pool

Name	Position	Share of interests in employee investment pool at the beginning of the period	Share of interests in employee investment pool at the end of the period	Change in the share of interests in employee investment pool	Reason for the change
Ma Mingzhe	Chairman and Chief Executive Officer	3,901,689	0	-3,901,689	Interests distribution
Sun Jianyi	Vice Chairman and Executive Vice President	3,428,495	0	-3,428,495	Interests distribution
Ren Huichuan	Executive Director and President	604,582	0	-604,582	Interests distribution
Ku Man	Executive Director and Executive Vice President	164,503	0	-164,503	Interests distribution
Yao Jason Bo	Executive Director, Senior Vice President and Chief Financial Officer	82,251	0	-82,251	Interests distribution
Lin Lijun	Non-executive Director	816,594	0	-816,594	Interests distribution
Sun Jianping	Supervisor	920,067	0	-920,067	Interests distribution
Ding Xinmin	Supervisor	495,484	0	-495,484	Interests distribution
Xiao Jiyan	Supervisor	575,761	0	-575,761	Interests distribution
Wang Liping	Senior Vice President	1,415,978	0	-1,415,978	Interests distribution
Lee Yuansiong	Senior Vice President	82,251	0	-82,251	Interests distribution
Cao Shifan	Senior Vice President	1,075,588	0	-1,075,588	Interests distribution
Lo Sai Lai	Senior Vice President	246,754	0	-246,754	Interests distribution
Chen Kexiang	Senior Vice President	1,129,348	0	-1,129,348	Interests distribution
Jin Shaoliang	Secretary of the Board	185,099	0	-185,099	Interests distribution
Total		15,124,444	0	-15,124,444	-

Note: Mr. Ding Xinmin and Mr. Xiao Jiyan resigned as supervisor of the Company on July 17, 2012.



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

Name	Position	Shareholding percentage at the beginning of the period (%)	Shareholding percentage at the end of the period (%)	Change in the shareholding percentage	Reason for the change
Ma Mingzhe	Chairman and Chief Executive Officer	5.86	0	-5.86	Interests distribution
Sun Jianyi	Vice Chairman and Executive Vice President	3.83	0	-3.83	Interests distribution
Ren Huichuan	Executive Director and President	1.41	0	-1.41	Interests distribution
Ku Man	Executive Director and Executive Vice President	0.59	0	-0.59	Interests distribution
Yao Jason Bo	Executive Director, Senior Vice President and Chief Financial Officer	0.18	0	-0.18	Interests distribution
Lin Lijun	Non-executive Director	0.12	0	-0.12	Interests distribution
Sun Jianping	Supervisor	0.59	0	-0.59	Interests distribution
Ding Xinmin	Supervisor	0.65	0	-0.65	Interests distribution
Xiao Jiyan	Supervisor	0.59	0	-0.59	Interests distribution
Wang Liping	Senior Vice President	1.17	0	-1.17	Interests distribution
Lee Yuansiong	Senior Vice President	0.59	0	-0.59	Interests distribution
Cao Shifan	Senior Vice President	0.59	0	-0.59	Interests distribution
Lo Sai Lai	Senior Vice President	0.70	0	-0.70	Interests distribution
Chen Kexiang	Senior Vice President	3.81	0	-3.81	Interests distribution
Jin Shaoliang	Secretary of the Board	0.12	0	-0.12	Interests distribution
Total		20.80	0	-20.80	-

Note: Mr. Ding Xinmin and Mr. Xiao Jiyan resigned as supervisor of the Company on July 17, 2012.

### Changes in the Number of Share Options and Restricted Shares Granted

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

Save as disclosed above, as at June 30, 2012, none of the Directors, Supervisors and Senior Management (including chief executive) held or was deemed to hold any interest or short position in the shares, 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, Supervisors and Senior Management (including chief executive) to the Company and the HKEx pursuant to the Model Code nor have they been granted the right to acquire any interest in shares or debentures of the Company or any of its associated corporations.

# Directors, Supervisors and Senior Management

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

1. Mr. Chen Hongbo retired from Shenzhen Investment Holdings Co., Ltd. and tendered his resignation as a Non-executive Director of the Company in January 2012. The resolution regarding the appointment of Mr. Fan Mingchun as a Non-executive Director of the Company to replace Mr. Chen Hongbo was passed at the First Extraordinary General Meeting of 2012 held by the Company on February 8, 2012. The qualification of Mr. Fan Mingchun as a Director was approved by CIRC on March 8, 2012, on which day Mr. Fan replaced Mr. Chen Hongbo as a Non-executive Director of the 8th session of the Board of the Company.
2. The election of the new session of the Board of Directors was passed at the 2011 Annual General Meeting of the Company held on June 27, 2012. Mr. Chung Yu-wo Danny, Mr. Cheung Chi Yan Louis and Ms. Wang Liping had resigned as Independent Non-executive Director, Non-executive Director and Executive Director of the Company respectively. At the 2011 Annual General Meeting, Mr. Stephen Thomas Meldrum was elected as an Independent Non-executive Director and Mr. Cheng Siu Hong was elected as a Non-executive Director of the 9th Session of the Board of Directors of the Company respectively; Mr. Ren Huichuan and Mr. Ku Man were elected as Executive Directors of the 9th Session of the Board of Directors of the Company. The qualifications of the newly elected directors were approved by CIRC on July 17, 2012.
3. At the employees' representatives meeting of the Company held on February 17, 2012, Mr. Zhao Fujun and Mr. Pan Zhongwu were elected as Supervisors representing the employees of the 7th Session of the Supervisory Committee of the Company. At the 2011 Annual General Meeting held on June 27, 2012, Mr. Lin Li was elected as a Supervisor representing the shareholders of the Company. The qualifications of the newly elected supervisors mentioned above were approved by CIRC on July 17, 2012, and Mr. Ding Xinmin and Mr. Xiao Jiyan have resigned as Supervisor representing the employees on the same day.
4. Mr. Jin Shaoliang has been the Secretary to the Board since February 2012. Mr. Yao Jun has ceased to be the Secretary to the Board since February 2012. The qualification of Mr. Jin Shaoliang as Board Secretary was approved by CIRC on February 16, 2012.
5. Mr. Ku Man has been Executive Vice President of the Company since June 2012. The appointment of Mr. Ku Man as Executive Vice President was filed with CIRC in June 2012.

## CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

Pursuant to the disclosure requirement under Rule 13.51B(1) of the HKEx Listing Rules, the changes in information of Directors and Supervisors are as follows:

1. Mr. Zhang Hongyi, the Independent Non-executive Director of the Company, was appointed as the Independent Non-executive Director of Convenience Retail Asia Limited in July 2012.
2. Mr. Chen Su, the Independent Non-executive Director of the Company, was appointed as the Independent Director of Minmetals Development Co., Ltd. in April 2012.
3. Mr. Lee Carmelo Ka Sze, the Independent Non-executive Director of the Company, was appointed as a member of the SFC (HKEC Listing) Committee in April 2012, and was re-designated as the Chairman (formerly the Vice Chairman) of the Listing Committee of HKEx in the same month.
4. Mr. Woo Ka Biu Jackson, the Independent Non-executive Director of the Company, has been a partner of Ashurst Hong Kong in April 2012, and ceased to be the partner of Jackson Woo & Associates in the same month. Mr. Woo was appointed as an Independent Non-executive Director of Henderson Land Development Company Limited in March 2012, and ceased to be an Alternate Director to Sir Po Shing Woo as Non-executive Director of Henderson Land Development Company Limited in February 2012. Mr. Woo has been a Practising Solicitor Member on the panel of the Solicitors' Disciplinary Tribunal in The Hong Kong Special Administrative Region since October 2011.
5. Mr. Fan Mingchun, the Non-executive Director of the Company, was appointed as the Vice Chairman of the Company on April 27, 2012.
6. Mr. Wong Tung Shun Peter, the Non-executive Director of the Company, resigned as the Vice Chairman of HSBC Bank (Vietnam) in January 2012.
7. Ms. Li Zhe, the Non-executive Director of the Company, was appointed as an Executive Director of Fook Woo Group Holdings Limited in April 2012.
8. Mr. Guo Limin, the Non-executive Director of the Company, was appointed as the Chief of Shenzhen Economics and Information Committee in February 2012. He resigned as the Chairman of Shenzhen Investment Ltd., Shum Yip and Shum Yip Holdings Company Limited, a Non-executive Director of each of Coastal Greenland Limited and Road King Infrastructure Limited since April 2012.
9. Ms. Lin Lijun, the Non-executive Director of the Company, was re-designated as the President (formerly the Chairman) of Linzhi New Horse Investment Development Co., Ltd. in June 2012, and resigned as the Director and the President of Linzhi Jingao Industrial Development Co., Ltd. in the same month.
10. Mr. Yao Jason Bo, the Executive Director of the Company, resigned as the General Manager of the Corporate Planning Department of the Company in February 2012.
11. Mr. Peng Zhijian, the Supervisor of the Company, resigned as the Executive Commissioner of People's Political Consultative Conference Standing Committee of Guangdong Province and the Deputy Director of the Economic Committee for People's Political Consultative Conference of Guangdong Province in January 2012.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the HKEx Listing Rules.

# Significant Events

## **CORPORATE GOVERNANCE**

The Company is committed to implementing the relevant requirements in relation to corporate governance issued by the regulatory departments, in strict compliance with the Company Law of the People's Republic of China and continues to improve the corporate governance structure and enhance the level of corporate governance based on the actual conditions of the Company.

During the reporting period, two general meetings, i.e. the first extraordinary general meeting for 2012 and the 2011 annual general meeting, were held by the Company; three meetings were held by the Board; and two meetings were held by the Supervisory Committee. The general meeting, Board, Supervisory Committee and senior management operated independently and performed their respective rights and obligations in accordance with the terms of reference in the Articles of Association of the Company and the laws, and no irregularities or breaches were identified.

The Company discloses various important information of the Company in a timely, accurate, true and complete manner in strict compliance with the requirements of the laws, regulations and the Articles of Association of the Company, which is to ensure that all shareholders have the same chance of obtaining such information. The Company endeavors to maintain a high level of corporate governance and believes that a sound corporate governance can further enhance the effectiveness and reliability of the management of the Company and such is crucial to maximize shareholders' value of the Company.

During the reporting period, in The 5th Annual Best Board of Directors of Listed Companies Rankings in China, the Company won the "2012 Best Board of Listed Companies in China" and the Board Secretary Mr. Jin Shaoliang won the "2012 Best Secretary to the Board of Directors of Listed Companies in China". Based on the rankings for the best managed companies for 2012 announced by Euromoney, an internationally famous financial magazine, the Company was awarded as the "Best Managed Insurer in Asia" for the fourth consecutive time. Leveraged on its regulated, systematic and highly transparent corporate governance, the Company was granted the "Corporate Governance Asia Recognition Award" issued by Corporate Governance Asia, a famous corporate governance magazine in Asia, six years in a row.

## **IMPLEMENTATION OF PROFIT DISTRIBUTION PROPOSAL AND CASH DIVIDEND POLICY DURING THE REPORTING PERIOD**

Pursuant to Article 213 of the Articles of Association of the Company, the Company shall attach importance to the reasonable investment return of investors in terms of its profit distribution. The profit distribution policy of the Company shall maintain its continuity and stability. In case that the distributable profit of the Company in that year (namely profits after tax of the Company after making up for the losses and making contributions to the reserve fund) is positive, then the profit shall in principle be distributed to shareholders in the form of cash dividend based on a certain ratio. In determining the detailed ratio of the distribution of cash dividend, the Company shall take into account its profit, cash flow, solvency and operation. According to the business development requirements, the Board of the Company shall be responsible for formulating and implementing a distribution proposal under the requirements of the Articles of Association of the Company.

The profit distribution proposal of the Company for 2011 was approved at the 2011 annual general meeting held on June 27, 2012, according to which a final cash dividend for 2011 of RMB0.25 (tax inclusive) per share was proposed to be distributed to all the shareholders based on the total 7,916,142,092 shares as at the date of AGM, totalling RMB1,979,035,523. The announcement on the poll results of the general meeting was published in China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on June 28, 2012. The record date for distribution of dividends was July 13, 2012. The dividend distribution date was July 27, 2012. The announcement regarding the distribution of dividend for Year 2011 of the Company was published on the websites of SSE and HKEx, and in China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on July 10, 2012. The implementation of the distribution proposal has been completed.

## INTERIM RESULTS AND PROFIT DISTRIBUTION

The Group's interim results in 2012 are set out in the section titled "FINANCIAL STATEMENTS". The Board of Directors declared that an interim dividend of RMB0.15 (tax inclusive, equivalent to HK\$0.1834) per share for the six months ended June 30, 2012 totalling RMB1,187,421,313.80, will be paid to shareholders of the Company, based on the total 7,916,142,092 shares. Holders of H shares whose names are on the Company's register of members of H shares on October 3, 2012 (the "Record Date") will be entitled to receive 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 six months ended June 30, 2012 will be separately announced on the website of SSE.

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 is the average middle exchange rate of Renminbi to Hong Kong dollars as announced by PBOC for the week prior to the date of declaration of interim dividend (RMB0.817834 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 six months ended June 30, 2012, the Company's register of members of H shares will be closed from Tuesday, September 25, 2012 to Wednesday, October 3, 2012, both days inclusive. 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, September 24, 2012. The address of the transfer office of Computershare Hong Kong Investor Services Limited is 17M 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 October 22, 2012 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.

## EXPLANATION ON THE DIFFERENCES BETWEEN CAS AND IFRS

The net profit and the equity of the Company as stated in the consolidated financial statements in accordance with CAS have no difference from those stated in the consolidated financial statements in accordance with IFRS.

## MATERIAL LITIGATIONS OR ARBITRATIONS

During the reporting period, the Company had no material litigations or arbitrations.

# Significant Events

## SHARES HELD IN OTHER LISTED COMPANIES AND NON-LISTED FINANCIAL ENTERPRISES Securities Investments Classified as Held for Trading Financial Assets

No.	Type	Code	Short name	Initial investment cost (RMB million)	Number of shares at the end of the period (million shares/ million pieces)	Carrying amount at the end of the period (RMB million)	Percentage to total securities investments (%)	Profit or loss for the reporting period (RMB million)
1	Convertible bond	125709	Tangsteel CB	269	2.4	264	43.7	9
2	Convertible bond	113001	BOC CB	99	1.0	97	16.1	3
3	Convertible bond	113003	CSICL CB	77	0.7	77	12.7	-
4	Stock	000536	CPT TECH GROUP	15	0.8	15	2.5	2
5	Stock	000538	Yunnan Baiyao	5	0.3	15	2.5	2
6	Stock	601608	CITIC HMC	13	2.8	13	2.2	-
7	Stock	000527	Midea	9	0.7	8	1.3	(1)
8	Stock	600875	Dongfang Electric	9	0.4	7	1.2	(2)
9	Stock	601006	Daqin Railway	7	1.0	7	1.2	-
10	Stock	000422	Hubei Yihua Chemical Industry	6	0.4	5	0.8	(1)
Other securities investments held at the end of the period				100	-	96	15.8	29
Profit or loss upon disposal of securities investments for the reporting period				-	-	-	-	(34)
Total				609	-	604	100.0	7

(1) Securities investments listed in the table include stocks, warrants and convertible bonds.

(2) Other securities investments refer to securities investments other than the above top ten securities.

(3) Profit or loss for the reporting period includes dividend income and gains or losses from fair value change during the reporting period.

## Top Ten Equity Investments in Other Listed Companies

No.	Stock code	Short name	Initial investment cost (RMB million)	Carrying amount at the end of the period (RMB million)	Percentage of shareholding in such companies (%)	Profit or loss for the reporting period (RMB million)	Change in shareholders' equity for the reporting period (RMB million)	Accounting item
1	601288	ABC	14,375	13,769	1.7	695	(257)	AFS
	HK1288		210	165		11	(27)	AFS
2	601398	ICBC	13,650	12,409	0.9	636	(978)	AFS
	HK1398		804	534		32	(37)	AFS
3	601939	CCB	12,362	10,725	1.1	604	(991)	AFS
	HK0939		748	576		28	(26)	AFS
4	000538	Yunnan Baiyao	1,407	3,853	9.4	10	408	AFS
5	601006	Daqin Railway	1,891	1,579	1.5	-	(101)	AFS
6	BE0003801181	Ageas (original name: Fortis)	23,874	1,486	4.6	72	301	AFS
7	601328	Bank Comm	1,345	1,226	0.5	27	16	AFS
	HK3328		43	37		1	(2)	AFS
8	600000	SPDB	1,386	1,196	0.8	44	(87)	AFS
9	600519	Kweichow Moutai	864	987	0.4	-	145	AFS
10	600016	CMBC	894	850	0.5	43	(15)	AFS
	HK1988		79	74		4	2	AFS

- (1) Profit or loss for the reporting period refers to dividend income.  
(2) Percentage of shareholding in such companies is calculated using the total shares we held.  
(3) The aforesaid shares were acquired from the primary and secondary markets, non-public directed issuance or bonus issue, etc.  
(4) AFS means available-for-sale investment.

## Equity Investments in Non-listed Financial Enterprises

No.	Name	Initial investment cost (RMB million)	Number of shares (million shares)	Percentage of shareholding in such companies (%)	Carrying amount at the end of the period (RMB million)	Profit or loss for the reporting period (RMB million)	Change in shareholders' equity for the reporting period (RMB million)	Accounting item	Source
1	Taizhou City Commercial Bank Co., Ltd.	361	186	10.33	361	-	-	AFS	Purchased

## ASSET TRANSACTION

### Information on the Share Subscription relating to the Non-Public Issuance of Shenzhen Development Bank

On August 17, 2011, as mentioned in the announcement of the Company, the Company proposed to subscribe for not less than 892,325,997 shares but not more than 1,189,767,995 shares of Shenzhen Development Bank issued through non-public issuing (hereinafter referred to as the "Share Subscription").

As at the date of this report, the Share Subscription is subject to the approval from relevant regulatory authorities.

# Significant Events

## Particulars on Issuance of A Share Subordinated Convertible Corporate Bonds

On December 20, 2011, as mentioned in the announcement of the Company, the Company proposed to issue in aggregate not more than RMB26 billion A Share Convertible Corporate Bonds. Such Convertible Bonds and A Shares to be converted into upon the conversion of the Convertible Bonds will be listed on SSE.

On February 8, 2012, the relevant proposals in respect of the Issuance of A Share Convertible Corporate Bonds were approved by the first extraordinary general meeting for 2012 of the Company.

On May 28, 2012, as mentioned in the announcement of the Company, the CIRC approved the Issuance of A Share Subordinated Convertible Corporate Bonds of the Company.

As at the date of this report, the Issuance of A Share Subordinated Convertible Corporate Bonds is subject to the approval of the relevant securities regulatory authorities.

For further details, please refer to the related announcement published on Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily and the website of SSE ([www.sse.com.cn](http://www.sse.com.cn)) on August 18, 2011, December 21, 2011, February 9, 2012 and May 29, 2012.

## MAJOR CONNECTED TRANSACTIONS

The 20th Meeting of the 8th Session of the Board of the Company considered and approved the Resolution on the Connected Transaction in relation to the Subscription of non-public issuance of shares of Bank of Communications by Ping An Life, and agreed to the subscription of 705,385,012 non-public issuance of A shares of Bank of Communications Co., Ltd. (hereinafter referred to as “Bank of Communications”) by Ping An Life, a subsidiary of the Company, at the price of RMB4.55 per share, through Ping An Asset Management.

Since Mr. Wong Tung Shun Peter, being a Non-executive Director of the Company, is also a Non-executive Director of Bank of Communications, Bank of Communications is a connected person of the Company pursuant to Rule 10.1.3 of the SSE Listing Rules. Therefore, the subscription of non-public issuance of A shares of Bank of Communications by Ping An Life through Ping An Asset Management constituted a connected transaction of the Company under SSE Listing Rules.

For further details, please refer to the related announcements published on Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily and on the website of SSE ([www.sse.com.cn](http://www.sse.com.cn)) on March 16, 2012.

## MATERIAL CONTRACTS AND THEIR PERFORMANCE

### Guarantee

	<b>External guarantee of the Company (excluding the guarantee in favor of its subsidiaries)</b>
(in RMB million)	
Total guarantee incurred during the reporting period	-
Total guarantee balance as at the end of the reporting period	-
<b>Guarantee of the Company in favor of its subsidiaries</b>	
Total guarantee in favor of its subsidiaries incurred during the reporting period	316
Total guarantee balance in favor of its subsidiaries as at the end of the reporting period	5,900
<b>Total guarantee of the Company (including the guarantee in favor of its subsidiaries)</b>	
Total guarantee	5,900
Total guarantee as a percentage of the Company's net assets (%)	4.0



## Entrustment, Underwriting, Lease, Asset under Management, Entrusted Loan and Other Material Contracts

No matters relating to entrustment, underwriting, lease, asset under management, entrusted loan or other material contracts of the Company were required to be disclosed during the reporting period.

## FOREIGN CURRENCY RISK

Foreign currency-denominated assets held by the Group are exposed to foreign currency risk. 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 the risk as a result of fluctuations in exchange rates. These liabilities include monetary liabilities, such as borrowings, customer's deposits and claim reserves denominated in foreign currencies and non-monetary liabilities measured at fair value.

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

As at June 30, 2012 (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	338	1,132

## FULFILLMENTS OF UNDERTAKINGS

### Shareholders' Undertakings

The Company received written notices from Linzhi New Horse Investment Development Co., Ltd., Linzhi Jingao Industrial Development Co., Ltd. and Gongbujiangda Jiangnan Industrial Development Co., Ltd. on February 22, 2010. According to such written notices, Linzhi New Horse Investment Development Co., Ltd. and Linzhi Jingao Industrial Development Co., Ltd. will reduce their shareholdings in the Company by not more than 30% of the 389,592,366 A shares and the 331,117,788 A shares, respectively per annum through the offer for sale in the secondary market as well as the block trading platform in the next five years. Out of the A shares held by Gongbujiangda Jiangnan Industrial Development Co., Ltd., the holding of 88,112,886 A shares will also be reduced in the next five years through the offer for sale in the secondary market as well as the block trading platform, by not more than 30% of the 88,112,886 A shares per annum. As at June 30, 2012, all of the above three shareholders had fulfilled their respective undertakings given in the written notices.

# Significant Events

## Undertakings in Respect of Investment in SDB

- (1) Ping An Life undertakes, in respect of subscription for the 379,580,000 new shares of SDB issued through non-public issuing, that it shall not transfer the subscribed shares within 36 months from the date of listing of the above subscribed shares, being September 17, 2010, except for the transfer between Ping An Life and its connected organizations (including its controlling shareholders, de facto controllers and the other entities under the control of its de facto controllers) to the extent permitted by the laws and approved by the relevant regulatory authorities. Should Ping An Life enter into any transaction in violation of the above undertakings, the China Securities Depository and Clearing Corporation Limited, Shenzhen branch shall be authorized to transfer the proceeds from the sales of the subscription shares into the account of SDB owned by its shareholders as a whole.
- (2) The Company undertakes that it shall, in strict compliance with the relevant laws and regulations as well as the requirements of the regulatory authorities, take legal and practicable measures to integrate SDB and the Original Ping An Bank within three years from the date of completion of the transaction, by means of, but not limited to, consolidation, so as to avoid competition between the Group members in the same industry.

As of June 30, 2012, the above undertaking in item (1) was still in the process of performance, and the above undertaking in item (2) was performed.

## Undertakings in Respect of the Major Asset Restructuring with SDB

- (1) The Company undertakes that it will, in strict compliance with the relevant laws and regulations as well as the requirements of the regulatory authorities, start integration of the Original Ping An Bank and SDB as soon as possible while going through the necessary internal decision-making process and reporting to the relevant regulatory authorities for approval, aiming at completing the integration within one year. As there is uncertainty in obtaining approval from the regulatory authorities, the exact time of completing the integration will depend on the progress of consideration and granting approval by the regulatory authorities. The Company will conduct frequent communications with the authorities, aiming to obtain the approval and complete the integration as soon as possible.
- (2) The Company undertakes that it and its subsidiaries shall not, within 36 months since the date of completion of the non-public issuance of shares by SDB, transfer all the SDB Shares they held, except for the transfer between the Company and its connected organizations (i.e. any parties directly or indirectly controlling the Company or under the direct or indirect control of the Company or under the control of the same controller as that of the Company), to the extent permitted by the applicable laws. Upon expiry of the above mentioned term, the Company will be free to dispose of such newly-issued shares pursuant to the requirements of the CSRC and the Shenzhen Stock Exchange.
- (3) According to the Profit Forecast Compensation Agreement entered into between the Company and SDB on September 14, 2010, the Company shall prepare the pro forma net profit amount of the Original Ping An Bank (the "Realized Profits") in accordance with the PRC Accounting Standards for Business Enterprises within four months after the end of each year within three years upon SDB's completion of the issuing shares for purchase of assets (the "Compensation Period") and procure its appointed accounting firm to issue a special audit opinion (the "Special Audit Opinion") in respect of such Realized Profits and the difference between such Realized Profits and the corresponding forecasted profits ("Forecasted Profits") as soon as possible. If, based on the Special Audit Opinion, the Actual Profits of Ping An Bank in any year during the Compensation Period is lower than the corresponding Forecasted Profits, the Company shall pay 90.75% of the shortfall between the Actual Profits and the Forecasted Profits to SDB in cash ("Compensation Amount"). The Company shall, within 20 business days after the issue of the Special Audit Opinion for the year, transfer the amount in full into the bank account designated by the SDB.

- (4) In respect of the two properties of the Original Ping An Bank, the ownership certificates of which have not been applied for, the Company has issued “The Letter of Undertaking from Ping An Insurance (Group) Company of China, Ltd. in relation to the Compensation for the Losses Arising from the Potential Titleship Disputes of Ping An Bank Company Limited”. According to the Letter of Undertaking, the Company undertakes that if titleship disputes occurred in respect of the above properties of the Original Ping An Bank in the future, the Company will make efforts to coordinate the parties for proper settlement of the disputes, so as to avoid any adverse effect on the normal operation. If the above branches incur additional costs or their revenue decreases due to the titleship disputes, the Company promises that it will compensate SDB in cash for the loss arising from the handling of the titleship disputes by the Original Ping An Bank.

Besides, in respect of the two properties the ownership certificates of which have not been obtained, the Company has issued “The Letter of Undertaking from Ping An Insurance (Group) Company of China, Ltd. in relation to settlement of properties with title defects of Ping An Bank Company Limited”. According to the Letter of Undertaking, the Company undertakes that, within three years following completion of the transaction, if SDB fails to obtain the ownership certificates for the two properties and fails to dispose of the same properly, the Company shall, within three months upon expiry of the three-year period, purchase or designate any third party to purchase those properties at a fair and reasonable price.

- (5) The Company undertakes that, after the completion of the major assets restructuring with SDB and during the period when the Company remains as the controlling shareholder of SDB, and in respect of the businesses of the Company and the enterprises under its control intend to carry out or they obtaining the business or commercial opportunities similar to those of SDB whereby the assets and businesses arising from such business or commercial opportunities may possibly form potential competition with those of SDB, the Company and the enterprises under its control shall not be engaged in the businesses identical or similar to those carried out by SDB, so as to avoid direct or indirect competition with the operations of SDB.
- (6) The Company undertakes that, after the completion of the major assets restructuring with SDB and in respect of the transactions between the Company and the enterprises under its control and SDB which constitute the connected transactions of SDB, the Company and the enterprises under its control shall enter into transaction with SDB following the principle of “fairness, justness and openness” at fair and reasonable prices, and shall go through the decision-making process according to the requirements of the relevant laws and regulations and regulatory documents and perform their obligations of information disclosure as required by law. The Company undertakes that the Company and the enterprises under its control shall not procure any illegal interests or let SDB undertake any illicit obligations through the transactions with SDB.
- (7) The Company undertakes that, after the completion of the major assets restructuring and during the period when the Company remains as the controlling shareholder of SDB, the Company shall maintain the independence of SDB and ensure that SDB is independent from the Company and the enterprises under its control in respect of personnel, assets, finance, organization and business.

As of June 30, 2012, except the undertaking as referred in item (1) above was performed, all the remaining were still in the process of performance.

# Significant Events

## USE OF PROCEEDS

The proceeds from the Company's initial public offering of H shares in 2004, A shares in 2007 and the non-public directed issuance to JINJUN LIMITED in 2011 respectively were completely used to replenish the capital of the Company, and applied in accordance with applicable regulations of the relevant regulatory authorities.

## APPOINTMENT OF AUDITORS

At the 2011 annual general meeting, Ernst & Young Hua Ming and Ernst & Young were re-appointed as auditors of the Company's financial statements under CAS and IFRS, respectively for the year 2012. The interim financial statements of the Company are unaudited.

## PUNISHMENTS IMPOSED ON THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS AND DE FACTO CONTROLLERS AND RECTIFICATIONS

During the reporting period, the Company and its Directors, Supervisors, senior management, shareholders and de facto controllers were not subject to the inspection, administrative penalties, punishment notice by CSRC, and the public condemnation by the stock exchanges.

## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed shares from January 1, 2012 to June 30, 2012.

## AUDIT AND RISK MANAGEMENT COMMITTEE

The Company has established the Audit and Risk Management Committee in compliance with the Corporate Governance Code.

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

The Audit and Risk Management Committee comprised five Independent Non-executive Directors and one Non-executive Director and is chaired by Mr. Tang Yunwei, an Independent Non-executive Director, who possesses the professional qualifications of accounting and related financial management expertise.

The Audit and Risk Management 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 Strategy and Investment Committee, Remuneration Committee and Nomination Committee. Further details of the roles and functions, and summary of the work of these board committees were set out under the paragraph headed "The specialized committees under the Board" in the Corporate Governance Report on pages 105 to 109 of the Company's 2011 annual report of H shares. The terms of reference and modus operandi of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee have been published on the Company's website and the HKEx's website.

## **OUR COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS OF THE COMPANY**

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 former Corporate Governance Code for any part of the period from January 1, 2012 to March 31, 2012 and the applicable Code Provisions set out in the revised Corporate Governance Code for any part of the period from April 1, 2012 to June 30, 2012 save as disclosed below:

Code Provision A.2.1 of the Corporate Governance Code provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and Chief Executive Officer of the Company. However, the Board of Directors 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 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 recognized 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 of Directors and the management set out in the Articles of Association of the Company.

Therefore, the Board of Directors 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.

Further details of the Company's arrangements and 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 "Our Compliance with the Code On Corporate Governance Practices and the Model Code for Securities Transactions by Directors and Supervisors of the Company" in the Corporate Governance Report on page 117 of the Company's 2011 annual report of H shares.

Code Provision A.6.7 of the Corporate Governance Code provides that Independent Non-executive Directors and other Non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Six out of seven Independent Non-executive Directors and two out of five Non-executive Directors of the Company had attended the annual general meeting of the Company held on 27 June 2012.

On May 28, 2004, the Company adopted the Code of Conduct, which was amended on August 17, 2011, regarding securities transactions by Directors and Supervisors of the Company ("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, 2012 to June 30, 2012.

## **INCOME TAX WITHHOLDING**

### **Enterprise Income Tax Withholding of Overseas Non-Resident Enterprises**

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China which came into effect on January 1, 2008 and its implementing rules, the Company shall be obligated to withhold 10% enterprise income tax when it distributes 2012 interim dividend to non-resident enterprise holders of H shares, including Hong Kong Securities Clearing Company Nominees Limited, as listed on the Company's register of members of H shares on 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 with the relevant tax authorities of such opinion, the Company will not withhold any enterprise income tax when it distributes 2012 interim dividend to resident enterprise holders of H shares listed on the Company's register of members of H shares on the Record Date.

# Significant Events

If any resident enterprise (as defined in the Enterprise Income Tax Law of the People's Republic of China) listed on the Company's register of members of H shares which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire the Company to withhold the said 10% enterprise income tax, it shall submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Friday, September 14, 2012 a legal opinion, issued by a PRC qualified lawyer (inscribed with the seal of the applicable law firm), that verifies its resident enterprise status.

## **Individual Income Tax Withholding of Overseas Individual Shareholders**

The Circular on the Questions Concerning Tax on the Profits Earned by Enterprises with Foreign Investment, Foreign Enterprises and Individual Foreigners from the Transfer of Stocks (Stock Rights) and on Dividend Income (Guo Shui Fa [1993] No. 045) was repealed on January 4, 2011, and therefore individual holders of H shares who hold the Company's H shares and whose names appear on the register of members of H shares of the Company can no longer be exempted from PRC individual income tax. Upon the confirmation of the Company after having making consultation with the relevant tax authorities, and pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China and its implementation regulations, the individual resident shareholders outside the PRC shall pay individual income tax upon their receipt of distribution of dividends and bonus in respect of the shares issued by domestic non-foreign investment enterprises in Hong Kong, which shall be withheld by obligors on behalf of such individual shareholders by law. Those individual resident shareholders may, however, enjoy relevant preferential treatments in accordance with the provisions of applicable tax agreements signed between the countries where they belong to by virtue of residential identification and the PRC as well as the tax arrangements made between the Mainland China and Hong Kong (Macau).

Pursuant to the aforesaid tax regulations and the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the Company shall generally be obligated to withhold individual income tax at the tax rate of 10% when it distributes 2012 interim dividend to individual holders of H shares appeared on the Company's register of members of H shares on the Record Date. However, unless stated in the tax regulations and relevant tax agreements otherwise, the Company will withhold individual income tax based on the amount of the dividend at the relevant tax rate and in accordance with the procedures.

If individual holders appeared on the Company's register of members of H shares, and who are citizens from the countries applying a tax rate of less than 10% under tax agreements, are not applicable to be withheld individual tax at the rate of 10% by the Company, the Company may handle applications on their behalf for preferential treatments as stipulated in relevant agreements pursuant to the Notice of the State Administration of Taxation on Issues about the Administrative Measures for Non-residents to Enjoy the Treatments of Tax Treaties (for Trial Implementation) (Guo Shui Fa [2009] No. 124). Qualifying shareholders are required to submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Friday, September 14, 2012 a written authorization and relevant evidencing documents, which shall be handed on by the Company to the applicable tax authorities for approval, and then excess portion of the tax amounts withheld can be refunded.

The Company will withhold the enterprise income tax as well as the individual income tax for shareholders as required by law on the basis of the Company's register of members of H shares on the Record Date. The Company assumes no liability and will not deal with any dispute over income tax withholding triggered by failure to submit proof materials within the stipulated time frame, and holders of H shares of the Company shall either personally or appoint a representative to attend to the procedures in accordance with the applicable tax regulations and relevant provisions of the People's Republic of China.

All investors are requested to read this report carefully. Shareholders are recommended to consult their taxation advisors regarding their holding and disposing of H shares of the Company for the PRC, Hong Kong and other tax effects involved.

## **OTHER SIGNIFICANT EVENTS**

No further significant events of the Company were required to be disclosed during the reporting period.

# 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 62 to 98 which comprise the interim consolidated statement of financial position of Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries as at 30 June 2012 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 require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with 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  
23 August 2012

# Interim Consolidated Income Statement

For the six months ended 30 June 2012

For the six months ended 30 June (in RMB million)	Notes	2012 (Unaudited)	2011 (Unaudited)
Gross written premiums and policy fees	6	127,812	116,080
Less: Premiums ceded to reinsurers		(7,173)	(5,857)
Net written premiums and policy fees	6	120,639	110,223
Change in unearned premium reserves		(5,068)	(6,824)
Net earned premiums		115,571	103,399
Reinsurance commission income		2,429	1,622
Interest income from banking operations	7	37,371	6,331
Fees and commission income from non-insurance operations	8	5,027	3,462
Investment income	9	14,960	15,912
Share of profits and losses of associates and jointly controlled entities		(18)	1,159
Other income	10	3,663	1,925
<b>Total income</b>		<b>179,003</b>	133,810
Claims and policyholders' benefits	11	(90,452)	(83,372)
Commission expenses on insurance operations		(11,141)	(9,388)
Interest expenses on banking operations	7	(20,505)	(2,783)
Fees and commission expenses on non-insurance operations	8	(605)	(368)
Loan loss provisions, net of reversals	12, 20	(1,536)	(261)
Foreign exchange gains/(losses)		236	(149)
General and administrative expenses		(30,439)	(19,160)
Finance costs		(899)	(448)
Other expenses		(3,141)	(1,615)
<b>Total expenses</b>		<b>(158,482)</b>	(117,544)
Profit before tax	12	20,521	16,266
Income tax	13	(2,994)	(3,268)
<b>Profit for the period</b>		<b>17,527</b>	12,998
<b>Attributable to:</b>			
- Owners of the parent		13,959	12,757
- Non-controlling interests		3,568	241
		<b>17,527</b>	12,998
		<b>RMB</b>	<b>RMB</b>
<b>Earnings per share attributable to ordinary equity holders of the parent:</b>			
- Basic	16	1.76	1.67
- Diluted	16	1.76	1.67

Details of the interim dividends proposed for the period are disclosed in Note 15 to the financial statements.



# Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

For the six months ended 30 June (in RMB million)	Note	2012 (Unaudited)	2011 (Unaudited)
<b>Profit for the period</b>		<b>17,527</b>	12,998
<b>Other comprehensive income</b>			
Available-for-sale financial assets		<b>8,318</b>	(6,002)
Shadow accounting adjustments		<b>(2,398)</b>	1,326
Exchange differences on translation of foreign operations		<b>111</b>	51
Share of other comprehensive income of associates and jointly controlled entities		<b>3</b>	(42)
Income tax relating to components of other comprehensive income		<b>(1,451)</b>	1,122
<b>Other comprehensive income for the period, net of tax</b>	14	<b>4,583</b>	(3,545)
<b>Total comprehensive income for the period</b>		<b>22,110</b>	9,453
<b>Attributable to:</b>			
- Owners of the parent		<b>18,328</b>	9,228
- Non-controlling interests		<b>3,782</b>	225
		<b>22,110</b>	9,453

# Interim Consolidated Statement of Financial Position

As at 30 June 2012

(in RMB million)	Notes	30 June 2012 (Unaudited)	31 December 2011 (Audited)
<b>Assets</b>			
Balances with the Central Bank and statutory deposits		<b>189,112</b>	168,366
Cash and amounts due from banks and other financial institutions	17	<b>405,379</b>	261,006
Fixed maturity investments	18	<b>903,476</b>	772,353
Equity investments	19	<b>146,512</b>	116,985
Derivative financial assets		<b>803</b>	818
Loans and advances to customers	20	<b>672,311</b>	611,731
Investments in associates and jointly controlled entities	21	<b>10,249</b>	11,837
Premium receivables		<b>14,217</b>	12,089
Accounts receivable	22	<b>123,819</b>	170,727
Reinsurers' share of insurance liabilities		<b>9,303</b>	7,892
Policyholder account assets in respect of insurance contracts		<b>33,283</b>	33,460
Policyholder account assets in respect of investment contracts		<b>4,151</b>	3,992
Investment properties		<b>9,922</b>	9,076
Property and equipment		<b>16,956</b>	16,027
Intangible assets		<b>39,977</b>	33,584
Deferred tax assets		<b>13,149</b>	13,383
Other assets	23	<b>52,380</b>	42,098
<b>Total assets</b>		<b>2,644,999</b>	2,285,424
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	24	<b>7,916</b>	7,916
Reserves		<b>83,320</b>	79,405
Retained profits		<b>55,526</b>	43,546
Equity attributable to owners of the parent		<b>146,762</b>	130,867
Non-controlling interests		<b>46,919</b>	40,475
Total equity		<b>193,681</b>	171,342
<b>Liabilities</b>			
Due to banks and other financial institutions	25	<b>369,992</b>	195,695
Assets sold under agreements to repurchase		<b>123,734</b>	99,734
Derivative financial liabilities		<b>734</b>	732
Customer deposits and payables to brokerage customers	26	<b>927,453</b>	836,049
Accounts payable	27	<b>26,884</b>	70,639
Insurance payables		<b>28,573</b>	27,974
Insurance contract liabilities	28	<b>834,234</b>	758,404
Investment contract liabilities for policyholders		<b>33,256</b>	32,811
Policyholder dividend payable		<b>20,606</b>	17,979
Income tax payable		<b>2,738</b>	4,370
Bonds payable	29	<b>35,685</b>	26,633
Deferred tax liabilities		<b>5,532</b>	4,612
Other liabilities		<b>41,897</b>	38,450
Total liabilities		<b>2,451,318</b>	2,114,082
<b>Total equity and liabilities</b>		<b>2,644,999</b>	2,285,424

**MA Mingzhe**  
Director

**SUN Jianyi**  
Director

**YAO Jason Bo**  
Director

# Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

For the six months ended 30 June 2012 (in RMB million)	Equity attributable to owners of the parent										
	Reserves										Total equity
	Share capital (Unaudited)	Share premium (Unaudited)	Available- for-sale financial assets (Unaudited)	Shadow accounting adjustments (Unaudited)	Other capital reserves (Unaudited)	Surplus reserve funds (Unaudited)	General reserves (Unaudited)	Exchange differences on translation of foreign operations (Unaudited)	Retained profits (Unaudited)	Non- controlling interests (Unaudited)	
As at 1 January 2012	7,916	83,506	(14,412)	2,673	132	6,982	395	129	43,546	40,475	171,342
Profit for the period	-	-	-	-	-	-	-	-	13,959	3,568	17,527
Other comprehensive income for the period	-	-	6,045	(1,790)	3	-	-	111	-	214	4,583
Total comprehensive income for the period	-	-	6,045	(1,790)	3	-	-	111	13,959	3,782	22,110
Dividend declared	-	-	-	-	-	-	-	-	(1,979)	(29)	(2,008)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	4,222	4,222
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(993)	(993)
Equity transaction with non-controlling interests	-	-	-	-	(454)	-	-	-	-	(570)	(1,024)
Others	-	-	-	-	-	-	-	-	-	32	32
As at 30 June 2012	7,916	83,506	(8,367)	883	(319)	6,982	395	240	55,526	46,919	193,681

For the six months ended 30 June 2011 (in RMB million)	Equity attributable to owners of the parent										
	Reserves										Total equity
	Share capital (Unaudited)	Share premium (Unaudited)	Available- for-sale financial assets (Unaudited)	Shadow accounting adjustments (Unaudited)	Other capital reserves (Unaudited)	Surplus reserve funds (Unaudited)	General reserves (Unaudited)	Exchange differences on translation of foreign operations (Unaudited)	Retained profits (Unaudited)	Non- controlling interests (Unaudited)	
As at 1 January 2011	7,644	67,644	(175)	1,066	107	6,689	395	51	28,609	4,853	116,883
Profit for the period	-	-	-	-	-	-	-	-	12,757	241	12,998
Other comprehensive income for the period	-	-	(4,527)	989	(42)	-	-	51	-	(16)	(3,545)
Total comprehensive income for the period	-	-	(4,527)	989	(42)	-	-	51	12,757	225	9,453
Appropriations to surplus reserve funds	-	-	-	-	-	293	-	-	(293)	-	-
Dividend declared	-	-	-	-	-	-	-	-	(3,058)	(20)	(3,078)
Issue of capital	272	15,862	-	-	-	-	-	-	-	-	16,134
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	108	108
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(40)	(40)
Others	-	-	-	-	-	-	-	-	-	(35)	(35)
As at 30 June 2011	7,916	83,506	(4,702)	2,055	65	6,982	395	102	38,015	5,091	139,425

# Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

For the six months ended 30 June (in RMB million)	Note	2012 (Unaudited)	2011 (Unaudited)
<b>Net cash flows from operating activities</b>		<b>204,563</b>	80,838
<b>Cash flows from investing activities</b>			
Purchases of investment properties, property and equipment, and intangible assets		<b>(1,286)</b>	(1,378)
Proceeds from disposal of investment properties, property and equipment, and intangible assets		<b>2</b>	14
Purchases of investments, net		<b>(58,484)</b>	(69,855)
Term deposits placed, net		<b>(50,987)</b>	(20,859)
Acquisition of subsidiaries		<b>(1,481)</b>	(583)
Disposal of subsidiaries		<b>525</b>	837
Interest received		<b>18,049</b>	7,878
Dividends received		<b>1,396</b>	2,876
Rentals received		<b>472</b>	222
Others		<b>(2,413)</b>	(3,393)
<b>Net cash flows used in investing activities</b>		<b>(94,207)</b>	(84,241)
<b>Cash flows from financing activities</b>			
Capital injected into subsidiaries by non-controlling interests		<b>45</b>	108
Proceeds from bonds issued		<b>8,998</b>	1,994
Increase/(decrease) in assets sold under agreements to repurchase, net		<b>27,259</b>	(620)
Proceeds from borrowed funds		<b>433</b>	1,817
Acquisition of non-controlling interests in subsidiaries		<b>(2,343)</b>	-
Repayment of borrowed funds		<b>(2,188)</b>	(2,143)
Interest paid		<b>(1,976)</b>	(1,546)
Dividends paid		<b>(5)</b>	-
<b>Net cash flows from financing activities</b>		<b>30,223</b>	(390)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>140,579</b>	(3,793)
Net foreign exchange differences		<b>32</b>	(92)
Cash and cash equivalents at beginning of the period		<b>110,481</b>	80,938
<b>Cash and cash equivalents at end of the period</b>	34	<b>251,092</b>	77,053

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 1. CORPORATE INFORMATION

Ping An Insurance (Group) Company of China, Ltd. (the “Company”) was registered in Shenzhen, the People’s Republic of China (the “PRC”) on 21 March 1988. The business scope of the Company includes investing in financial and insurance enterprises, as well as supervising and managing various domestic and overseas businesses of subsidiaries, and investment deployment. The Company and its subsidiaries are collectively referred to as the Group. The Group mainly provides integrated financial products and services and is engaged in life insurance, property and casualty insurance, trust, securities, banking and other businesses.

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

## 2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. 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 of the Group for the year ended 31 December 2011.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS THEREOF, ADOPTED BY THE GROUP

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 2011, except for the adoption of new standards and interpretations as of 1 January 2012, noted below:

► Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS THEREOF, ADOPTED BY THE GROUP (CONTINUED)

#### ► Amendments to IFRS 7 *Financial Instruments - Disclosures - Transfers of financial assets*

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

The adoption of the amendments did not have material impact on the financial position or performance of the Group.

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

### CHANGES IN ACCOUNTING ESTIMATES

Material judgement is required in determining insurance contract liabilities and in choosing discount rates/ investment return, mortality, morbidity, lapse rates, policy dividend, and expenses assumptions relating to long term life insurance contracts. Such assumptions should be determined based on current information available at the end of the reporting period. The Group has changed the above assumptions based on current information available as at 30 June 2012 with the corresponding impact on insurance contract liabilities taken into the current period's income statement. As a result of such changes in assumptions, long term life insurance policyholders' reserves were reduced by RMB1,390 million as at 30 June 2012 and the profit before tax for the six months ended 30 June 2012 increased by RMB1,390 million.

#### 4. CHANGES IN MAJOR SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The main changes in the scope of consolidation and the Group's major subsidiaries, associates and jointly controlled entities for the period ended 30 June 2012 are as below:

- (1) On 15 November 2011, Shanghai Pingpu Investment Co., Ltd. ("Shanghai Pingpu"), a subsidiary of the Group, and the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (the "Shanghai SASAC") entered into a contract to transfer 100% equity shares of Shanghai Jahwa (Group) Company Ltd. ("Shanghai Jahwa") held by the Shanghai SASAC to Shanghai Pingpu at a consideration of RMB5,109 million. The transaction of equity shares transfer was completed on 16 February 2012. The Group is deemed to have gained control of Shanghai Jahwa on 16 February 2012, which was regarded as the acquisition date.

The fair value and book value of identifiable assets and identifiable liabilities of Shanghai Jahwa as at the acquisition date are as follows:

(in RMB million)	Fair value (Note 1)	Book value
Cash and amounts due from banks	1,079	1,079
Investments in associates and jointly controlled entities	543	471
Accounts receivable	391	391
Investment properties	310	42
Property and equipment	1,377	535
Intangible assets	4,558	319
Other assets	807	620
<b>Total identifiable assets</b>	<b>9,065</b>	<b>3,457</b>
Due to banks	339	339
Accounts payable	351	351
Deferred tax liabilities	983	-
Other liabilities	563	563
<b>Total identifiable liabilities</b>	<b>2,236</b>	<b>1,253</b>
	<b>6,829</b>	<b>2,204</b>
Less: Non-controlling interests	(4,222)	
Fair value of net assets acquired attributable to Shanghai Pingpu	2,607	
Goodwill arising on acquisition	2,502	
<b>Acquisition cost</b>	<b>5,109</b>	

Note 1: The fair value of the above identifiable assets and liabilities (excluding deferred tax) acquired as at the date of acquisition were based on the valuation by independent valuer as indicated in its appraisal report.

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 4. CHANGES IN MAJOR SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

### (1) (CONTINUED)

Cash flow from the acquisition of Shanghai Jahwa is shown as follows:

	(in RMB million)
Total cash consideration paid	5,109
Less: Cash consideration paid in 2011	(2,555)
Cash consideration paid for the six months ended 30 June 2012	2,554
Less: Cash and cash equivalents held by Shanghai Jahwa as at the acquisition date	(1,079)
Net cash outflow for the six months ended 30 June 2012	1,475

From the date of acquisition, the operating results and cash flow that Shanghai Jahwa has contributed to the Group are shown as follows:

	(in RMB million)
Revenue	2,030
Net profit	243
Net cash inflow	191

If the combination had taken place on 1 January 2012, the operating results from continuing operations of the Group for the six months ended 30 June 2012 are shown as follows:

	(in RMB million)
Revenue	179,251
Net profit	17,561

- (2) Shenzhen Development Bank Co., Ltd. (“SDB”), a subsidiary of the Group, has completed the merger with its subsidiary, Ping An Bank Co., Ltd. (“Ping An Bank”), in June 2012. Consequently, Ping An Bank was deregistered as a legal entity on 12 June 2012. SDB was renamed as Ping An Bank Co., Ltd. on 27 July 2012.



## 5. SEGMENT REPORTING

The composition of the Group's operating segments for the period ended 30 June 2012 is consistent with that for the year ended 31 December 2011.

The segment analysis for the six months ended 30 June 2012 is as follows:

(in RMB million)	Life insurance (Unaudited)	Property and casualty insurance (Unaudited)	Banking (Unaudited)	Securities (Unaudited)	Corporate (Unaudited)	Others (Unaudited)	Eliminations (Unaudited)	Total (Unaudited)
Gross written premiums and policy fees	78,898	48,914	-	-	-	-	-	127,812
Less: Premiums ceded to reinsurers	(418)	(6,755)	-	-	-	-	-	(7,173)
Change in unearned premium reserves	(623)	(4,445)	-	-	-	-	-	(5,068)
Net earned premiums	77,857	37,714	-	-	-	-	-	115,571
Reinsurance commission income	25	2,404	-	-	-	-	-	2,429
Interest income from banking operations	-	-	37,371	-	-	-	-	37,371
Fees and commission income from non-insurance operations	-	-	3,100	989	-	971	(33)	5,027
Including: Inter-segment fees and commission income from non-insurance operations	-	-	23	-	-	10	(33)	-
Investment income	12,311	1,311	508	840	178	1,410	(1,598)	14,960
Including: Inter-segment investment income	717	33	-	-	11	837	(1,598)	-
Share of profits and losses of associates and jointly controlled entities	34	-	15	-	-	(67)	-	(18)
Other income	2,280	127	116	16	100	4,204	(3,180)	3,663
Including: Inter-segment other income	1,481	9	-	-	97	1,593	(3,180)	-
<b>Total income</b>	<b>92,507</b>	<b>41,556</b>	<b>41,110</b>	<b>1,845</b>	<b>278</b>	<b>6,518</b>	<b>(4,811)</b>	<b>179,003</b>
Claims and policyholders' benefits	(68,399)	(22,053)	-	-	-	-	-	(90,452)
Commission expenses on insurance operations	(7,233)	(4,297)	-	-	-	-	389	(11,141)
Interest expenses on banking operations	-	-	(21,085)	-	-	-	580	(20,505)
Fees and commission expenses on non-insurance operations	-	-	(320)	(121)	-	(242)	78	(605)
Loan loss provisions, net of reversals	-	-	(1,539)	-	-	3	-	(1,536)
Foreign exchange gains	19	5	183	1	1	27	-	236
General and administrative expenses	(7,747)	(11,178)	(9,532)	(880)	(183)	(2,377)	1,458	(30,439)
Finance costs	(270)	(125)	-	-	(145)	(359)	-	(899)
Other expenses	(2,611)	(56)	(92)	(2)	(22)	(1,870)	1,512	(3,141)
<b>Total expenses</b>	<b>(86,241)</b>	<b>(37,704)</b>	<b>(32,385)</b>	<b>(1,002)</b>	<b>(349)</b>	<b>(4,818)</b>	<b>4,017</b>	<b>(158,482)</b>
Profit/(loss) before tax	6,266	3,852	8,725	843	(71)	1,700	(794)	20,521
Income tax	765	(1,106)	(1,994)	(180)	(2)	(477)	-	(2,994)
<b>Profit/(loss) for the period</b>	<b>7,031</b>	<b>2,746</b>	<b>6,731</b>	<b>663</b>	<b>(73)</b>	<b>1,223</b>	<b>(794)</b>	<b>17,527</b>

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 5. SEGMENT REPORTING (CONTINUED)

The segment analysis for the six months ended 30 June 2011 is as follows:

(in RMB million)	Life insurance (Unaudited)	Property and casualty insurance (Unaudited)	Banking (Unaudited)	Securities (Unaudited)	Corporate (Unaudited)	Others (Unaudited)	Eliminations (Unaudited)	Total (Unaudited)
Gross written premiums and policy fees	75,158	40,922	-	-	-	-	-	116,080
Less: Premiums ceded to reinsurers	(374)	(5,483)	-	-	-	-	-	(5,857)
Change in unearned premium reserves	(827)	(5,997)	-	-	-	-	-	(6,824)
Net earned premiums	73,957	29,442	-	-	-	-	-	103,399
Reinsurance commission income	(223)	1,845	-	-	-	-	-	1,622
Interest income from banking operations	-	-	6,331	-	-	-	-	6,331
Fees and commission income from non-insurance operations	-	-	887	1,695	-	894	(14)	3,462
Including: Inter-segment fees and commission income from non-insurance operations	-	-	4	-	-	10	(14)	-
Investment income	13,951	1,583	(24)	231	284	287	(400)	15,912
Including: Inter-segment investment income	316	27	-	7	37	13	(400)	-
Share of profits and losses of associates and jointly controlled entities	(60)	-	1,183	-	-	36	-	1,159
Other income	1,815	118	8	6	94	2,017	(2,133)	1,925
Including: Inter-segment other income	921	5	-	-	93	1,114	(2,133)	-
<b>Total income</b>	<b>89,440</b>	<b>32,988</b>	<b>8,385</b>	<b>1,932</b>	<b>378</b>	<b>3,234</b>	<b>(2,547)</b>	<b>133,810</b>
Claims and policyholders' benefits	(66,242)	(17,130)	-	-	-	-	-	(83,372)
Commission expenses on insurance operations	(6,080)	(3,359)	-	-	-	-	51	(9,388)
Interest expenses on banking operations	-	-	(3,023)	-	-	-	240	(2,783)
Fees and commission expenses on non-insurance operations	-	-	(93)	(153)	-	(136)	14	(368)
Loan loss provisions, net of reversals	-	-	(298)	-	-	37	-	(261)
Foreign exchange losses	(121)	(13)	(1)	(4)	(7)	(3)	-	(149)
General and administrative expenses	(6,613)	(8,717)	(2,128)	(876)	(173)	(1,586)	933	(19,160)
Finance costs	(52)	(122)	-	-	(133)	(141)	-	(448)
Other expenses	(1,892)	(93)	(99)	(1)	(2)	(826)	1,298	(1,615)
<b>Total expenses</b>	<b>(81,000)</b>	<b>(29,434)</b>	<b>(5,642)</b>	<b>(1,034)</b>	<b>(315)</b>	<b>(2,655)</b>	<b>2,536</b>	<b>(117,544)</b>
Profit before tax	8,440	3,554	2,743	898	63	579	(11)	16,266
Income tax	(1,678)	(861)	(346)	(183)	-	(200)	-	(3,268)
<b>Profit for the period</b>	<b>6,762</b>	<b>2,693</b>	<b>2,397</b>	<b>715</b>	<b>63</b>	<b>379</b>	<b>(11)</b>	<b>12,998</b>

The segment assets as at 30 June 2012 and 31 December 2011 are as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Eliminations	Total
At 30 June 2012 (Unaudited)	<b>967,163</b>	<b>119,258</b>	<b>1,493,561</b>	<b>27,493</b>	<b>32,537</b>	<b>45,807</b>	<b>(40,820)</b>	<b>2,644,999</b>
At 31 December 2011 (Audited)	851,107	109,168	1,261,324	28,357	25,978	37,256	(27,766)	2,285,424

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

For the six months ended 30 June (in RMB million)	2012 (Unaudited)	2011 (Unaudited)
Gross written premiums, policy fees and premium deposits	163,751	153,552
Less: Premium deposits of policies without significant insurance risk transfer	(1,625)	(1,527)
Premium deposits unbundled from universal life and investment-linked products	(34,314)	(35,945)
<b>Gross written premiums and policy fees</b>	<b>127,812</b>	116,080
Long term life business gross written premiums and policy fees	74,182	73,854
Short term life business gross written premiums	4,716	1,304
Property and casualty business gross written premiums	48,914	40,922
<b>Gross written premiums and policy fees</b>	<b>127,812</b>	116,080
<b>Gross written premiums and policy fees</b>		
Life insurance		
Individual life insurance	67,535	61,554
Bancassurance	7,566	10,362
Group life insurance	3,797	3,242
	<b>78,898</b>	75,158
Property and casualty insurance		
Automobile insurance	36,660	30,792
Non-automobile insurance	10,993	8,979
Accident and health insurance	1,261	1,151
	<b>48,914</b>	40,922
<b>Gross written premiums and policy fees</b>	<b>127,812</b>	116,080
<b>Net of reinsurance premiums ceded</b>		
Life insurance		
Individual life insurance	67,220	61,299
Bancassurance	7,544	10,359
Group life insurance	3,716	3,126
	<b>78,480</b>	74,784
Property and casualty insurance		
Automobile insurance	33,248	28,168
Non-automobile insurance	7,664	6,134
Accident and health insurance	1,247	1,137
	<b>42,159</b>	35,439
<b>Net written premiums and policy fees</b>	<b>120,639</b>	110,223

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 7. NET INTEREST INCOME FROM BANKING OPERATIONS

For the six months ended 30 June (in RMB million)	2012 (Unaudited)	2011 (Unaudited)
<b>Interest income from banking operations</b>		
Due from the Central Bank	1,320	250
Due from financial institutions	4,084	642
Loans and advances to customers		
Corporate loans and advances to customers	15,075	2,838
Individual loans and advances to customers	6,746	1,392
Discounted bills	290	80
Bonds	4,853	1,127
Others	5,003	2
Subtotal	37,371	6,331
<b>Interest expenses on banking operations</b>		
Due to the Central Bank	12	4
Due to financial institutions	7,439	1,184
Customer deposits	10,854	1,530
Bonds payable	515	62
Others	1,685	3
Subtotal	20,505	2,783
Net interest income from banking operations	16,866	3,548

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

For the six months ended 30 June (in RMB million)	2012 (Unaudited)	2011 (Unaudited)
<b>Fees and commission income from non-insurance operations</b>		
Brokerage fees	338	509
Underwriting commission income	646	1,181
Trust service fees	834	755
Fees and commission income from banking business	3,076	887
Others	133	130
Subtotal	5,027	3,462
<b>Fees and commission expenses on non-insurance operations</b>		
Brokerage fees paid	63	95
Fees and commission expenses on banking business	315	93
Others	227	180
Subtotal	605	368
Net fees and commission income from non-insurance operations	4,422	3,094

## 9. INVESTMENT INCOME

For the six months ended 30 June (in RMB million)	2012 (Unaudited)	2011 (Unaudited)
Net investment income	<b>21,113</b>	16,507
Realized gains/(losses)	<b>(2,375)</b>	733
Unrealized gains/(losses)	<b>155</b>	(386)
Impairment losses	<b>(3,933)</b>	(942)
Total investment income	<b>14,960</b>	15,912

### (1) NET INVESTMENT INCOME

For the six months ended 30 June (in RMB million)	2012 (Unaudited)	2011 (Unaudited)
Interest income from non-banking operations on fixed maturity investments		
Bonds and debt schemes		
- Held-to-maturity	<b>8,572</b>	7,167
- Available-for-sale	<b>2,663</b>	2,699
- Carried at fair value through profit or loss	<b>133</b>	249
- Loans and receivables	<b>634</b>	239
Term deposits		
- Loans and receivables	<b>4,952</b>	3,397
Current accounts		
- Loans and receivables	<b>246</b>	158
Others		
- Loans and receivables	<b>741</b>	438
- Carried at fair value through profit or loss	<b>106</b>	3
Dividend income from equity investments		
Equity investment funds		
- Available-for-sale	<b>537</b>	1,210
- Carried at fair value through profit or loss	<b>292</b>	230
Equity securities		
- Available-for-sale	<b>2,757</b>	1,430
- Carried at fair value through profit or loss	<b>2</b>	6
Operating lease income from investment properties	<b>472</b>	222
Interest expenses on assets sold under agreements to repurchase and interbank lending	<b>(994)</b>	(941)
	<b>21,113</b>	16,507

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 9. INVESTMENT INCOME (CONTINUED)

### (2) REALIZED GAINS/(LOSSES)

For the six months ended 30 June (in RMB million)	2012 (Unaudited)	2011 (Unaudited)
Fixed maturity investments		
- Available-for-sale	467	(174)
- Carried at fair value through profit or loss	58	(88)
Equity investments		
- Available-for-sale	(3,091)	878
- Carried at fair value through profit or loss	(136)	116
- Subsidiaries, associates and jointly controlled entities	12	-
Derivative financial instruments		
- Carried at fair value through profit or loss	28	1
Others	287	-
	<b>(2,375)</b>	733

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

For the six months ended 30 June (in RMB million)	2012 (Unaudited)	2011 (Unaudited)
Fixed maturity investments		
- Carried at fair value through profit or loss	121	60
Equity investments		
- Carried at fair value through profit or loss	45	(465)
Derivative financial instruments		
- Carried at fair value through profit or loss	(11)	19
	<b>155</b>	(386)

### (4) IMPAIRMENT LOSSES

For the six months ended 30 June (in RMB million)	2012 (Unaudited)	2011 (Unaudited)
Equity investments		
- Available-for-sale	(3,933)	(942)

## 10. OTHER INCOME

For the six months ended 30 June (in RMB million)	2012 (Unaudited)	2011 (Unaudited)
Sales of goods	1,879	322
Management income from investment-linked products and income from investment contracts	581	634
Expressway toll fee income	477	512
Others	726	457
	<b>3,663</b>	1,925

## 11. CLAIMS AND POLICYHOLDERS' BENEFITS

(1)

For the six months ended 30 June (in RMB million)	2012		
	Gross (Unaudited)	Reinsurers' share (Unaudited)	Net (Unaudited)
Claims and claim adjustment expenses	29,265	(2,861)	26,404
Surrenders	2,576	-	2,576
Annuities	2,702	-	2,702
Maturities and survival benefits	9,817	-	9,817
Policyholder dividends	3,784	-	3,784
Increase in policyholders' reserves	41,325	(123)	41,202
Interest credited to policyholder contract deposits	3,967	-	3,967
	<b>93,436</b>	<b>(2,984)</b>	<b>90,452</b>

For the six months ended 30 June (in RMB million)	2011		
	Gross (Unaudited)	Reinsurers' share (Unaudited)	Net (Unaudited)
Claims and claim adjustment expenses	22,722	(2,291)	20,431
Surrenders	2,058	-	2,058
Annuities	2,326	-	2,326
Maturities and survival benefits	7,185	-	7,185
Policyholder dividends	2,842	-	2,842
Increase in policyholders' reserves	45,869	(129)	45,740
Interest credited to policyholder contract deposits	2,790	-	2,790
	85,792	(2,420)	83,372

(2)

For the six months ended 30 June (in RMB million)	2012		
	Gross (Unaudited)	Reinsurers' share (Unaudited)	Net (Unaudited)
Long term life insurance contract benefits	66,771	(246)	66,525
Short term life insurance claims	1,898	(24)	1,874
Property and casualty insurance claims	24,767	(2,714)	22,053
	<b>93,436</b>	<b>(2,984)</b>	<b>90,452</b>

For the six months ended 30 June (in RMB million)	2011		
	Gross (Unaudited)	Reinsurers' share (Unaudited)	Net (Unaudited)
Long term life insurance contract benefits	65,004	(237)	64,767
Short term life insurance claims	1,663	(188)	1,475
Property and casualty insurance claims	19,125	(1,995)	17,130
	85,792	(2,420)	83,372

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 12. 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)	2012 (Unaudited)	2011 (Unaudited)
Employee costs	12,853	7,791
Interest expenses on investment contract reserves	404	374
Provision for insurance guarantee fund	594	522
Regulatory charges	139	166
Depreciation of investment properties	238	154
Depreciation of property and equipment	1,035	603
Amortization of intangible assets	814	332
Rental expenses	1,571	1,008
Advertising expenses	1,995	1,212
Traveling expenses	348	332
Office miscellaneous expenses	524	423
Other taxes	143	99
Postage and telecommunication expenses	613	477
Vehicle and vessel fuel expenses	292	226
Losses/(gains) on disposal of investment properties, property and equipment, and intangible assets	8	(18)
Provision/(reversal of provision) for doubtful debts, net	15	(74)
Provision for loans, net	1,536	261

## 13. INCOME TAX

For the six months ended 30 June (in RMB million)	2012 (Unaudited)	2011 (Unaudited)
Current income tax	4,177	3,306
Deferred income tax	(1,183)	(38)
	2,994	3,268



## 14. OTHER COMPREHENSIVE INCOME

For the six months ended 30 June (in RMB million)	2012 (Unaudited)	2011 (Unaudited)
Available-for-sale financial assets:		
Changes in fair value	1,730	(6,256)
Reclassification adjustments for losses/(gains) included in the income statement		
- Losses/(gains) on disposal	2,655	(688)
- Impairment losses	3,933	942
Income tax effect	(2,051)	1,455
	<b>6,267</b>	(4,547)
Shadow accounting adjustments	(2,398)	1,326
Income tax effect	600	(333)
	<b>(1,798)</b>	993
Exchange differences on translation of foreign operations	111	51
Share of other comprehensive income of associates and jointly controlled entities	3	(42)
	<b>4,583</b>	(3,545)

## 15. DIVIDENDS

For the six months ended 30 June (in RMB million)	2012	2011
Final dividend on ordinary shares declared for 2011: RMB0.25 per share (2010: RMB0.40 per share) (Audited)	1,979	3,058
Interim dividend on ordinary shares approved (not recognized as a liability as at 30 June) for 2012: RMB0.15 per share (2011: RMB0.15 per share) (Unaudited)	1,187	1,187

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 16. EARNINGS PER SHARE

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

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

For the six months ended 30 June	2012 (Unaudited)	2011 (Unaudited)
Net profit attributable to ordinary shareholders (in RMB million)	<b>13,959</b>	12,757
Weighted average number of outstanding shares of the Company (million shares)	<b>7,916</b>	7,644
Basic earnings per share (in RMB)	<b>1.76</b>	1.67
Diluted earnings per share (in RMB)	<b>1.76</b>	1.67

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

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Cash on hand	<b>2,277</b>	2,242
Term deposits	<b>206,468</b>	157,977
Due from banks and other financial institutions	<b>170,314</b>	92,340
Placements with banks and other financial institutions	<b>26,320</b>	8,447
	<b>405,379</b>	261,006

As at 30 June 2012, amounts due from banks of RMB5,046 million (31 December 2011: RMB13,267 million) were designated at fair value through profit or loss.

As at 30 June 2012, cash and amounts due from banks and other financial institutions of RMB92 million (31 December 2011: RMB278 million) were restricted from use.

## 18. FIXED MATURITY INVESTMENTS

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Bonds	710,625	697,344
Debt schemes	18,558	10,360
Policy loans	16,519	14,105
Assets purchased under agreements to resell	121,170	37,312
Banking wealth management products	36,604	13,232
	<b>903,476</b>	772,353

Details of bonds are as follows:

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Held-to-maturity, at amortized cost	506,936	480,005
Available-for-sale, at fair value	184,407	199,373
Held-for-trading	11,048	9,732
Loans and receivables	8,234	8,234
	<b>710,625</b>	697,344
Government bonds	127,791	139,110
Central Bank bills	11,018	11,084
Finance bonds	387,844	363,793
Corporate bonds	183,972	183,357
	<b>710,625</b>	697,344
Listed	45,897	56,673
Unlisted	664,728	640,671
	<b>710,625</b>	697,344

As at 30 June 2012, bonds with a carrying amount of RMB119,298 million (31 December 2011: RMB98,441 million) were pledged as collateral for assets sold under agreements to repurchase.

As at 30 June 2012, bonds and discounted bills held as collateral for assets purchased under agreements to resell with a carrying amount of RMB2,606 million (31 December 2011: RMB420 million) were pledged as collateral for assets sold under agreements to repurchase.

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 19. EQUITY INVESTMENTS

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Equity investment funds	40,128	30,390
Equity securities	96,221	77,485
Other equity investments	10,163	9,110
	<b>146,512</b>	116,985

### (1) EQUITY INVESTMENT FUNDS

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Available-for-sale, at fair value	33,305	25,461
Carried at fair value through profit or loss	6,823	4,929
	<b>40,128</b>	30,390
Listed	8,732	6,394
Unlisted	31,396	23,996
	<b>40,128</b>	30,390

### (2) EQUITY SECURITIES

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Available-for-sale, at fair value	95,862	77,313
Held-for-trading	359	172
	<b>96,221</b>	77,485
Listed	95,876	77,315
Unlisted	345	170
	<b>96,221</b>	77,485

### (3) OTHER EQUITY INVESTMENTS

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Available-for-sale, at fair value	-	44
Available-for-sale, at cost	8,614	7,286
Carried at fair value through profit or loss		
- Held-for-trading	53	-
- Designated at fair value through profit or loss	1,496	1,780
	<b>10,163</b>	9,110
Unlisted	<b>10,163</b>	9,110

## 20. LOANS AND ADVANCES TO CUSTOMERS

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Corporate customers		
Loans	<b>450,930</b>	414,478
Discounted bills	<b>35,664</b>	17,683
Individual customers		
Credit card	<b>30,628</b>	24,710
Property mortgages	<b>133,752</b>	140,786
Others	<b>33,498</b>	24,982
Gross	<b>684,472</b>	622,639
Less: Loan loss provisions	<b>(12,161)</b>	(10,908)
Net	<b>672,311</b>	611,731

Loan loss provisions are as follows:

For the six months ended 30 June (in RMB million)	2012			2011		
	Individually assessed (Unaudited)	Collectively assessed (Unaudited)	Total (Unaudited)	Individually assessed (Unaudited)	Collectively assessed (Unaudited)	Total (Unaudited)
As at 1 January	<b>1,714</b>	<b>9,194</b>	<b>10,908</b>	398	1,138	1,536
Charge/(reversal) for the period	<b>383</b>	<b>1,153</b>	<b>1,536</b>	(9)	270	261
Write-off during the period	<b>(242)</b>	<b>(152)</b>	<b>(394)</b>	(1)	(104)	(105)
Write-backs during the period						
Recovery of loans written off previously	<b>149</b>	<b>55</b>	<b>204</b>	-	-	-
Interest accrued on impaired loans and advances	<b>(90)</b>	-	<b>(90)</b>	(3)	-	(3)
Other changes for the period	<b>(7)</b>	<b>4</b>	<b>(3)</b>	(3)	-	(3)
As at 30 June	<b>1,907</b>	<b>10,254</b>	<b>12,161</b>	382	1,304	1,686

As at 30 June 2012, discounted bills with a carrying amount of RMB385 million (31 December 2011: RMB716 million) were pledged as collateral for amounts due to the Central Bank.

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 21. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The Group's investments in major associates and jointly controlled entities as at 30 June 2012 are as follows:

(in RMB million) Name of the invested entity	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Beijing-Shanghai High-speed Railway Equity Investment Scheme	6,300	6,300
Veolia Water (Kunming) Investment Co., Ltd.	220	208
Veolia Water (Yellow River) Investment Co., Ltd.	648	613
Veolia Water (Liuzhou) Investment Co., Ltd.	112	111
Shanxi Taichang Expressway Co., Ltd.	858	809
Hubei Shumyip Huayin Traffic Development Co., Ltd.	286	301
Central China Securities Holding Co., Ltd.	-	1,684
Zhong You Jin Hong Natural Gas Transmission Co., Ltd.	507	480
Foshan Shunde Peace Hospital Investment Co., Ltd.	128	136
Tongxin No.1 Real Estate Investment Aggregated Fund Trust Scheme	98	100
Chengdu Gongtou Assets Management Co., Ltd.	425	429
Ping An Caifu Jinkang Trust Schemes of Collective Funds	86	87
Xi'an Ruilian Modern Electronic Chemical Co., Ltd.	-	321
Newheight Holdings Ltd.	20	70
Jiangyin Tianjiang Pharmaceutical Co., Ltd.	316	-
Shanghai Takasago-Union Fragrances & Flavors Co., Ltd.	73	-
Others	172	188
	<b>10,249</b>	<b>11,837</b>

## 22. ACCOUNTS RECEIVABLE

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Receivables in respect to payments made on behalf of other banks	84,646	88,481
Receivables in respect to payments made on behalf of customers (Note)	31,204	74,126
Receivables under factoring arrangements	7,114	7,759
Others	899	361
<b>Total</b>	<b>123,863</b>	<b>170,727</b>
Less: provision for accounts receivable	(44)	-
<b>Net</b>	<b>123,819</b>	<b>170,727</b>

Note: The above receivables are related to the trade finance services provided by the Group's banking subsidiaries to their customers by making payments on behalf of the customers via their offshore business unit or other banks. In connection with this, the payments made by other banks are correspondingly recorded in Accounts Payable.

## 23. OTHER ASSETS

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Interest receivables	27,111	22,735
Other receivables (Note)	14,486	8,848
Due from reinsurers	4,645	4,369
Settled assets	540	602
Prepayments	345	3,649
Dividend receivables	2,231	40
Inventories	628	106
Others	2,394	1,749
	<b>52,380</b>	<b>42,098</b>

Note: Since 1 January 2009, the Group has implemented the "Interpretation No. 2 to China Accounting Standards" and the "Regulation on Accounting for Insurance Contracts" (Caikuai [2009] No. 15) issued by the Ministry of Finance. As the relevant tax laws and regulations have not clearly clarified how the implementation of the above accounting regulations would affect the manner in which corporate income tax would be imposed, the Group accrued the corporate income tax based on its understanding and judgment of the current prevailing tax laws and regulations when preparing the financial statements. As there is a difference between the accrued corporate income tax amount and the actual payment of the corporate income tax, the Group recorded this difference of RMB3,520 million in other assets as at 30 June 2012 as prepaid income tax (31 December 2011: RMB3,520 million). The amount and timing as to the recoverability of such prepaid tax is subject to the final clarification from the relevant tax authorities.

## 24. SHARE CAPITAL

(in millions)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Number of shares registered, issued and fully paid, with a par value of RMB1 each	7,916	7,916

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 25. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Deposits from other banks and financial institutions	329,916	180,436
Due to the Central Bank	26,240	1,131
Short term borrowings	3,988	2,994
Long term borrowings	9,848	11,134
	<b>369,992</b>	195,695

## 26. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Current and savings accounts		
Corporate customers	210,896	201,731
Individual customers	87,605	69,075
Term deposits		
Corporate customers	287,011	258,709
Individual customers	87,033	70,410
Guarantee deposits	226,134	204,213
Term deposits from the Central Bank	110	5,800
Payables to brokerage customers		
Corporate customers	792	1,938
Individual customers	6,528	6,292
Others	21,344	17,881
	<b>927,453</b>	836,049

## 27. ACCOUNTS PAYABLE

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Payables in respect to payments made on behalf of customers (Note)	25,212	69,478
Payables under factoring arrangements	979	968
Others	693	193
	<b>26,884</b>	70,639

Note: For details of the payments made on behalf of customers, refer to Note 22.

## 28. INSURANCE CONTRACT LIABILITIES

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Policyholders' reserves	504,999	461,521
Policyholder contract deposits	218,889	195,381
Policyholder account liabilities in respect of insurance contracts	33,283	33,460
Unearned premium reserves	48,287	42,288
Claim reserves	28,776	25,754
	<b>834,234</b>	758,404



## 29. BONDS PAYABLE

Issuer	Type	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Value Success International Limited	Offshore RMB bonds	1,996	1,995
Ping An Property & Casualty Insurance Company of China, Ltd.	Subordinated bonds	4,620	4,595
Ping An Life Insurance Company of China, Ltd.	Subordinated bonds	12,995	3,997
Ping An Bank	Subordinated bonds	-	2,995
SDB	Subordinated bonds and hybrid capital debt instruments	16,074	13,051
		<b>35,685</b>	26,633

## 30. FIDUCIARY ACTIVITIES

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Assets under trust schemes	217,761	179,907
Assets under corporate annuity schemes	50,794	37,400
Assets under asset management schemes	52,767	43,423
Entrusted loans	21,397	20,665
Entrusted investments	49,055	33,182
	<b>391,774</b>	314,577

All of the above are off-balance sheet items.

## 31. FAIR VALUE AND FAIR VALUE HIERARCHY

The methods used to determine fair values of financial assets and liabilities and the breakdown of fair value hierarchy are disclosed in the 2011 annual report of the Group. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

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

Level 3: valuation techniques which use any inputs which have a significant effect on the recorded fair value that are not based on observable market data.

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 31. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

(in RMB million)	30 June 2012			Total fair value (Unaudited)
	Level 1 (Unaudited)	Level 2 (Unaudited)	Level 3 (Unaudited)	
<b>Financial assets</b>				
Carried at fair value through profit or loss				
Bonds	1,337	9,650	61	11,048
Equity investment funds	6,823	-	-	6,823
Equity securities	359	-	-	359
Others	-	6,595	-	6,595
	<b>8,519</b>	<b>16,245</b>	<b>61</b>	<b>24,825</b>
Derivative financial assets				
Interest rate swaps	-	188	-	188
Currency forwards and swaps	-	615	-	615
	-	<b>803</b>	-	<b>803</b>
Available-for-sale financial assets				
Bonds	11,527	172,880	-	184,407
Equity investment funds	33,123	182	-	33,305
Equity securities	94,913	785	164	95,862
Others	126	-	-	126
	<b>139,689</b>	<b>173,847</b>	<b>164</b>	<b>313,700</b>
Total financial assets	<b>148,208</b>	<b>190,895</b>	<b>225</b>	<b>339,328</b>
<b>Financial liabilities</b>				
Derivative financial liabilities				
Interest rate swaps	-	197	-	197
Currency forwards and swaps	-	537	-	537
Total financial liabilities	-	<b>734</b>	-	<b>734</b>

## 31. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy: (continued)

(in RMB million)	31 December 2011			Total fair value (Audited)
	Level 1 (Audited)	Level 2 (Audited)	Level 3 (Audited)	
<b>Financial assets</b>				
Carried at fair value through profit or loss				
Bonds	1,640	8,034	58	9,732
Equity investment funds	4,290	639	-	4,929
Equity securities	172	-	-	172
Others	-	15,047	-	15,047
	6,102	23,720	58	29,880
Derivative financial assets				
Interest rate swaps	-	150	-	150
Currency forwards and swaps	-	668	-	668
	-	818	-	818
Available-for-sale financial assets				
Bonds	22,028	177,345	-	199,373
Equity investment funds	25,138	323	-	25,461
Equity securities	72,077	5,066	170	77,313
Others	44	-	-	44
	119,287	182,734	170	302,191
<b>Total financial assets</b>	<b>125,389</b>	<b>207,272</b>	<b>228</b>	<b>332,889</b>
<b>Financial liabilities</b>				
Derivative financial liabilities				
Interest rate swaps	-	150	-	150
Currency forwards and swaps	-	582	-	582
<b>Total financial liabilities</b>	<b>-</b>	<b>732</b>	<b>-</b>	<b>732</b>

The assets and liabilities of investment-linked business are not included in the above disclosure of the fair value hierarchy.

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 32. RISK AND CAPITAL MANAGEMENT

### (1) INSURANCE RISK

Insurance risk refers to the risk that actual indemnity might exceed expected indemnity due to the frequency and severity of insurance accidents, as well as the possibility that insurance surrender rates are being underestimated. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

- ▶ Occurrence risk - the possibility that the number of insured events will differ from those expected.
- ▶ Severity risk - the possibility that the cost of the events will differ from those expected.
- ▶ Development risk - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

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

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

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

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

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

#### Concentration of insurance risks

The Group runs its insurance business primarily within the PRC. Hence the geographical insurance risk is concentrated primarily within the PRC.

#### Assumptions

##### (a) Long term life insurance contracts

Material judgment is required in determining insurance contract reserves and in choosing discount rates/investment return, mortality, morbidity, lapse rates, expenses assumptions relating to long term life insurance contracts.

## 32. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (1) INSURANCE RISK (CONTINUED)

#### Assumptions (continued)

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

The principal assumption underlying the estimates includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year which are determined based on the Group's past claim experiences. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include delays in settlement, etc.

##### (c) *Reinsurance*

The Group limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis and the surplus basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurers' share of insurance liabilities and due from reinsurers.

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

### (2) MARKET RISK

Market risk is the risk of changes in fair value of financial instruments and future cash flows from fluctuation of market prices, which includes three types of risks from volatility of foreign exchange rates (foreign currency risk), market interest rates (interest rate risk) and market prices (price risk).

#### (a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB, 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 liabilities whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities and equity investment funds classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

The above investments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

The Group managed price risks by diversification of investments, setting limits for investments in different securities, etc.

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 32. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (2) MARKET RISK (CONTINUED)

#### (c) Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instruments and is fixed until maturity.

### (3) CREDIT RISK

Credit risks refer to the risk of losses incurred by the inability of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investments in bonds, equity investments, reinsurance arrangements with reinsurers, policy loans, financial guarantees, loan commitments, etc. The Group mitigates credit risk by using a variety of controls including credit control policies, credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

The bank segment of the Group has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management procedures for its corporate and retail loans comprise the processes of credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection. In addition, the Group has formulated the "Policies of Credit Underwriting", which have defined the functions and responsibilities of different credit operational processes, and have enhanced the monitoring of the related compliance for improving the overall effective control of credit risk. The Group also further enhanced its credit risk monitoring and early warning management system in order to improve its credit risk monitoring. The Group actively responded to the change of the credit environment by conducting regular analysis on credit risk situation and matters and taking precautionary risk control measures with a forward-looking vision. The Group also set up a problematic loan optimization mechanism to speed up the problematic loan optimization process and preventing them from deteriorating to non-performing loans.

The bank segment of the Group sub-divides credit asset risks into 10 categories based on the five-tier loan classification system promulgated by the China Banking Regulatory Commission, namely, Pass One, Pass Two, Pass Three, Pass Four, Pass Five, Special Mention One, Special Mention Two, Substandard, Doubtful, Loss and Write-off. The bank segment applies different management policies to the loans in accordance with their respective loan categories.

Risks arising from financial guarantees and loan commitments are similar to those associated with loans and advances. Transactions of financial guarantees and loan commitments are, therefore, subject to the same portfolio management and the same requirements for application and collateral as loans and advances to customers.

## 32. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (4) LIQUIDITY RISK

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

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

### (5) MISMATCHING RISK OF ASSETS AND LIABILITIES

The objective of the Group's asset and liability management is to match assets with liabilities on the basis of both the duration and interest rate. In the current regulatory and market environment, however, the Group is unable to invest in sufficient assets with long enough duration to match that of its life insurance and investment contract liabilities. When the current regulatory and market environment permits, however, the Group will lengthen the duration of its assets by matching the new liabilities of lower guarantee rates, while narrowing the gap of existing liabilities of higher guarantee rates.

### (6) OPERATIONAL RISK

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

### (7) CAPITAL MANAGEMENT

The Group's capital requirements are primarily dependent on the scale and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and to maintain healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to ordinary shareholders or issue capital securities.

The Group complied with the externally imposed capital requirements as at 30 June 2012 and no changes were made to its capital base, objectives, policies and processes from the previous year.

# Notes to Interim Condensed Consolidated Financial Statements

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## 33. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

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

(in RMB million)	30 June 2012						Total (Unaudited)
	Past due (Unaudited)	Less than 3 months (Unaudited)	3 to 12 months (Unaudited)	1 to 5 years (Unaudited)	Over 5 years (Unaudited)	Undated (Unaudited)	
Balances with the Central Bank and statutory deposits	22,694	893	562	11,634	582	155,521	191,886
Cash and amounts due from banks and other financial institutions	70,737	110,121	51,855	212,387	6,386	278	451,764
Fixed maturity investments	1,273	111,767	121,774	274,517	749,838	141	1,259,310
Equity investments	-	-	-	-	-	146,512	146,512
Loans and advances to customers	10,646	162,248	322,412	151,155	125,767	-	772,228
Premium receivables	1,250	5,100	3,341	4,505	21	-	14,217
Accounts receivable	148	71,186	55,179	2,379	-	-	128,892
Other assets	10,913	6,947	1,239	2,292	52	-	21,443
	<b>117,661</b>	<b>468,262</b>	<b>556,362</b>	<b>658,869</b>	<b>882,646</b>	<b>302,452</b>	<b>2,986,252</b>
Due to banks and other financial institutions	17,840	285,830	60,815	10,109	2,004	-	376,598
Assets sold under agreements to repurchase	-	119,033	4,901	427	-	-	124,361
Customer deposits and payables to brokerage customers	405,592	257,313	212,111	79,061	-	-	954,077
Accounts payable	100	16,279	10,510	854	-	-	27,743
Insurance payables	20,298	3,871	386	-	-	-	24,555
Investment contract liabilities for policyholders	-	679	2,186	11,188	22,437	-	36,490
Policyholder dividend payable	20,606	-	-	-	-	-	20,606
Bonds payable	-	235	8,183	11,925	29,228	-	49,571
Other liabilities	12,961	2,704	3,297	1,970	2	-	20,934
	<b>477,397</b>	<b>685,944</b>	<b>302,389</b>	<b>115,534</b>	<b>53,671</b>	<b>-</b>	<b>1,634,935</b>
Derivative cash flows							
Derivative financial instruments settled on a net basis	-	1	8	10	-	-	19
Derivative financial instruments settled on a gross basis							
- Cash inflow	-	83,469	91,556	3,556	-	-	178,581
- Cash outflow	-	(83,373)	(91,557)	(3,553)	-	-	(178,483)
	<b>-</b>	<b>96</b>	<b>(1)</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>98</b>



### 33. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (CONTINUED)

(in RMB million)	31 December 2011						Total (Audited)
	Past due (Audited)	Less than 3 months (Audited)	3 to 12 months (Audited)	1 to 5 years (Audited)	Over 5 years (Audited)	Undated (Audited)	
Balances with the Central Bank and statutory deposits	25,796	26	1,680	5,129	371	137,064	170,066
Cash and amounts due from banks and other financial institutions	47,065	48,103	18,361	144,805	21,678	67	280,079
Fixed maturity investments	413	50,048	76,948	269,186	709,875	-	1,106,470
Equity investments	-	-	-	-	-	116,985	116,985
Loans and advances to customers	4,611	134,319	285,926	150,919	138,335	-	714,110
Premium receivables	796	6,111	2,100	3,075	7	-	12,089
Accounts receivable	138	84,826	90,709	1,695	-	-	177,368
Other assets	7,560	3,560	896	1,241	-	-	13,257
	86,379	326,993	476,620	576,050	870,266	254,116	2,590,424
Due to banks and other financial institutions	15,238	119,317	56,962	9,082	1,762	-	202,361
Assets sold under agreements to repurchase	-	99,630	19	469	-	-	100,118
Customer deposits and payables to brokerage customers	388,621	211,321	188,935	66,668	38	-	855,583
Accounts payable	78	42,167	30,845	-	-	-	73,090
Insurance payables	17,131	3,219	300	1	-	-	20,651
Investment contract liabilities for policyholders	-	771	2,230	9,371	23,409	-	35,781
Policyholder dividend payable	17,979	-	-	-	-	-	17,979
Bonds payable	-	459	984	17,037	17,717	-	36,197
Other liabilities	14,691	2,493	734	1,202	17	-	19,137
	453,738	479,377	281,009	103,830	42,943	-	1,360,897
Derivative cash flows							
Derivative financial instruments settled on a net basis	-	(7)	-	(6)	-	-	(13)
Derivative financial instruments settled on a gross basis							
- Cash inflow	-	54,507	56,147	1,738	84	-	112,476
- Cash outflow	-	(54,498)	(56,059)	(1,736)	(84)	-	(112,377)
	-	9	88	2	-	-	99

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 34. CASH AND CASH EQUIVALENTS

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Balances with the Central Bank	22,625	21,336
Cash and amounts due from banks and other financial institutions		
Cash on hand	2,277	2,242
Term deposits	2,538	5,034
Due from banks and other financial institutions	117,659	59,737
Placements with banks and other financial institutions	24,308	6,829
Equity investments		
Money market placements	6,941	4,334
Fixed maturity investments		
Bonds of original maturities within 3 months	980	103
Assets purchased under agreements to resell	73,764	10,866
	<b>251,092</b>	<b>110,481</b>

The carrying amounts disclosed above approximate to their fair values as at 30 June 2012.

## 35. SIGNIFICANT RELATED PARTY TRANSACTIONS

### (1) THE SUMMARY OF SIGNIFICANT RELATED PARTY TRANSACTIONS IS AS FOLLOWS:

For the six months ended 30 June (in RMB million)	2012 (Unaudited)	2011 (Unaudited)
Interest income from		
SDB	-	62
The Hongkong and Shanghai Banking Corp., Ltd. ("HSBC")	1	-
Interest expense paid to		
HSBC	15	3
SDB	-	3
Goods purchased from		
Newheight Information Technology (Shanghai) Co., Ltd. ("Newheight Shanghai")	587	-

SDB became a subsidiary of the Group from an associate of the Group since 18 July 2011.

### (2) THE SUMMARY OF BALANCES OF THE GROUP WITH RELATED PARTIES IS AS FOLLOWS:

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
HSBC		
Cash and amounts due from banks and other financial institutions	447	367
Fixed maturity investments	-	189
Due to banks and other financial institutions	1,148	496
Bonds payable	290	290
Newheight Shanghai		
Other liabilities	234	12

## 36. COMMITMENTS

### (1) CAPITAL COMMITMENTS

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

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Contracted, but not provided for	9,370	4,646
Authorized, but not contracted for	3,103	7,990
	<b>12,473</b>	12,636

### (2) OPERATING LEASE COMMITMENTS

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

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Within 1 year	2,687	2,419
1-5 years	5,047	4,638
More than 5 years	1,195	1,099
	<b>8,929</b>	8,156

### (3) CREDIT COMMITMENTS

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Financial guarantee contracts		
Bank acceptances	342,307	296,782
Guarantees issued	25,048	25,172
Letters of credit issued	17,310	6,017
Subtotal	<b>384,665</b>	327,971
Unused limit of credit cards and irrevocable loan commitments	44,142	42,458
Total	<b>428,807</b>	370,429
Credit risk weighted amounts of credit commitments	<b>179,364</b>	156,051

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

As at 30 June 2012, apart from the above irrevocable credit commitments, revocable loan commitments granted by the Group was RMB1,168.8 billion (31 December 2011: RMB954 billion). Since these commitments are revocable under certain conditions or would be automatically revoked when the creditability of the borrower deteriorates the total commitment amounts do not necessarily represent future cash requirements.

# Notes to Interim Condensed Consolidated Financial Statements

As at 30 June 2012

## 36. COMMITMENTS (CONTINUED)

### (4) OPERATING LEASE RENTAL RECEIVABLES

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

(in RMB million)	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Within 1 year	604	634
1-5 years	737	863
More than 5 years	121	236
	<b>1,462</b>	1,733

## 37. CONTINGENT LIABILITIES

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

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

## 38. EVENTS AFTER THE REPORTING PERIOD

- (1) SDB, a subsidiary of the Group, has completed the merger with its subsidiary, Ping An Bank, in June 2012. Subsequently, SDB was renamed as Ping An Bank Co., Ltd. on 27 July 2012.
- (2) On 23 August 2012, the directors proposed to distribute an interim dividend of RMB1,187 million as stated in Note 15.

## 39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors of the Company on 23 August 2012.

# Definition

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

Ping An, Company, the Company, Group, the Group, Ping An Group	Ping An Insurance (Group) Company of China, Ltd.
Ping An Life	Ping An Life Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Property & Casualty	Ping An Property & Casualty Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Health	Ping An Health Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Annuity	Ping An Annuity Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Trust	China Ping An Trust Co., Ltd., a subsidiary of the Company
Ping An Securities	Ping An Securities Company, Ltd., a subsidiary of Ping An Trust
Ping An Asset Management	Ping An Asset Management Co., Ltd., a subsidiary of the Company
SDB, Shenzhen Development Bank	Shenzhen Development Bank Co., Ltd., an associate of the Company since May 2010, became a subsidiary of the Company in July 2011. On July 27, 2012, its name was changed to "Ping An Bank Co., Ltd."
Original Ping An Bank	The original Ping An Bank Co., Ltd., became a subsidiary of SDB in July 2011, before that, it was a subsidiary of the Company. It was deregistered on June 12, 2012 due to absorption merger by SDB
Ping An Bank, New Ping An Bank	Ping An Bank Co., Ltd., a subsidiary of the Company, formerly named as Shenzhen Development Bank Co., Ltd., which changed its name on July 27, 2012
Ping An Overseas Holdings	China Ping An Insurance Overseas (Holdings) Limited, a subsidiary of the Company
Ping An Hong Kong	China Ping An Insurance (Hong Kong) Company Limited, a subsidiary of Ping An Overseas Holdings
Ping An Asset Management (Hong Kong)	Ping An of China Asset Management (Hong Kong) Company Limited, a subsidiary of Ping An Overseas Holdings
Ping An Futures	Ping An Futures Co., Ltd., a subsidiary of Ping An Securities
Ping An Caizhi	Ping An Caizhi Investment Management Company Limited, a subsidiary of Ping An Securities
Ping An Securities (Hong Kong)	Ping An of China Securities (Hong Kong) Company Limited, a subsidiary of Ping An Securities
Ping An New Capital	Shenzhen Ping An New Capital Investment Co., Ltd., a subsidiary of Ping An Trust
Ping An Technology	Ping An Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Overseas Holdings
Ping An Processing & Technology	Ping An Processing & Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Overseas Holdings

# Definition

Ping An Financial Technology	Shenzhen Ping An Financial Technology Consulting Co., Ltd., a subsidiary of Ping An New Capital
Ping An Channel Development	Ping An Channel Development Consultation Service Company of Shenzhen, Ltd., a subsidiary of Ping An New Capital
Ping An-UOB Fund	Ping An-UOB Fund Management Company Limited, a subsidiary of Ping An Trust
MIT	Mobile Integrated Terminal
CAS	The Accounting Standards for Business Enterprises and the other relevant regulations issued by the Ministry of Finance
No. 2 Interpretation	The “No. 2 Interpretation of Accounting Standards for Business Enterprises” (Cai Kuai [2008] No. 11) issued by the Ministry of Finance
IFRS	International Financial Reporting Standards issued by International Accounting Standards Board
Written Premiums	All premiums received from the policies underwritten by the Company, which are prior to the significant insurance risk testing and unbundling of hybrid risk contracts
CSRC	China Securities Regulatory Commission
CIRC	China Insurance Regulatory Commission
CBRC	China Banking Regulatory Commission
Ministry of Finance	Ministry of Finance of the People’s Republic of China
PBOC	The People’s Bank of China
HKEx	The Stock Exchange of Hong Kong Limited
SSE	The Shanghai Stock Exchange
HSBC	The Hongkong and Shanghai Banking Corporation Limited
HSBC Insurance	HSBC Insurance Holdings Limited
HKEx Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SSE Listing Rules	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
Corporate Governance Code	the Corporate Governance Code as contained in Appendix 14 to the HKEx Listing Rules, formerly known as the Code on Corporate Governance Practices
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the HKEx Listing Rules
Articles of Association of the Company	the Articles of Association of Ping An Insurance (Group) Company of China, Ltd.



