PING AN

Insurance · Banking · Investment

专业25年

专业 让生活更简单

Annual Report 2012

Expertise Creates Value

Your faith in us
Is our impetus to continue
Trust being our common language

Your dreams
Are our wellspring
Action being our collective responsibility

Your future
Is our conviction
Creation being our common mission

Insurance-banking-investment
Expertise makes life simple

Professional Ping An,
Deserving of your faith in us
Deserving of your trust
Deserving of your anticipation

In the past 25 years, Ping An has grown from a regional property and casualty insurance company into a leading integrated financial services group in China. Leveraging its integrated financial platform, Ping An provides a full range of leading financial services to its customers.

As an organization oriented towards customer needs, Ping An has embraced the wave of technological evolution. By leveraging its high-quality professional team and leading integrated platform to introduce a "One Customer, One Account, Multiple Products and One-Stop Service" integrated financial services experience, Ping An becomes customers' personal wealth advisor, giving them personalized and thoughtful services along with peace of mind, as well as empowering the masses with simplicity and convenience in their finances.

Ping An is committed to watching over your blissful life, safeguarding your wealth, building a bright future hand-in-hand and helping you reap a bountiful harvest. With Ping An, expertise makes life simple.

Five-Year Summary

(in RMB million)	2012	2011	2010	2009	2008
GROUP					
Total income	**339,193**	272,244	195,814	152,838	87,658
Net profit	**26,750**	22,582	17,938	14,482	1,635
Net profit attributable to shareholders of the parent company	**20,050**	19,475	17,311	13,883	1,418
Basic earnings per share (in RMB)	**2.53**	2.50	2.30	1.89	0.19
Total assets	**2,844,266**	2,285,424	1,171,627	935,712	704,564
Total liabilities	**2,634,617**	2,114,082	1,054,744	843,969	637,405
Total equity	**209,649**	171,342	116,883	91,743	67,159
Equity attributable to shareholders of the parent company	**159,617**	130,867	112,030	84,970	64,542
Investment portfolio of insurance funds	**1,074,188**	867,301	762,953	589,713	464,665
Net investment yield of insurance funds (%)	**4.7**	4.5	4.2	3.9	4.1
Total investment yield of insurance funds (%)	**2.9**	4.0	4.9	6.4	(1.7)
Embedded value	**285,874**	235,627	200,986	155,258	122,859
Group solvency margin ratio (%)	**185.6**	166.7	197.9	302.1	308.0
INSURANCE BUSINESS					
Life Insurance Business					
Written premiums	**199,483**	187,256	164,448	134,503	102,369
Net profit	**6,457**	9,974	8,417	10,374	(1,464)
Net investment yield (%)	**4.7**	4.5	4.3	4.0	4.0
Total investment yield (%)	**2.8**	4.1	5.0	6.7	(2.4)
Embedded value	**177,460**	144,400	121,086	100,704	69,643
Solvency margin ratio – Ping An Life (%)	**190.6**	156.1	180.2	226.7	183.7
Property and Casualty Insurance Business					
Premium income	**99,089**	83,708	62,507	38,774	27,014
Net profit	**4,648**	4,979	3,865	675	500
Net investment yield (%)	**4.8**	4.6	4.0	4.0	4.3
Total investment yield (%)	**3.3**	3.9	4.2	5.4	7.0
Combined ratio (%)	**95.3**	93.5	93.2	98.6	104.0
Solvency margin ratio – Ping An Property & Casualty (%)	**178.4**	166.1	179.6	143.6	153.3
BANKING BUSINESS(2)					
Net interest income	**33,243**	18,371	5,438	3,425	3,814
Net profit	**13,232**	7,977	2,882	1,080	1,444
Net interest spread (%)	**2.19**	2.33	2.18	1.77	2.66
Net interest margin (%)	**2.37**	2.51	2.30	1.89	2.84
Cost/income ratio (%)	**40.61**	44.17	52.87	59.50	46.96
Total deposits	**1,021,108**	850,845	182,118	149,065	106,814
Total loans	**720,780**	620,642	130,798	107,562	72,486
Capital adequacy ratio (%)	**11.37**	11.51	10.96	13.05	10.69
Core capital adequacy ratio (%)	**8.59**	8.46	9.26	10.87	10.53
Non-performing loan ratio (%)	**0.95**	0.53	0.41	0.46	0.54
Provision coverage ratio (%)	**182.32**	320.66	211.07	155.96	153.71
INVESTMENT BUSINESS					
Securities Business					
Total income	**2,694**	3,080	3,850	2,477	1,471
Net profit	**845**	963	1,594	1,072	550
Trust Business					
Total income	**3,031**	2,407	2,155	1,192	1,661
Net profit	**1,524**	1,063	1,039	606	1,207

(1) Certain comparative figures have been reclassified or restated to conform to relevant period's presentation.

(2) The figures of banking business in 2012 include those of Ping An Bank (Original SDB). The figures of banking business in 2011 include figures of Original SDB and Original Ping An Bank that are consolidated by the Group. In 2010, Original SDB was an associate company of the Company, net profit of banking business includes the share of profits from Original SDB based on the equity method and profit from Original Ping An Bank, other data of 2010 only relate to Ping An Bank. The figures of 2009 and 2008 relate to Original Ping An Bank.

Contents

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

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

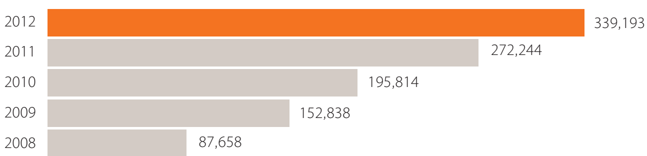
Introduction

Ping An is China's leading personal financial services group. Backed by our integrated financial structure, local expertise and best practices in corporate governance by international standards, we provide insurance, banking and investment services to nearly 80 million customers.

HIGHLIGHTS

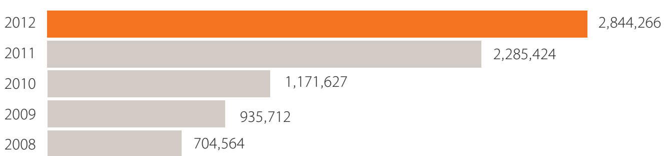
- Net profit attributable to shareholders of the parent company reached RMB20,050 million, up 3.0% compared to last year.
- The Company marked the end of a three-year long banking consolidation exercise, and the transitional process went on smoothly and successfully.
- Total assets of the Group exceeded RMB2.8 trillion on strengthening overall competitiveness.
- Ping An Life achieved stable increases in its business scale and in the number of agents. Ping An Property & Casualty's premium income surpassed RMB90 billion.
- Our core businesses delivered healthy performance with an improving business structure, and profit contribution to the Group largely increased.
- Ping An Trust recorded stable growth in its private wealth management business, with the number of high net-worth customers exceeding 18,000 cumulatively.

Total Income *(in RMB million)*

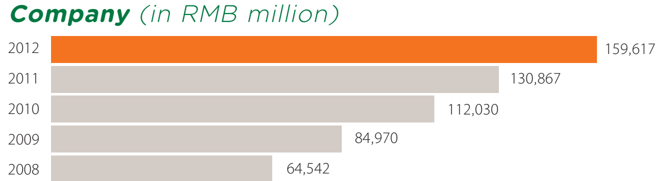


Net Profit attributable to Shareholders of the Parent Company *(in RMB million)*

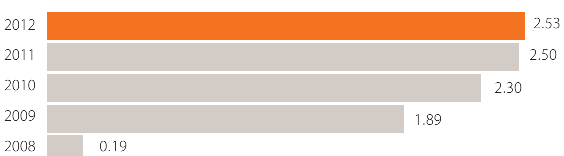
Total Assets *(in RMB million)*



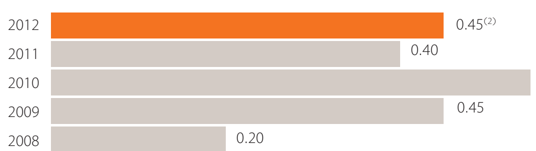
Equity attributable to Shareholders of the Parent Company *(in RMB million)*



EPS *(in RMB)*



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



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

(2) The 2012 final dividend of RMB0.30 per share is proposed for approval at the annual general meeting.

Business at a Glance

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

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

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

Customers

80 million

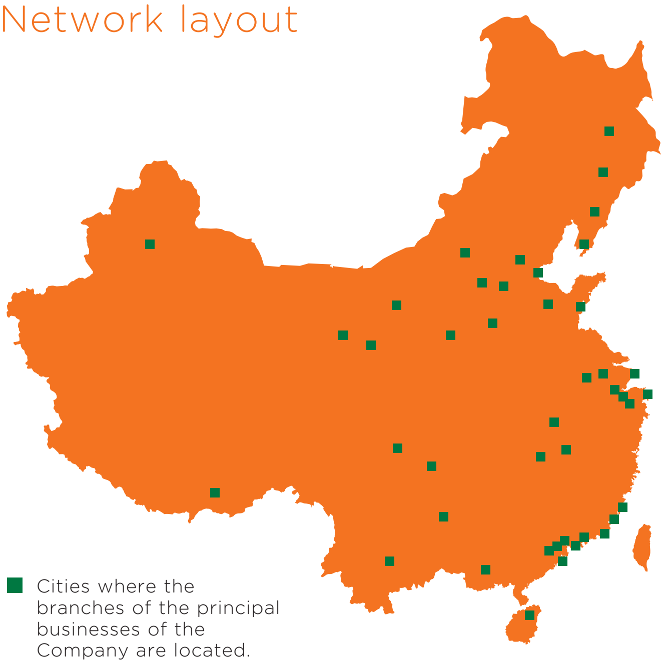
Employees

190,284

Sales agents

512,937

Network layout



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

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

INSURANCE

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

Ping An was primarily engaged in the property and casualty insurance business. After 25 years of growth, insurance remains the Group's core business, shared among four major subsidiaries: Ping An Life, Ping An Property & Casualty, Ping An Annuity and Ping An Health. Collectively, these companies provide clients with a full range of insurance products and services.

- Ping An Life achieved stable increases in its business scale and in the number of agents. The continuous improvements made to the structure of Ping An Life's products contributed to a significant rise in margin of embedded value for new business.
- Premium income from Ping An Property & Casualty surpassed RMB90 billion and combined ratio maintained at a good level.
- The assets entrusted and assets under investment management of Ping An Annuity exceeded RMB100 billion in total, maintained its leading position in the industry.

***Written Premiums** (in RMB million)*

See pages 28-41

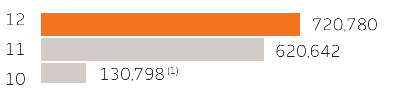
BANKING

- Ping An Bank

The Company operates its banking business through Ping An Bank, which is a national joint-stock commercial bank headquartered in Shenzhen and listed on the Shenzhen Stock Exchange under "Ping An Bank" and the stock code "000001". Ping An Bank was formerly known as Shenzhen Development Bank Co., Ltd. (which was merged with the Original Ping An bank in June 2012 and renamed Ping An Bank in July 2012).

- The Company marked the end of a three-year long banking consolidation exercise, and the transitional process went on smoothly and successfully.
- Core business delivered healthy performance with an improving business structure, and profit contribution to the Group largely increased.
- Accelerated expansion of the Group's network enabled its superior businesses such as credit cards, automobile finance and trade finance to leapfrog over its peers in the industry.

***Loan Balances** (in RMB million)*



(1) The 2010 balance include that of Original Ping An Bank Only.

See pages 42-47

INVESTMENT

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

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

- Ping An Trust recorded stable growth in its private wealth management business. The cumulative number of high net-worth customers surpassed 18,000.
- Ping An Securities successfully sponsored 14 IPOs and two refinancing projects as the lead underwriter; ranking third in terms of deal numbers and underwriting revenue for IPOs. It also completed 44 bond issuance projects as the lead underwriter, with the number of deals rising by 159% compared with 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.

***Assets Held in Trust** (in RMB million)*

See pages 48-53

SHARED PLATFORM

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

Chairman's Statement

Living in a country of 1.3 billion, we are surrounded everyday by individuals in pursuit of a better and more prosperous life, whether in the affluent city or in the remote countryside. Such aspirations have translated into a remarkable set of macroeconomic data: GDP, total resident consumption, resident savings and per capita income, etc. The 18th CPC National Congress presented to us a grand vision of the future: urbanization, the Income Doubling Programme, developing a well-off society and so forth, which conjures an enticing and exciting picture even to a finance veteran like me who witnessed the first three decades following the reforming and opening up of China. China's personal financial services industry will undoubtedly herald immense and brand new development opportunities in the future.

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1. Ping An Life won the 2012 award for "Best Life Insurance Company" in recognition of its achievements in service innovation, such as the "Mobile Integrated Terminal".
2. Ping An Life met its commitment to "72-hour settlement for standard cases with full documentation" for 99.78% of all cases handled.
3. In 2012, Ping An Property & Casualty introduced "Fast Payment, Easy Claim and Free Road-side Service Formula" as a major upgrade of its "Fast, Easy and Free" service promise, making it the industry's first innovative service model integrating insurance, inspection, compensation and other related processes.

After 25 years of exploration and implementation, Ping An has become one of China's leading personal financial services groups. However, our aspirations for the future have yet to be fully realized. Our management team and I will lead over 700 thousand Ping An employees from both front and back offices, to exemplify the spirit of self-improvement, explore new frontiers and innovate, and promote the tighter integration of modern technology and conventional finance. We will provide a comprehensive consumer experience for personal financial services befitting our "One Customer, One Account, Multiple Products and One-Stop Services" slogan, which will resonate with our brand philosophy of "Expertise Makes Life Simple". We will strive to make Ping An the leading personal financial services group in China offering the best customer experience, ultimately fulfilling our grand vision of being an internationally leading integrated financial services group.

Before looking towards a brighter future, let us first review Ping An's overall operating performance in 2012.

2012 was an extraordinary year. Against a slowing Chinese economy, the financial industry faced a number of negative factors including an anemic capital market, a rising non-performing loan ratio in the banking industry and weakened demand for life insurance.

Facing the complex and changing environment in both our international and domestic markets, we proactively adapted our strategies to tackle the challenges in the market head on. Thanks to our well-established integrated financial strategy and the competitive edge accruing from our platform, our three pillars of business, namely insurance, banking and investment, continued to achieve healthy and stable growth despite the adverse conditions. With the integration of the Original Shenzhen Development Bank and the Original Ping An Bank successfully completed, the new Ping An Bank was formally launched and unveiled to customers with a brand new image. Operating under a unified Ping An brand reinforced our capabilities to provide diversified financial services to our customers while further honing our overall competitiveness, buffering us against the cyclical ups and downs inherent in the financial industry.

This year, our key indicators such as total assets, net assets and net profits recorded stable growth. As at December 31, 2012, the Company had total assets of RMB2,844,266 million, representing an increase of 24.5% compared with the end of last year. Equity attributable to shareholders of the parent company stood at RMB159,617 million, up 22.0%. Net profit attributable to shareholders of the parent company reached RMB20,050 million, marking an increase of 3.0%.

Business Highlights

Looking back at the past year's operations, we achieved outstanding performance in the following aspects:

- **Our life insurance and property and casualty insurance maintained growth above the market average while service quality was continuously improved. Our annuity business maintained its leading position in the industry.** Written premiums of life insurance reached RMB199,483 million, an increase of 6.5% compared with last year. Out of this, written premiums from the more profitable individual life insurance business reached RMB176,068 million, an increase of 10.0% over last year. The market share of Ping An Life rose by 0.5 percentage points to 12.9% from 2011. Through its consistent track record in service innovations such as the E-sales platform and the Mobile Integrated Terminal (MIT), Ping An was given the "Best Life Insurance Company of 2012" award. Leveraging its increasingly professionalized operations and advanced service standards, Ping An Property & Casualty achieved stable business growth and a recorded premium income of RMB98,786 million, while its accumulated premium growth reached 18.5%, which surpassed the market average level. Its market share increased by 0.5 percentage points to 17.9% from 2011. The three major performance indicators of our annuity business – annuity payments received, assets entrusted, and assets under investment management – all maintained their lead in the annuity industry. The "Hiking the World – Vitality" health promotion program, the first of its kind in China originally launched by Ping An Health, has brought with it new opportunities for business growth.

- **Our Banking business completed the merger of the legal entities of Original Ping An Bank and Original Shenzhen Development Bank, as well as the name change and integration of their respective IT systems. The integration of the two banks was executed flawlessly leading up to its completion, while the business maintained stable growth.** On July 27, 2012, the new bank after merger formally changed its name to "Ping An Bank Co., Ltd". As the name change and systems integration went smoothly, the integrated finances of the new Ping An Bank grew at an accelerated pace. In 2012, the banking business contributed RMB6,870 million in profits to the Group. Total assets of Ping An Bank reached RMB1.61 trillion, demonstrating the growing scale of the bank's business and greater overall strength. Superior businesses such as credit card, automobile finance, trade finance and interbank lending stood out with their product features, giving them a lead over their peers. We opened a new branch in Zhengzhou and completed our planning for the new Xi'an branch, bringing the number of new business outlets for the year to 55 for a more comprehensive network coverage. Our capital adequacy ratio and core capital adequacy ratio were maintained at strong levels of 11.37% and 8.59%, respectively.

4. With the renaming and the online systems integration completed, the development of new Ping An Bank's integrated financial services started to take off.

5. Ping An Bank's businesses and products, such as its credit card, automobile finance, trade finance and interbank lending divisions, continued to stand out in the industry.

Chairman's Statement


6


7


8

6. Ping An Securities successfully sponsored 14 IPOs and 2 refinancing projects as the lead underwriter in 2012, ranking third by deal count and IPO underwriting revenue. It also completed 44 corporate bond issuances as the lead underwriter, with the number of deals up by 159% over the previous year.

7. Ping An participated in the Green Hope Project in 2012, collaborating with the China Youth Development Foundation to plant 10,000 acres of Ping An forest across ten provinces and regions nationwide.

8. Ping An set up over 100 Ping An Hope Primary Schools and signed up over 2,000 volunteers from different walks of life for its rural teacher program, which has benefited nearly 30,000 students.

- **Ping An Trust, our personal wealth management business, grew at a steady pace while our investment banking business of Ping An Securities, commanded a leading position in the market.** On the back of the personal wealth management business's steady growth, assets held in trust reached RMB212,025 million, up 8.1% compared to the end of 2011. The number of high net worth customers exceeded 18,000. By virtue of its solid business performance and outstanding services, Ping An Trust was named the "China Outstanding Trust Company" for the fourth consecutive time. In 2012, Ping An Securities successfully sponsored 14 IPOs and two refinancing projects as lead underwriter, and ranked third by the number of deals and underwriting revenue for IPO transactions. We also sponsored 44 bond projects as lead underwriter, and handled more deals compared to last year. By changing its asset structure through constant reinforcement and applying innovative investment techniques, Ping An Asset Management augmented the core competitiveness of its investments, ensuring a better-than-market asset return ratio.

- **Cross-selling synergy has long been our unique advantage in business development, which has been continuously strengthened during the year. We raised our service levels, further realizing the best customer experience of "multiple products, one-stop services".** In 2012, the Company made improvements to its cross-selling and remote selling management platforms to generate growing synergies. In 2012, 55.0% of the premium income of Ping An Property & Casualty's automobile insurance was generated by cross-selling and telemarketing. For Ping An Bank, cross-selling and telemarketing contributed 53.6% of the new credit cards issued and cross-selling also accounted for 15.9% of new retail deposits. In 2012, the back office implemented measures such as operations sharing and increased automation to improve operations. As a result, average processing time per claim for life insurance and automobile insurance were 11.84 hours and 8.04 hours, respectively, which were facilitated by the continuous improvement in our insurance claims service. Ping An Life has committed itself to fulfilling the practice of "Settlement within 72 hours for standard cases with full documentation" and achieved a 99.78% success rate. Ping An Property & Casualty was also the first in the industry to attempt to complete the entire insurance claim process within a specific timeframe, achieving a success rate of 93.48% in honoring its commitment to the practice of "Receiving settlement within 72 hours from the report for claims below RMB10,000".

Honors and Awards

In 2012, we continued to maintain a leading position in terms of brand value. Our comprehensive strength and efforts in corporate governance and corporate social responsibility have won us numerous accolades and awards at home and aboard from independent third parties such as rating agencies and the media.

- Ranked 242nd in Fortune Global 500 and maintained top ranking among mainland Chinese companies in the non-SOE category.

- Included in the Forbes Global 2000 for the eighth time, ranking 100th.

- Included in the Financial Times Global 500, ranking 131st.
- Ranked 78th in the Top 100 Most Valuable Global Brands by Millard Brown.
- Named "Best Managed Insurer in Asia" by *Euromoney* for the fourth consecutive year; Winner of "Corporate Governance Asia Recognition Awards" for six consecutive years and named "Best Investor Relations by a Chinese Company" by *Corporate Governance Asia*.
- Eight-time consecutive Winner of the "Best Corporate Citizen" award by the *21st Century Business Herald*; six-time consecutive winner of the "Most Responsible Enterprise" award by *China News Weekly*; eleven-time consecutive winner of the "Most Respected Company" by *The Economic Observer*.

Social Responsibility

In 2012, we continued to promote green finance, emphasizing the value of education for the public good and striving to become the role model for "corporate social responsibility" and "corporate citizenship" in China. In terms of environmental protection, we have embedded corporate social responsibility in our individual businesses such as insurance, banking and investment, through our "Low Carbon 100" campaign run over the last two years. These efforts to lower our carbon footprint have borne fruit: More than 10 million customers subscribed to our paperless email service in 2012, placing us in a leading position in the finance and insurance sectors. The widespread adoption of the upgraded smart version of our MIT platform further underscores our lead in the I.T services platform, giving our customers a one-stop shop for integrated financial services which is more convenient and effective, while being more flexible and environmentally friendly. The amount of paper saved from switching to high-efficiency services such as email, MIT platform, electronic policies, online policyholder services and electronic bills was approximately 890.6 tons. This was matched by steep falls in manpower needs and operational costs. This year, we actively participated in Project Green Hope, establishing 10,000 acres of Ping An forest land in 10 provinces and regions in collaboration with the China Youth Development Foundation. On the education front, Ping An sponsored the construction of more than 100 Ping An Hope Primary Schools and over 17 Aspiration Centers housing multi-media classrooms. Over 2,000 volunteers participated in our education initiative, helping nearly 30,000 students. Since the start of our educational welfare projects, 8,134 students have enrolled in the Ping An Hope Primary Schools on a cumulative basis, receiving Ping An Hope Scholarships worth RMB4.533 million. More than RMB10 million has been awarded to 4,820 college students through the Endeavour Scheme Thesis Award and Future Entrepreneur Award. Charitable donations have exceeded RMB100 million.

Corporate Governance

In 2012, we committed ourselves to improving our corporate governance practice in strict compliance with relevant laws and regulations, with due consideration given to our operating conditions. The general meeting, the Board of Directors, the Supervisory Committee and the senior management of the Company operated independently and performed their respective rights and obligations in accordance with the Articles of Association of the Company. The Board actively contributed in various aspects, including strategic planning, investment decision, risk management, internal control and compliance, corporate social responsibility as well as talent recruitment and appointment. In recognition of our outstanding corporate governance, we received numerous awards including the "Best Corporate Governance Disclosure Awards – Gold Award in H-Share Companies and Other Mainland Enterprises Category" by the Hong Kong Institute of Certified Public Accountants, the "2012 Asia Excellence Award" by *Corporate Governance Asia* magazine, the "Best Managed Asia Company 2012" award by *Finance Asia*, as well as the "2012 Best Board of Listed Companies in China" issued by renowned Chinese wealth management media *Money Week*.

Chairman's Statement

Prospects

Despite our credible results in the past year, the accomplishments of two young friends (who share my surname) put paid to any smugness or self-congratulatory mood. The figures marking their achievements deeply moved me. One was the RMB19.1 billion single-day sale by Alibaba Group on November 11, 2012, while the other one was the 300 million users breakthrough by Tencent's WeChat. These figures deepened my sense of conviction about the immense potential of China's personal consumption market, and the power of new technology in reshaping the face of business across the world. It is our calling and duty to make the most of these trends by closely tracking or even leading the changes in financial consumption and lifestyles. After 25 years of exploration and implementation, we have secured licences spanning the entire financial industry including insurance, banking, securities, trust and funds. This let us establish a leading integrated financial services platform in China, upon which we gradually established our competitive advantages in the personal financial services field: our comprehensive product lines, all-inclusive quality service, full-coverage networks and channels, highly efficient agency teams, leading technological innovation and strong brand support, among others. In a complex financial market, from insurance and banking to investment, our goal is to simplify the complex; to make our customers' lives simpler and save them time, hassle and effort with our new consumer experience of "One Customer, One Account, Multiple Products, One-Stop Service"; and to become the leading personal integrated financial services provider in China, offering the best customer experience.

While there is still a sense of trepidation when we look to the future, we remain confident of what is to come. With the advent of urbanization and the rise of national income in China, there is huge potential for the growth of mass consumption. The personal consumption market is expected to maintain its rapid growth in the long run, which will stimulate consumption demand for personal financial services and promote the sustainable development of the society and economy. It also lays a solid foundation for the in-depth execution of our integrated financial strategy and our healthy growth in the future. At the same time, modern technology as represented by mobile internet, large data and cloud computing is developing rapidly, merging forms and permeating into traditional industries. Not only does this give rise to a brand new lifestyle and consumer experience for every individual, it also reshapes the eco-systems of various industries as well as the organization and operations of modern corporations. New business opportunities and business models also spring forth, with some changes even subversive and revolutionary in nature. This introduces new competition to the financial industry and prompts the gradual improvement or even the complete restructuring of traditional finance's operational model. The intensifying competition focused on the customer experience will have far-reaching influence on the competitive landscape and rules of competition in traditional financial markets. The Ping An team and I do not fear challenges, and dare to innovate and explore. We will fully capitalize on growth opportunities in our times, and ensure that while our traditional businesses enjoy "in line with market growth while leading in quality", we will explore the tight integration of modern technology with traditional finance, create the momentum to stay ahead of the market, and promote innovative development in China's financial industry.

In the year ahead, Ping An will celebrate its 25th anniversary. We believe that with the support of all shareholders and the leadership of the Board of Directors, we can leverage the strength of our organization, culture and talent to keep our finger on the contemporary pulse, and exemplify our "Expertise Makes Life Simple" philosophy in providing a simple, efficient, and convenient one-stop financial services experience for customers. This will bring us healthy and sustainable growth compatible with our values, and enable us to gradually become the leading personal financial services group in China offering the best customer experience, as well as to create value for our shareholders, customers, employees and society through stable and continuous growth.

Chairman and Chief Executive Officer

Shenzhen, PRC
March 14, 2013

Strategy and Vision

Vision and Goal: To become an internationally leading integrated financial services group

STRATEGIC POSITIONING

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

VISION

Insurance Business

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

Banking Business

- Develop an integrated banking business and accelerate developing steps by fully utilizing existing advantages such as customer base, products, channels and platforms to fulfill our strategic target of becoming the best commercial bank;
- Turn the banking business into a core one-stop service platform to provide the Group's customers with integrated financial services.

Investment Business

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

The Group

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

Investment Value

DISTINCTIVE COMPETITIVE ADVANTAGES

- Maintained stable and healthy **growth** across the Group's businesses on the back of China's robust economic development;
- An active promoter of reform and **innovation** in various areas, Ping An remains a trailblazer in the industry;
- **The leading personal financial services group in China** with the largest number of financial service licenses, the widest range of business offerings, and the most closely guarded governance structure;
- Growing cost advantages and synergies supported by a powerful **back office centralization** operating platform;
- The immense power of **leading technology** sets a solid foundation for the best service experience to customers

Please refer to pages 12-21 for further details.

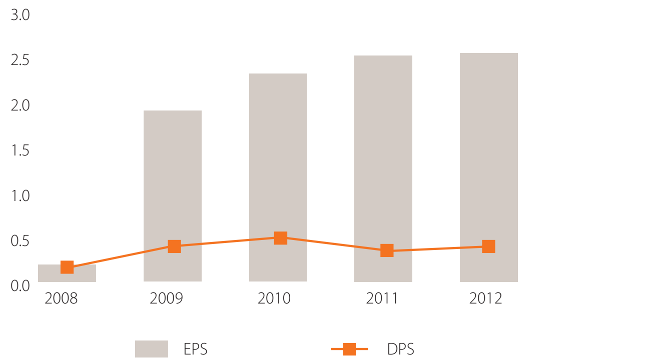
SOUND CORPORATE GOVERNANCE SYSTEM

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

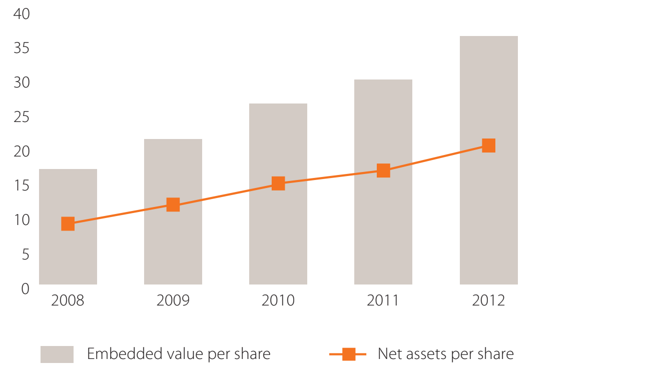
FULL COMMITMENT TO SOCIAL CORPORATE RESPONSIBILITY

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

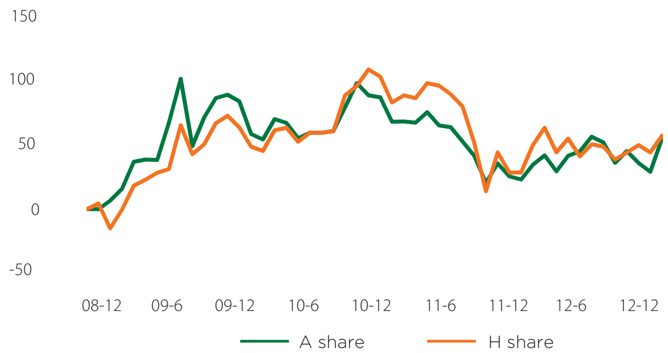
EPS/Dividend per share
(in RMB)



Embedded value per share/Net assets per share
(in RMB)



Total shareholders' return
(%)



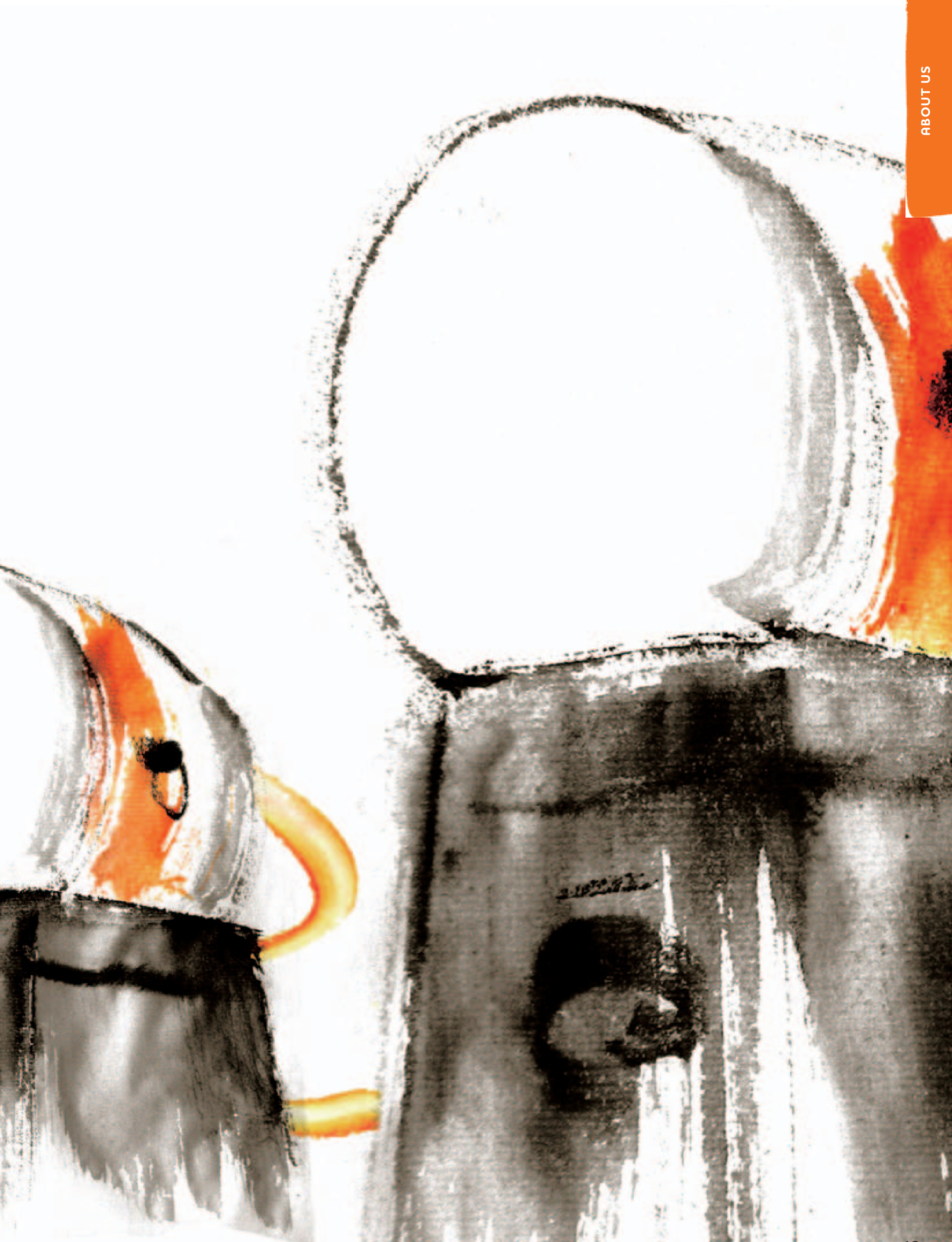
Source: Bloomberg

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

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

In spite of a complex market environment in 2012, the Company embraced challenges with a positive attitude. As a result, our three pillar businesses – insurance, banking and investment – sustained stable and healthy growth in the following areas:

- The Group made steady improvements in its profitability, with stable and healthy growth in total assets, equity and net profit attributable to shareholders of the parent company despite adverse conditions, progressively strengthening its overall competitiveness.
- Ping An Life achieved stable increases in its business scale and in the number of agents.
- Ping An Property & Casualty's premium income surpassed RMB90 billion, up 18.5% year on year.
- Profit contribution from the banking business was RMB6,870 million, up 33.4% year on year.
- Income of Ping An Trust's private wealth management business rose by 52.9% year on year to RMB2,756 million.
- Ping An Securities successfully sponsored 14 IPOs and two refinancing projects as the lead underwriter. It also completed 44 bond issuance projects as the lead underwriter, with the number of deals rising by 159% compared with last year.



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

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

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

For over 25 years, Ping An has been committed to unrelenting innovation in its system, products and services, allowing the Company to sustain its rapid growth and development whilst playing an important role in promoting the reform and development of China's insurance industry.

During 2012, we achieved transformation and innovations in the following fields:

- Ping An Property & Casualty introduced its system of 'Fast Payment, Easy Claims and Free Road-side Service' system, setting new industry standards on service levels. This broke new ground in the industry by serving as an innovative service system integrating the entire insurance process from policy purchase, surveying and claims settlement. Through advanced technology such as an E-platform for claims submission, a loss claim inquiry system, an iPAD quick survey and an automobile insurance claims app, customers enjoy a simple and convenient service experience. The "Fast Payment, Easy Claims and Free Road-side Service" formula has set a new service trend for China's insurance industry, injecting convenience and simplicity into the professional claims service.
- Ping An Life introduced innovative electronic applications at the pre-sales stage by launching a pre-sales support platform, the E-Sales Link. Offering a full range of E-support services in customer prospecting, relationship building, demand stimulation and protection analysis, the platform provides clear guidance by intelligent commands to the sales teams, enabling them to execute various activities such as pre-sales invitations, visits, and deals facilitation effectively.

ABOUT US

The Leading Personal Financial Services Group in China. Ping An's vision is to become the leading personal financial services group in China offering the best customer experience over the next decade.

Starting as a small insurance company in Shenzhen, Ping An has grown into one of the leading personal financial services group in China over the past 25 years.

Today, Ping An is a leading personal financial services group in China with the largest number of financial service licenses, the widest scope of business, and the most closely controlling relationship.

In addition, Ping An leads the industry in China in the following aspects:

- China's first joint-stock insurance enterprise
- China's first enterprise to introduce foreign capital in the finance and insurance industry
- China's first integrated financial services group with insurance as the core business
- China's first corporation to achieve group structure listing on an overseas stock exchange
- China's first financial holding group to hold a full-service license

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

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

Other advantages include greater levels of support for sales staff and improvements in the risk management process.

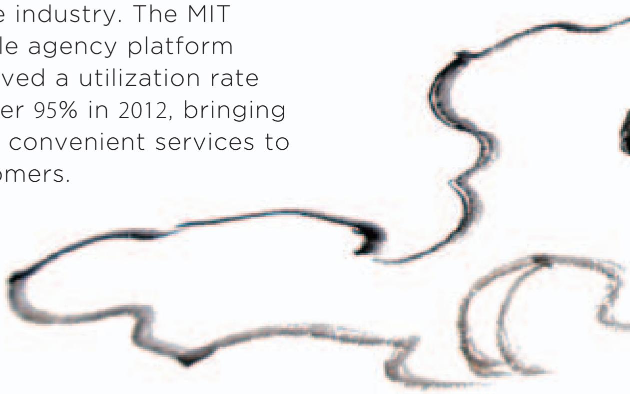
Overall, the application of advanced technology and the benefits of standardised operational flow will help Ping An achieve integrated financial strategic targets.

With the integrated financial back-office gaining more traction in 2012, the Company gained remarkable economies of scale across all businesses which contributed to rising service standards. The Company continued to diversify service channels by promoting the use of counters for comprehensive services, a unified customer service hotline and remote service terminals. Further, by using innovative technology such as mobile phone locating technology and caller identification to innovate its service model, the Company enhanced the service experience for customers. Going forward, the Company will continue to step up technological innovation, enhancing its operating procedures and upgrading its service quality to position itself as a leading end-to-end integrated financial services provider.

Leading Technology. At present, modern technology as exemplified by mobile Internet, large data and cloud computing, is developing rapidly throughout the world. The combination of technology and finance will undoubtedly bring customers a financial services experience which is faster, more convenient and efficient.

Technological advances not only introduce competition to the financial sector, but also gradually improve and completely reshape the traditional operation model of financial businesses. They intensify competition revolving around customer experience, which will have a lasting impact on the face and rules of competition in the traditional financial market.

As the first-of-its-kind in the industry, Ping An Life's Mobile Integrated Terminal (MIT) marries with modern technology and insurance sales. It demonstrates the low-carbon concept of paperless electronic operations, and sets up an efficient and convenient green production line for insurance sales. As a pioneer in transforming insurance sales into a paperless practice, it has positioned itself as an indisputable leader in life insurance sales in both the domestic and international markets. With its numerous benefits of improved agency efficiency, cost-effectiveness, agency management and low-carbon environmental-friendliness, MIT offers superb value to society, customers, the industry and companies, providing its worth for mass adoption in the industry. The MIT mobile agency platform achieved a utilization rate of over 95% in 2012, bringing more convenient services to customers.

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Honors and Awards

In 2012, Ping An continued to maintain a leading position in terms of brand value. Our comprehensive strength and efforts in corporate governance and corporate social responsibility have won us numerous accolades and awards at home and aboard from independent third parties such as rating agencies and the media.

STRENGTH

- Fortune (US)

  Ranked No. 242 in "Fortune Global 500"

- Financial Times (UK)

  Ranked No. 131 in "FT Global 500"

- Forbes (US)

  Ranked No. 100 in "Forbes Global 2000"

- Euromoney (UK)

  "Best Managed Insurance Company in Asia"

- World Finance (UK)

  "Best Insurance Company in China"

- FinanceAsia (HK)

  Ranked No. 30 in "FA100"

  "Asia's Best Managed Company"

- The Asset (HK)

  "China's Most Promising Company"

- Shenzhen Municipal Government

  "Shenzhen Financial Innovation Award – First Prize"

- Jointly awarded by China Business and the Institute of Industrial Economics of CASS

  "Most Competitive Financial Holding Group"

- Sina.com, Sohu.com, Eastmoney.com, China Reform Daily and Jschina.com.cn

  "China's Top Ten Medal Listed Companies"

- China Enterprise Director's Association and China Enterprise Confederation

  "China Top 500 List"

CORPORATE GOVERNANCE

- Institutional Investor (US)

  Best IR Companies – (Buy Side, Insurance)

- Corporate Governance Asia (HK)

  "Asia Annual Recognition Award"

  Best Investor Relation by a China Company

  Best Investor Relation Professional

- FinanceAsia (HK)

  Ranked No.3 in "Best Corporate Governance Enterprise in China"

  Ranked No.2 in "Best Investor Relationship Enterprise in China"

- The Asset (HK)

  "Triple A Corporate Awards – Platinum Awards" for the fourth consecutive year

- Hong Kong Institute of Certified Public Accountants

  "Best Corporate Governance Disclosure Awards" – Gold Award in H-Share Companies and Other Mainland Enterprises Category

- Moneyweek

  "Best Board of Directors of Listed Company on Main Board in China"

- The 8th Gold Round Table Awards for the Boards of Directors of Chinese Listed Companies & Directors and Boards Magazine

  "Best Board of Directors"

CORPORATE SOCIAL RESPONSIBILITY

- China Newsweek

  "Most Responsible Enterprise"

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

  "Most Respected Company"

- China Green Foundation

  "China Ecology Collaboration Award"

- China News Weekly

  "Low Carbon Exemplar in China"

- The Economic Observer

  "Model Low Carbon Enterprise in China"

- China International Public Relations Association

  "The 10th Chinese Public Relations Case Competition – Corporate Social Responsibility Category – Gold Award"

- Hang Seng Indexes Company Limited

  "Hang Seng Corporate Sustainability Benchmark Index"

  "Hang Seng (China A) Corporate Sustainability Benchmark Index Composite Stock"

- Rankins CSR Ratings, China Institute of Social Responsibility of the Beijing Normal University & Det Norske Veritas (DNV)

  "Best Social Responsibility Report Award" for the fourth consecutive year among listed companies

- 21st Century Business Herald

  "Best Corporate Citizen"

- Fortune (Chinese Edition)

  Ranked No.6 in "Social Responsibility of Chinese Enterprise"

- FinanceAsia (HK)

  Ranked No.3 in "Asia's Best Corporate Social Responsibility Corporation"

BRAND

- Millward Brown, WPP

  Ranked No.78 in "BrandZ Top 100 Global Brands"

  Ranked No.6 in "BrandZ Top 50 Chinese Brands"

- Shanghai Securities News

  "Best Insurance Brand Award"

OTHERS

- 51job.com

  "China's Best Human Resource Model Corporation"

- Investor Journal

  "Listed Company Annual Report Award"

- ARC Awards International

  ARC Awards – Bronze in Overall Annual Reports – Insurance: General Category

Management Discussion and Analysis
Overview

- Maintained healthy and steady growth in our three pillar businesses: insurance, banking and investment.
- The integration of the two banks was executed flawlessly leading up to its completion, which will further enhance Ping An's integrated financial framework.
- Net profit attributable to shareholders of the parent company reached RMB20,050 million, up 3.0% year on year.

We offer various financial products and services to clients under a single brand name via a multiple distribution network that leverages the capabilities of our major subsidiaries. These are Ping An Life, Ping An Property & Casualty, Ping An Annuity, Ping An Health, 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 2012, faced with a complex and unstable market environment at home and abroad, Ping An exemplified its philosophy of "Expertise Creates Value" by meeting market challenges head on. Consequently, its three key pillars of businesses, namely insurance, banking and investment, all achieved healthy and steady growth. In particular, Ping An Life achieved stable increases in its business scale and in the number of agents, with product structure further improved, and significant growth of margin of embedded value for new business. Ping An Property & Casualty surpassed RMB90 billion in premium income while its combined ratio was maintained at a good level. The Company marked the successful completion of the merger and consolidation of banking business, culminating in a smooth transition and marking the end of a three-year long banking consolidation exercise. Ping An Trust recorded stable and high growth in its private wealth management business, while Ping An Securities maintained its leading position in the investment banking business arena. By changing its asset structure through constant reinforcement and applying innovative investment techniques, Ping An Asset Management augmented the core competitiveness of its investments, ensuring a better-than-market asset return ratio.

Net profit attributable to shareholders of the parent company recorded for 2012 was RMB20,050 million, representing a growth of 3.0% compared with 2011. As at December 31, 2012, total assets of the Company reached RMB2,844,266 million while equity attributable to shareholders of the parent company stood at RMB159,617 million, representing increases of 24.5% and 22.0%, respectively, compared with the end of 2011.

CONSOLIDATED RESULTS

(in RMB million)	2012	2011
Total income	**339,193**	272,244
Total expenses	**(306,855)**	(242,218)
Profit before tax	**32,338**	30,026
Net profit	**26,750**	22,582
Net profit attributable to shareholders of the parent company	**20,050**	19,475

NET PROFIT BY BUSINESS SEGMENT

(in RMB million)	2012	2011
Life insurance	**6,457**	9,974
Property and casualty insurance	**4,648**	4,979
Banking[1]	**13,232**	7,977
Securities	**845**	963
Other businesses and offsetted items[2]	**1,568**	641
Consolidation adjustment[3]	**-**	(1,952)
Net profit	**26,750**	22,582

(1) Since July 2011, the Company consolidated Original SDB with the shareholding of 52.38%.

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

(3) The figure of consolidation adjustment for 2011 was a result of the accounting treatment of the one-off re-measurement of the 29.99% equity interest the Company previously held in Original SDB before the consolidating date, while Original SDB was consolidated to the Group for the first time.

For the detailed analysis of operation results by business line, please see the corresponding chapter as follows.

INVESTMENT PORTFOLIO OF INSURANCE FUNDS

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

In 2012, we saw a slowdown in the global economic recovery. Although the European debt crisis has gradually stabilized, the successive rounds of quantitative easing monetary policy introduced by the U.S. and the Japanese governments created uncertainty in the emerging markets. In 2012, China basically maintained its macroeconomic policy and kept inflation under control to a certain extent. In the first half of the year, the A-share stock market declined under the influence of the European debt crisis and concerns over the pace of economic growth and anticipated fall in corporate profits. However, a significant rebound was seen at the end of the year; on the other hand, the bond market kept stable. The Company 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 profitability.

Investment Income

(in RMB million)	2012	2011
Net investment income[1]	**41,578**	33,148
Net realized and unrealized gains[2]	**(9,522)**	(961)
Impairment losses	**(6,450)**	(2,606)
Others	**74**	(65)
Total investment income	**25,680**	29,516
Net investment yield (%)[3]	**4.7**	4.5
Total investment yield (%)[3]	**2.9**	4.0

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

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

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

Net investment income increased by 25.4% to RMB41,578 million in 2012 from RMB33,148 million in 2011. This was primarily attributable to the increase in interest income from fixed maturity investments as a result of an expanded scale of investment assets and the higher interest rates of newly-added fixed maturity investments, as well as the increase in dividend income from equity investments as compared with the previous year. Net investment yield increased to 4.7% in 2012 from 4.5% in 2011, mainly due to higher interest rates of newly-added fixed maturity investments and the increase in dividend income from equity investments.

Affected by the continued weakness in domestic stock market, net realized and unrealized gains were down to a loss of RMB9,522 million in 2012 from a loss of RMB961 million in 2011, and impairment losses on the available-for-sale equity investments increased to RMB6,450 million in 2012 from RMB2,606 million in 2011.

As a result, total investment income for investment portfolio of insurance funds decreased by 13.0% to RMB25,680 million in 2012 from RMB29,516 million in 2011, and total investment yield dropped to 2.9% from 4.0%.

Investment Portfolio

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 increased from 81.0% of total investments as at December 31, 2011 to 81.4% as at December 31, 2012, while that for equity investments decreased from 11.5% to 9.5%.

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

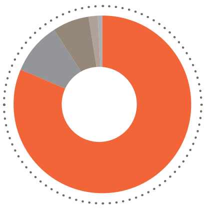
	December 31, 2012		December 31, 2011	
(in RMB million)	**Carrying value**	**%**	Carrying value	%
By category				
Fixed maturity investments				
Term deposits[1]	**241,600**	**22.5**	169,946	19.6
Bond investments[1]	**560,042**	**52.1**	494,549	57.0
Debt schemes investment	**37,429**	**3.5**	10,360	1.2
Other fixed maturity investments[1]	**35,165**	**3.3**	27,372	3.2
Equity investments				
Equity investment funds[1]	**25,099**	**2.4**	25,362	2.9
Equity securities	**76,371**	**7.1**	74,508	8.6
Infrastructure investments	**8,802**	**0.8**	8,938	1.0
Investment properties	**16,385**	**1.5**	7,782	0.9
Cash, cash equivalents and others	**73,295**	**6.8**	48,484	5.6
Total investments	**1,074,188**	**100.0**	867,301	100.0
By purpose				
Carried at fair value through profit or loss	**17,082**	**1.6**	21,803	2.5
Available-for-sale	**186,745**	**17.4**	208,991	24.1
Held-to-maturity	**463,237**	**43.1**	373,072	43.0
Loans and receivables	**381,937**	**35.6**	246,715	28.5
Others	**25,187**	**2.3**	16,720	1.9
Total investments	**1,074,188**	**100.0**	867,301	100.0

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

Investment portfolio

(%)

December 31, 2012 (December 31, 2011)



FOREIGN CURRENCY GAINS/LOSSES

In 2012, the scale of foreign currency assets of the Company changed. As a result, we recorded a net exchange gain of RMB255 million in 2012 as compared to a loss of RMB434 million in 2011.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were RMB68,477 million in 2012, including an increase of RMB6,984 million due to the effect of consolidation of Ping An Bank's general and administrative expenses (In 2012, the Company consolidated the whole operating results of Original SDB, but in 2011, only that of the second half of the year was consolidated). Excluding this, general and administrative expenses increased by 21.6%, mainly because of business growth and the increase of operating costs, such as labour costs and office expenses due to inflation.

INCOME TAX

(in RMB million)	2012	2011
Current income tax	**6,959**	8,541
Deferred income tax	**(1,371)**	(1,097)
Total	**5,588**	7,444

Income tax decreased by 24.9% to RMB5,588 million in 2012 from RMB7,444 million in 2011.

OUR PERFORMANCE

Management Discussion and Analysis
Insurance Business

- Ping An Life achieved stable increases in its business scale and in the number of agents. The continuous improvements made to the structure of Ping An Life's products contributed to a significant rise in margin of embedded value for new business.
- Premium income from Ping An Property & Casualty surpassed RMB90 billion, market share increased steadily, while combined ratio remained at a good level.
- Assets entrusted and assets under investment management of Ping An Annuity exceeded RMB100 billion in total, with the business maintaining its industry leading position by annuity management fees income.

In 2012, our insurance business continued its steady and healthy growth. Ping An Life continued to focus on value creation under the core strategy of "Reaching New Heights" and "Two-Tier Development", written premiums generated by our life insurance business amounted to RMB191,473 million, among which, written premiums from the more profitable individual life insurance business recorded an increase of 10.0%. Ping An Property & Casualty continued to implement its business strategy of "professional operations and leading services", which led to a significant increase of 18.5% in premium income to RMB98,786 million, and the market share increased by 0.5 percentage points compared with 2011. Of that amount, RMB28,530 million came from the automobile insurance telesales business, representing a 26.5% growth. Its combined ratio was 95.3%, demonstrating good and stable profitability. Ping An Annuity maintained its leading position in the industry in terms of assets under corporate annuity schemes and annuity management fees income. Through the Vitality health promotion program, Ping An Health launched a high-end medical insurance product that provides medical coverage and rewards those arousing a healthy lifestyle. As the first-of-its-kind in China, the product will give Ping An Health a definitive 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:

(in RMB million)	2012	2011
Written premiums[(1)]		
Ping An Life	**191,473**	180,781
Ping An Annuity	**7,407**	6,076
Ping An Health	**603**	399
Total written premiums	**199,483**	187,256
Premium income[(2)]		
Ping An Life	**128,771**	118,967
Ping An Annuity	**5,869**	4,995
Ping An Health	**211**	132
Total premium income	**134,851**	124,094

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

In 2012, we saw a slowdown in the nation's economic growth while economic transformation and adjustment gradually became the norm. Going forward, the main focus is to steadily raise the quality of economic development to maintain stable growth in the economy. In this year of transition, the 18th CPC National Congress has set the goal to double the national income by 2020 and implement new urbanization model strategy, which presents new opportunities for the sustainable growth of the life insurance industry. In 2012, despite the slowing growth in the premium income, the life insurance industry maintained an overall stable and healthy development trend with improved industry's business structure.

Based on its principles of risk prevention and compliance, in 2012, the Company steadily developed its individual life business, which offers better profitability and persistently built up a scalable and efficient sales network. Steady and valuable business growth was achieved as a result and our market competitiveness increased as the year progressed.

Ping An Life

Ping An Life, through its nationwide service network of 35 branches and over 2,600 business outlets, provides individual customers and institutional clients with life insurance products. As at December 31, 2012, Ping An Life had a registered capital of RMB33.8 billion, net assets of RMB49,661 million and total assets of RMB1,036,993 million.

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

	2012	2011
Premiums income (in RMB million)	**128,771**	118,967
Market share(%)	**12.9**	12.4

Of the total premium income generated by all life insurance companies in 2012, Ping An Life captured a market share of 12.9%, 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.

Summary of operating data

	2012	2011
Number of customers (in thousands)		
Individual	**53,666**	49,784
Corporate	**896**	795
Total	**54,562**	50,579
Persistency ratio (%)		
13-month	**92.7**	94.2
25-month	**90.2**	89.5
Agent productivity		
First-year written premiums per agent per month (in RMB)	**5,795**	7,527
New individual life insurance policies per agent per month	**1.0**	1.1
Distribution network		
Number of individual life sales agents	**512,937**	486,911
Number of group sales representatives	**3,310**	3,016
Bancassurance outlets	**63,929**	62,022

Our life insurance products are primarily distributed through a network that includes a sales force of approximately 513 thousand individual sales agents, over 3,300 group insurance sales representatives, and over 64,000 commercial bank outlets that have made bancassurance arrangements with Ping An Life.

In 2012, Ping An Life continued to uphold its two core strategies of “Reaching New Heights” and “Two-Tier Market Development”, thus enhanced its business structure. Meanwhile, Ping An Life is committed to building a team of highly productive sales agents with strong cross-selling capabilities. Ping An Life has embraced value-driven operations to reinforce customer relationships, as well as to continuously improve its operation workflow and service quality. In 2012, written premiums from the more profitable individual life insurance segment increased 10.0% as compared with the previous year.

In 2012, Ping An Life underwent a strategic transformation and business structure optimization exercise for its bancassurance business, against the backdrop of a relatively unfavorable macroeconomic environment. As a result, the scale of its installment payment business rose significantly compared with the previous year. Meanwhile, Ping An Life invested heavily in the development of new channels such as telemarketing and internet marketing, as part of its plan for the balanced development of existing channels. Ping An Life realized a written premium of RMB3,831 million in 2012 from telemarketing sales, up 98.2% compared with last year. This was a high rate of growth compared with traditional sales channels, which enabled Ping An Life to maintain its lead in the telemarketing sales market.

In 2012, Ping An Life stepped up its effort in developing and promoting products with insurance protection function, improving its product structure to continue meeting customers’ needs and to raise the value of its business. The margin of embedded value for one-year new business was 27.9% in 2012, up 3.6 percentage points compared with the previous year.

Ping An Life continued developing its E-operation platform, grew its product lines and expanded its usage channels. It successfully deployed MIT on mobile devices such as tablets and smart phones, introducing support across various smart platforms as well as providing a more convenient operational experience and innovative smart service model. In 2012, the utilization rate of our E-operation platform exceeded 95% and the total cumulative number of customers insured through MIT exceeded 4.2 million. By promoting its E-service channels, automating its business processes, improving its operational workflow and outsourcing non-core businesses, Ping An Life was able to continue lowering its operating expense ratio; constantly enhanced customer experience through promoting the P-STAR service concept; constructed a systematic, continuous and efficient business operation platform through reorganising the mid and back-office functions for our integrated financial services, so as to steadily improve customer satisfaction. As at December 31, 2012, we had approximately 53 million individual customers and 900 thousand corporate clients. For our individual life insurance customers, we managed to maintain the 13-month persistency ratio with a satisfactory rate of 92.7%. Through its “Increasing Efficiency through Technology, Promoting Business through E-operation” mantra, Ping An Life will hone the competitive edge of its E-operation platform to create greater value for customers and the Company.

Business information of insurance products

In 2012, among all the insurance products offered by Ping An Life, the five highest premium income products were Jinyurensheng Endowment, Fuguirensheng Endowment, Xinli Endowment, Jixingsongbao Shaoer Endowment and Hongli Endowment, which accounted for 38.8% of the premium income of Ping An Life in 2012.

(in RMB million)	Sales channel	Premium income	Standard premiums of new business(1)
Jinyurensheng Endowment (Participating)	Individual agents, bancassurance outlets	17,035	3,239
Fuguirensheng Endowment (Participating)	Individual agents, bancassurance outlets	15,913	3
Xinli Endowment (Participating)	Individual agents, bancassurance outlets	6,563	1,913
Jixingsongbao Shaoer Endowment (Participating)	Individual agents, bancassurance outlets	5,256	1,797
Hongli Endowment (Participating)	Individual agents, bancassurance outlets	5,251	–

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

Ping An Annuity

Ping An Annuity was set up on December 13, 2004. Having obtained approval from the CIRC on December 27, 2006, Ping An Annuity conducted its business restructuring with the original group insurance division of Ping An Life. As at December 31, 2012, Ping An Annuity had a registered capital of RMB3.36 billion. Ping An Annuity provides corporate annuity, supplementary pension and group short-term accident and health insurance services and has been profitable since 2010.

2012 witnessed the continuous and rapid development of the Ping An Annuity with accumulated annuity payments received amounted to RMB23,926 million (2011: RMB9,575 million). As at December 31, 2012, assets entrusted amounted to RMB58,114 million (December 31, 2011: RMB37,400 million), and assets under investment management amounted to RMB67,107 million (December 31, 2011: RMB53,930 million). These figures firmly cemented our leading position amongst domestic professional annuity companies.

Ping An Health

In 2012, Ping An Health made rapid progress in its business development. Written premiums increased by 51.1% year on year. Ping An Health continued to focus on product innovation. Through the Vitality health promotion program which was the first of its kind in China, Ping An Health launched a high-end medical insurance product that provides medical coverage and rewards those leading a healthy lifestyle. With "Top Service" as our core service philosophy, Ping An Health continued to enhance the quality of our high-end medical service. By introducing intellectual property rights of business systems (e.g. Claims System) and management tools (e.g. Medical Risk Management tool) from South African firm Discovery, we have gradually built up a professionalized medical risk management platform for health insurance, giving Ping An Health a key competitive edge in the mid to high-end medical insurance market and a solid foundation for future expansion.

Management Discussion and Analysis
Insurance Business

Financial Analysis

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

Results of operation

(in RMB million)	2012	2011
Written premiums	**199,483**	187,256
Less: Written premiums on products not passing significant insurance risk testing	**(4,197)**	(3,568)
Less: Premium deposits for universal life products and investment linked products	**(60,435)**	(59,594)
Premium income	**134,851**	124,094
Net earned premiums	**134,028**	123,197
Investment income	**22,076**	26,557
Other income	**4,908**	3,671
Total income	**161,012**	153,425
Claims and policyholders' benefits	**(118,985)**	(109,058)
Commission expenses of insurance operations	**(12,680)**	(11,351)
Foreign currency losses	**(24)**	(241)
General and administrative expenses	**(18,263)**	(15,642)
Finance costs	**(763)**	(172)
Other expenses	**(5,218)**	(4,005)
Total expenses	**(155,933)**	(140,469)
Income tax	**1,378**	(2,982)
Net profit	**6,457**	9,974

The net profit of insurance business decreased by 35.3% to RMB6,457 million in 2012 from RMB9,974 million in 2011, primarily attributable to the increase in investment losses and impairment losses resulting from continued weakness in the stock market.

Written premiums and premium income

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

	Written premiums		Premium income	
(in RMB million)	2012	2011	2012	2011
Individual life				
New business				
First-year regular premiums	**36,560**	37,577	**27,446**	24,220
First-year single premiums	**705**	6,331	**22**	5,151
Short-term accident and health premiums	**2,023**	1,925	**2,657**	2,349
Total new business	**39,288**	45,833	**30,125**	31,720
Renewal business	**136,780**	114,157	**84,470**	71,163
Total individual life	**176,068**	159,990	**114,595**	102,883
Bancassurance				
New business				
First-year regular premiums	**2,347**	1,727	**2,327**	1,710
First-year single premiums	**7,945**	15,134	**8,012**	11,784
Short-term accident and health premiums	**2**	2	**3**	3
Total new business	**10,294**	16,863	**10,342**	13,497
Renewal business	**3,323**	2,079	**3,267**	2,037
Total bancassurance	**13,617**	18,942	**13,609**	15,534
Group insurance				
New business				
First-year regular premiums	**356**	197	**-**	-
First-year single premiums	**3,272**	2,825	**570**	465
Short-term accident and health premiums	**6,060**	5,199	**6,035**	5,174
Total new business	**9,688**	8,221	**6,605**	5,639
Renewal business	**110**	103	**42**	38
Total group insurance	**9,798**	8,324	**6,647**	5,677
Total	**199,483**	187,256	**134,851**	124,094

Individual Life Insurance. Written premiums for our individual life insurance business increased by 10.0% to RMB176,068 million in 2012 from RMB159,990 million in 2011. Among this, there was a 14.3% decrease in written premiums of new business for individual life insurance to RMB39,288 million in 2012 from RMB45,833 million in 2011, as a result of the 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 19.8% to RMB136,780 million in 2012 from RMB114,157 million in 2011.

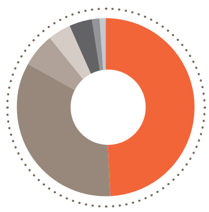
Bancassurance. Written premiums for our bancassurance business decreased by 28.1% to RMB13,617 million in 2012 from RMB18,942 million in 2011. Due to a relatively unfavourable macroeconomic environment in 2012, Ping An Life underwent a strategic transformation to enhance the business structure of its bancassurance business. As a result, first-year single written premiums fell while regular written premiums rose substantially compared with the previous year.

Group Insurance. Written premiums for our group insurance business increased by 17.7% to RMB9,798 million in 2012 from RMB8,324 million in 2011. The Company devoted its efforts to developing employee benefits schemes that exemplify the basic functions of insurance. As a result, written premiums for our short-term group accident and health insurance increased by 16.6% to RMB6,060 million in 2012 from RMB5,199 million in 2011.

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

(in RMB million)	2012	2011
Participating	**98,229**	92,372
Universal life	**67,866**	64,861
Long-term health	**12,251**	10,506
Accident and short-term health	**8,326**	7,224
Traditional life	**8,173**	6,494
Investment-linked	**2,865**	3,682
Annuity	**1,773**	2,117
Total written premiums	**199,483**	187,256

By product type
(%)
2012 (2011)



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

(in RMB million)	2012	2011
Guangdong	**29,381**	27,083
Beijing	**15,597**	14,570
Shanghai	**14,335**	14,037
Shandong	**13,194**	12,619
Jiangsu	**13,096**	12,660
Subtotal	**85,603**	80,969
Total written premiums	**199,483**	187,256

By region
(%)
2012 (2011)

Total investment income (in RMB million)	2012	2011
Net investment income(1)	**36,634**	29,272
Net realized and unrealized gains(2)	**(8,385)**	(309)
Impairment losses	**(6,165)**	(2,289)
Others	**74**	(65)
Total investment income	**22,158**	26,609
Net investment yield (%)(3)	**4.7**	4.5
Total investment yield (%)(3)	**2.8**	4.1

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

Net investment income for our life insurance business increased by 25.2% to RMB36,634 million in 2012 from RMB29,272 million in 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 and the higher interest rates of newly-added fixed maturity investments, as well as the increase in dividend income from equity investments as compared with last year. Net investment yield increased to 4.7% in 2012 from 4.5% in 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 continued weakness in the domestic stock market, net realized and unrealized gains were down to a loss of RMB8,385 million in 2012 from a loss of RMB309 million in 2011, and impairment losses on the available-for-sale equity investments increased to RMB6,165 million in 2012 from RMB2,289 million in 2011.

As a result, total investment income for life insurance business decreased by 16.7% to RMB22,158 million in 2012 from RMB26,609 million in 2011, and total investment yield dropped to 2.8% from 4.1%.

Claims and policyholders' benefits

(in RMB million)	2012	2011
Surrenders	**5,341**	4,407
Claims	**9,510**	7,554
Annuities	**5,333**	4,721
Maturities and survival benefits	**17,653**	12,598
Policyholder dividends	**5,769**	5,000
Interest credited to policyholder contract deposits	**8,301**	6,075
Net increase in policyholders' reserves	**67,078**	68,703
Total	**118,985**	109,058

Payments for surrenders were up 21.2% to RMB5,341 million in 2012 from RMB4,407 million in 2011. This was primarily due to the increased payments for surrenders of certain participating products as compared to those in 2011.

Payments for claims rose by 25.9% to RMB9,510 million in 2012 from RMB7,554 million in 2011. This was primarily due to the continuous growth in our accident and health insurance business.

Payments for annuities increased by 13.0% to RMB5,333 million in 2012 from RMB4,721 million in 2011. This was primarily due to the fact that the policies entitled to annuity payments gradually increased.

In 2012, maturities and survival benefits expenses increased by 40.1% to RMB17,653 million from RMB12,598 million in 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 15.4% to RMB5,769 million in 2012 from RMB5,000 million in 2011. This was primarily due to the increase in participating insurance business.

Payments for interest credited to policyholder contract deposits increased by 36.6% to RMB8,301 million in 2012 from RMB6,075 million in 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 2.4% to RMB67,078 million in 2012 from RMB68,703 million in 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

(in RMB million)	2012	2011
Health insurance	**1,960**	1,336
Accident insurance	**718**	547
Life insurance and others	**10,002**	9,468
Total	**12,680**	11,351

Commission expenses of insurance operations which are mainly paid to our sales agents increased by 11.7% to RMB12,680 million in 2012 from RMB11,351 million in 2011. This was primarily attributable to the increase in premium income and product restructuring.

General and administrative expenses

General and administrative expenses increased by 16.8% to RMB18,263 million in 2012 from RMB15,642 million in 2011. This increase was primarily due to the growth of our insurance business and the increase in our operating costs such as labor costs and office expenses from inflation.

Income tax

Income tax decreased greatly in 2012 compared to that in 2011, primarily due to a newly released policy of pre-tax deduction rules of financing costs from policyholder deposits and investment business, as well as the decrease in taxable profit.

PROPERTY AND CASUALTY INSURANCE BUSINESS

Business Overview

We conduct property and casualty insurance business mainly through Ping An Property & Casualty, while Ping An Hong Kong also offers this insurance service in the Hong Kong market. As at December 31, 2012, Ping An Property & Casualty had a registered capital of RMB17 billion, net assets of RMB26,838 million and total assets of RMB134,934 million.

Market share

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

	2012	2011
Premium income (in RMB million)	**98,786**	83,333
Market share (%)(1)	**17.9**	17.4

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

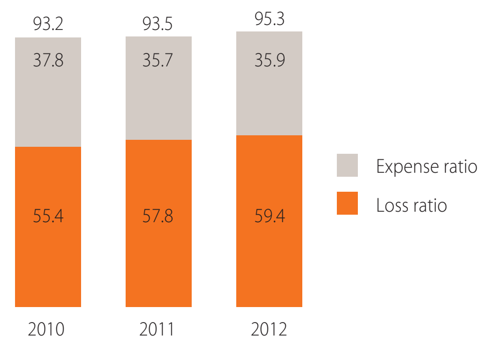
China's economy grew steadily in 2012, with structural adjustments picking up pace and continuous improvements in people's livelihood. This provided a better environment to support the growth of the property and casualty insurance industry. However, due to slowing GDP growth, the sluggish growth in new car sales and other factors, overall market growth declined compared to 2011.

Ping An Property & Casualty continued to implement its business strategy of "professional operations and leading services" and actively promoted the growth of businesses that correlated to the national economy. Premium income from automobile insurance telemarketing increased by 26.5% to RMB28,530 million, accounting for 28.9% of the total premium income and marking an increase of 2.3 percentage points. Meanwhile, premium income generated from other product types such as guarantee insurance and liability insurance also maintained strong growth. Ping An Property & Casualty accounted for approximately 17.9% 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 currently the second largest property and casualty insurance company in China in terms of premium income.

Combined ratio

In 2012, the property and casualty insurance sector in China was hit by rising claims cost and stronger market competition, which lowered profitability. By taking a detail-oriented approach to managing its business and constantly raising its caliber, Ping An Property & Casualty was able to grow its market share and maintain a good profitability level with a combined ratio of 95.3%.

Combined ratio
(%)



Summary of operating data

	2012	2011
Number of customers (in thousands)		
Individual	**23,024**	18,894
Corporate	**1,646**	1,892
Total	**24,670**	20,786
Distribution network		
Number of direct sales representatives	**7,315**	7,444
Number of insurance agents(1)	**30,240**	26,067

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

Ping An Property & Casualty distributes its products mainly through its network of 40 branches and over 2,000 sub-branches across the country. Main distribution channels include in-house sales representatives, sales agents, insurance brokers, telemarketing and cross-selling.

Business information of insurance products

In 2012, among all the commercial insurance products offered by Ping An Property & Casualty, the five highest premium income products are automobile insurance, guarantee insurance, corporate property and casualty insurance, liability insurance and accident insurance, which accounted for 94.8% of the premium income of Ping An Property & Casualty in 2012.

(in RMB million)	Insured amount	Premium income	Claim expenses	Underwriting profit	Balance of policyholders' reserves
Automobile insurance	11,959,133	76,159	40,970	2,772	53,469
Guarantee insurance	148,538	7,974	602	348	11,103
Corporate property and casualty insurance	7,943,674	5,074	2,448	(363)	4,303
Liability insurance	3,658,716	2,477	999	31	2,295
Accident insurance	130,887,230	1,956	546	358	1,317

Reinsurance arrangement

In 2012, Ping An Property & Casualty's outward reinsurance premiums amounted to RMB12,139 million in total, of which, RMB7,132 million and RMB4,985 million were from its automobile and non-automobile insurance businesses, respectively, while RMB22 million was contributed by the accident and health insurance division. Ping An Property & Casualty's gross inward reinsurance premiums amounted to RMB30 million, all of which were from the non-automobile insurance business.

In 2012, Ping An Property & Casualty continued to be actively engaged in reinsurance arrangements that helped to enhance its underwriting capabilities, diversify its operational risks and ensure the company's long-term healthy and steady growth. It has endeavored to widen the scope of collaboration by stepping up efforts to work with reinsurers to expand reinsurance channels. Reinsurance of Ping An Property & Casualty has gained strong support from the world's major reinsurance markets including Europe, the United States, Bermuda and Asia and so on. Currently, it has established extensive and close partnerships with nearly 100 reinsurance companies and reinsurance brokers worldwide. Its major reinsurance partners include China Property & Casualty Reinsurance Company Ltd., Swiss Re, Munich Re and Hannover Re Group.

Financial Analysis

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

Results of operation

(in RMB million)	2012	2011
Premium income	**99,089**	83,708
Net earned premiums	**79,116**	63,465
Reinsurance commission income	**4,337**	3,861
Investment income	**2,968**	2,854
Other income	**442**	305
Total income	**86,863**	70,485
Claim expenses	**(47,009)**	(36,706)
Commission expenses of insurance operations	**(8,758)**	(6,843)
Foreign currency losses	**(4)**	(32)
General and administrative expenses	**(24,065)**	(19,689)
Including: investment-related general and administrative expenses	**(66)**	(22)
Other expenses	**(420)**	(455)
Total expenses	**(80,256)**	(63,725)
Income tax	**(1,959)**	(1,781)
Net profit	**4,648**	4,979

Net profit from our property and casualty insurance business decreased by 6.6% from RMB4,979 million in 2011 to RMB4,648 million in 2012. Due to factors such as the rising claims cost and stronger market competition, the combined ratio rose compared with last year.

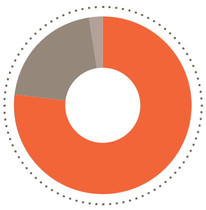
Premium income

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

(in RMB million)	2012	2011
Automobile insurance	**76,334**	65,292
Non-automobile insurance	**20,354**	16,249
Accident and health insurance	**2,401**	2,167
Total	**99,089**	83,708

By product type

(%)
2012 (2011)



- Automobile insurance 77.0 (78.0)
- Non-automobile insurance 20.6 (19.4)
- Accident and health insurance 2.4 (2.6)

Automobile insurance. Premium income was RMB76,334 million in 2012, representing an increase of 16.9% from RMB65,292 million in 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 RMB20,354 million in 2012, representing an increase of 25.3% from RMB16,249 million in 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 68.5% to RMB7,974 million in 2012 from RMB4,731 million in 2011. Premium income attributable to liability insurance grew by 38.9% to RMB2,491 million in 2012 from RMB1,794 million in 2011.

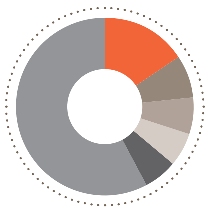
Accident and health insurance. Premium income was RMB2,401 million in 2012, representing an increase of 10.8% from RMB2,167 million in 2011. The growth was lower than that of the overall business, which was mainly because the Company optimized its business structure and controlled the growth of high-risk businesses.

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

(in RMB million)	2012	2011
Guangdong	**15,647**	13,575
Jiangsu	**7,625**	6,179
Shanghai	**6,628**	5,793
Beijing	**6,062**	5,292
Zhejiang	**6,016**	5,090
Subtotal	**41,978**	35,929
Total premium income	**99,089**	83,708

By region

(%)
2012 (2011)



- Guangdong 15.8 (16.2)
- Jiangsu 7.7 (7.4)
- Shanghai 6.7 (6.9)
- Beijing 6.1 (6.3)
- Zhejiang 6.1 (6.1)
- Others 57.6 (57.1)

OUR PERFORMANCE

Total investment income

(in RMB million)	2012	2011
Net investment income[1]	**4,278**	3,333
Net realized and unrealized gains[2]	**(1,025)**	(202)
Impairment losses	**(285)**	(277)
Total investment income	**2,968**	2,854
Net investment yield (%)[3]	**4.8**	4.6
Total investment yield (%)[3]	**3.3**	3.9

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

Net investment income from our property and casualty insurance business recorded a rise of 28.4% to RMB4,278 million in 2012 from RMB3,333 million in 2011, mainly due to the increase in investment assets corresponding to the rapid growth in the premium income and the higher interest rates of newly-added fixed maturity investments, hence interest income from fixed maturity investments increased accordingly. Net investment yield increased to 4.8% in 2012 from 4.6% in 2011, mainly as a result of higher interest rates of newly-added fixed maturity investments.

Affected by the continued weakness in the domestic stock market, net realized and unrealized gains for our property and casualty insurance business were down from a loss of RMB202 million in 2011 to a loss of RMB1,025 million in 2012.

Overall, total investment income had increased by 4.0% to RMB2,968 million in 2012 from RMB2,854 million in 2011, total investment yield for our property and casualty insurance business fell to 3.3% in 2012 from 3.9% in 2011.

Claims expenses

(in RMB million)	2012	2011
Automobile insurance	**40,595**	31,978
Non-automobile insurance	**5,464**	3,891
Accident and health insurance	**950**	837
Total	**47,009**	36,706

Claims attributable to automobile insurance business increased by 26.9% to RMB40,595 million in 2012 from RMB31,978 million in 2011. This was primarily due to the rapid growth in premium income and the rise in claims cost.

Claims attributable to non-automobile insurance business increased by 40.4% to RMB5,464 million in 2012 from RMB3,891 million in 2011. This was primarily due to the growth in premium income.

Claims attributable to accident and health insurance business increased by 13.5% to RMB950 million in 2012 from RMB837 million in 2011. This was primarily due to the growth in premium income.

Commission expenses of insurance operations

(in RMB million)	2012	2011
Automobile insurance	**6,183**	4,900
Non-automobile insurance	**2,115**	1,571
Accident and health insurance	**460**	372
Total	**8,758**	6,843
Commission expenses as a percentage of premium income (%)	**8.8**	8.2

Commission expenses of our property and casualty insurance business increased by 28.0% to RMB8,758 million in 2012 from RMB6,843 million in 2011. Commission expenses as a percentage of premium income was 8.8% in 2012, higher than the 8.2% in 2011. This was primarily due to the increase in premium income and the increase in commission rate of the industry.

Income Tax

Income tax was RMB1,959 million in 2012, 10.0% higher than the RMB1,781 million for 2011.

General and administrative expenses

General and administrative expenses increased by 22.2% to RMB24,065 million in 2012 from RMB19,689 million in 2011. This was primarily due to the growth in our insurance business and the increased inputs in customer services and strategic initiatives. General and administrative expenses as a percentage of premium income increased to 24.3% in 2012 from 23.5% in 2011.

SOLVENCY MARGIN

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

	Ping An Life		Ping An Property & Casualty	
(in RMB million)	**December 31, 2012**	December 31, 2011	**December 31, 2012**	December 31, 2011
Actual capital	**67,678**	52,489	**23,166**	18,174
Minimum capital	**35,502**	33,623	**12,983**	10,943
Solvency margin ratio (%)	**190.6**	156.1	**178.4**	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.

With solvency pressured by business development, capital market volatility and dividend distribution, Ping An Property & Casualty and Ping An Life issued subordinated bonds of RMB3 billion and RMB9 billion, respectively in 2012, so as to enhance their capital adequacy. The solvency margin as at December 31, 2012 was higher than that at the end of last year and was comfortably above the regulatory requirement. In addition, Ping An Life entered into reinsurance contracts in 2012 to diversify its operating risks, which raised its solvency margin ratio.

Management Discussion and Analysis
Banking Business

- The Company marked the end of a three-year long banking consolidation exercise, and the transitional process went on smoothly and successfully.
- Our core businesses delivered healthy performance with an improving business structure, and profit contribution to the Group largely increased.
- The bank accelerated network expansion and its superior businesses such as credit cards, automobile finance and trade finance leapfrogged over the peers in the industry.

The Company runs its banking business through Ping An Bank, which is a national joint-stock commercial bank headquartered in Shenzhen and listed on Shenzhen Stock Exchange under the stock name "Ping An Bank" and stock code "000001". Ping An Bank was formerly known as Shenzhen Development Bank Co., Ltd. (which was merged with the Original Ping An bank in June 2012 and renamed Ping An Bank in July 2012). As at December 31, 2012, Ping An Bank had total assets of RMB1.61 trillion, net assets of RMB84,799 million and registered capital of RMB5,123 million. It provides a broad range of financial services to corporate, retail, and government customers, through a network of 450 branches and sub-branches in 33 major cities across the country. As at December 31, 2012, the Company and its subsidiary jointly held 2,684 million shares, approximately 52.38% of the total shares of Ping An Bank.

With inflation moderating in 2012, the Chinese government maintained its prudent monetary policy. 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 indicators have become more stringent in China and exerted more pressure on risk management in the banking sector. Despite the complex and ever-changing external environment, Ping An Bank made steady progress towards implementing the business development strategy and the integration of the two banks, maintaining steady growth in various businesses.

The business scale rose steadily, while strategic businesses achieved healthy growth. As at December 31, 2012, the total assets of Ping An Bank amounted to RMB1.61 trillion, representing an increase of 27.7% as compared with the end of 2011, total deposits amounted to RMB1,021,108 million, representing an increase of 20.0%, total loans amounted to RMB720,780 million, representing an increase of 16.1%. Within the business structure, strategic businesses such as automobile finance, trade finance, microfinance, retail and credit card achieved healthy growth. The benefits of channel development were evident. We accelerated the development of the online supply chain finances and enlarged the customer base steadily. As at December 31 2012, trade finance facilities balance amounted to RMB287.28 billion, representing an increase of 23.1% as compared with the end of 2011; the micro-loans balance was RMB55,834 million, up by 16.3%; while credit cards in force (CIF) reached 11 million.

The income structure was improved while the profitability remained stable. In 2012, the banking business realized a net profit of RMB13,232 million, up by 65.9% as compared with 2011, and contributed RMB6,870 million to the Group, representing a proportion of 34.3%, growing from 26.4% in 2011. The operating income grew by 73.8% to RMB40,155 million as compared with 2011, in particular, net non-interest income was RMB6,912 million, representing an increase of 46.1%, further improving the income structure.

Ping An Bank ramped up its network expansion, with the number of business outlets growing rapidly. The Zhengzhou branch opened on September 6, 2012, while preparation works for the Xi'an branch are proceeding smoothly. As at the end of 2012, the number of Ping An Bank's outlets reached 450, up by 55 compared to the end of 2011. The number of newly-opened outlets in the year reached a record high in Ping An Bank's history.

The integration of Original Ping An Bank and Original SDB achieved significant progress, marking an end to the three-year-long consolidation exercise. While keeping business development stable in 2012, Ping An Bank completed a series of tasks leading to the consolidation, including the legal absorption and merger, name change, license and logo change, as well as the consolidation and online launch of business systems. In April 2012, CBRC approved Original SDB's absorption merger with Original Ping An Bank. The deregistration of Original Ping An Bank was completed on June 12, 2012, after which Original SDB and Original Ping An Bank officially became one legal entity. On July 27, 2012, Original SDB formally changed its name to "Ping An Bank Co., Ltd.". From August 2, 2012, the abbreviation of its stock name was changed to "Ping An Bank" while its stock code of 000001 remained unchanged. On January 14, 2013, the consolidation of the two banks' systems was completed and went live online, marking the full completion of the three-year-long consolidation exercise.

RESULTS OF OPERATION

Original SDB was consolidated in the Group's financial statements starting July 2011, and was treated as an associate of the Company before that. In the current annual report, the banking business's operating results included that of Ping An Bank (Original SDB) for 2012. While the operating results of 2011 included the share of profit in Original SDB as an associate on a pro rata basis for the first half year, as well as Original SDB's operating results in the second half consolidated as a subsidiary. The change in shareholding percentage and consolidation significantly boosted the profit contribution from the banking business as compared to the previous year.

Pursuant to the Accounting Standards for Business Enterprises, the identifiable assets and liabilities acquired upon the merger with Original SDB were to be recognised and measured at fair value on the date of merger. As a result, the figures of Original 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 Ping An Bank as disclosed in its annual report.

(in RMB million)	2012	2011
Net interest income	**33,243**	18,371
Net fees and commission income	**5,722**	3,271
Investment income(1)	**653**	1,097
Income from other businesses(2)	**537**	364
Total operating income	**40,155**	23,103
Asset impairment losses	**(3,131)**	(1,717)
Net operating income	**37,024**	21,386
General, administrative and other expenses(3)	**(19,817)**	(11,586)
Profit before tax	**17,207**	9,800
Income tax	**(3,975)**	(1,823)
Net profit	**13,232**	7,977

(1) Investment income in 2011 included the Company's share of profits in Original SDB on a pro rata basis to shareholding percentage 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 2012, the banking business realized a net profit of RMB13,232 million and contributed RMB6,870 million to the Group, representing a growth of 33.4% from 2011. The increase in profit was mainly attributable to the change in shareholding percentage. In addition, the bank itself also saw stable business growth and good profitability.

NET INTEREST INCOME

(in RMB million)	2012	2011
Interest income		
Due from the PBOC	**2,691**	1,308
Due from financial institutions	**9,703**	4,680
Loans and advances to customers	**44,880**	24,709
Interest income on investment securities	**10,226**	5,483
Others	**7,352**	3,134
Total interest income	**74,852**	39,314
Interest expenses		
Due to the PBOC	**(27)**	(21)
Due to financial institutions	**(15,135)**	(7,331)
Customer deposits	**(23,120)**	(11,560)
Bonds payable	**(1,032)**	(561)
Others	**(2,295)**	(1,470)
Total interest expenses	**(41,609)**	(20,943)
Net interest income	**33,243**	18,371
Net interest spread (%)(1)(3)	**2.19**	2.33
Net interest margin (%)(2)(3)	**2.37**	2.51
Average balance of interest-earning assets	**1,395,034**	1,175,294
Average balance of interest-bearing liabilities	**1,315,968**	1,106,105

(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.
(3) As calculating the net interest spread and net interest margin for 2011, the interest income and interest expenses of Original SDB following consolidation in July 2011 have been annualized.

Net interest income increased significantly to RMB33,243 million for 2012 from RMB18,371 million for 2011, mainly due to the change in shareholding percentage and consolidation. The increase was also attributable to the positive effect of an expanded scale of interest-earning assets and improved asset-liability structure.

Net interest spread and net interest margin decreased slightly due to the effect of PBOC's lowering interest rate policy since 2011 as well as the expansion of scale of interbank businesses.

NET FEES AND COMMISSION INCOME

(in RMB million)	2012	2011
Fees and commission income		
Settlement fees income	**894**	621
Agency commissions	**771**	584
Bank card fees income	**2,484**	1,206
Wealth management fees income	**654**	263
Consultancy fees income	**452**	411
Others	**1,195**	602
Total fees and commission income	**6,450**	3,687
Fees and commission expenses		
Agency expense	**(111)**	(61)
Bank card fees expenses	**(511)**	(297)
Others	**(106)**	(58)
Total fees and commission expenses	**(728)**	(416)
Net fees and commission income	**5,722**	3,271

Due to the change in shareholding percentage and consolidation, net fees and commission income surged to RMB5,722 million for 2012 from RMB3,271 million for 2011. In addition, the continuous expansion of business and customer scale, speedy development of bank card business, innovation in wealth management products and enhanced service quality made contribution to the growth.

GENERAL, ADMINISTRATIVE AND OTHER EXPENSES

(in RMB million)	2012	2011
General and administrative expenses	**16,211**	9,552
Business tax and surcharges	**3,412**	1,838
Other expenses and non-operating expenses	**194**	196
Total general, administrative and other expenses	**19,817**	11,586
Cost/income ratio[1]	**40.61%**	44.17%

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

General, administrative and other expenses soared to RMB19,817 million for 2012 from RMB11,586 million for 2011, mainly due to the change in shareholding percentage and consolidation. This increase was also attributable to the expansion of business scale, inputs on the integration of procedures, workflows and systems of the two banks, as well as continuous investment in the optimization of management workflow and the IT system.

Cost/income ratio decreased to 40.61% in 2012 from 44.17% in 2011. This was mainly due to that Original SDB has a relatively low cost/income ratio compared with Original Ping An Bank.

ASSET IMPAIRMENT LOSSES

Asset impairment losses rose greatly from RMB1,717 million for 2011 to RMB3,131 million for 2012, mainly as a result of the change in shareholding percentage and consolidation. In addition, Ping An Bank increased the provision of collectively assessed loan impairment as a prudent measure.

INCOME TAX

	2012	2011
Effective tax rate (%)[1]	**23.10**	21.16

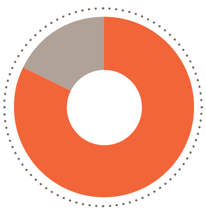
(1) Effective tax rate refers to income tax/profit before tax excluding the Company's share of profits in Original SDB as an associate company based on the equity method.

The effective tax rate increased from 21.16% for 2011 to 23.10% for 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, 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 from January 1, 2008.

Deposit Mix

(in RMB million)	December 31, 2012	December 31, 2011
Corporate deposits	**839,949**	698,565
Retail deposits	**181,159**	152,280
Total deposits	**1,021,108**	850,845

Deposit Mix
(%)
December 31, 2012 (December 31, 2011)



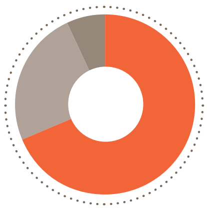
- Corporate deposits 82.3 (82.1)
- Retail deposits 17.7 (17.9)

The total amount of customer deposits increased by 20.0% to RMB1,021,108 million as at December 31, 2012 from RMB850,845 million as at December 31, 2011. Both types of deposits maintained stable growth.

Loan Mix

(in RMB million)	December 31, 2012	December 31, 2011
Corporate loans	**494,945**	430,702
Retail loans	**176,110**	165,227
Accounts receivable on credit cards	**49,725**	24,713
Total loans	**720,780**	620,642

Loan mix
(%)
December 31, 2012 (December 31, 2011)



- Corporate loans 68.7 (69.4)
- Retail loans 24.4 (26.6)
- Accounts receivable on credit cards 6.9 (4.0)

Total loans increased by 16.1% to RMB720,780 million as at December 31, 2012 from RMB620,642 million as at December 31, 2011. Corporate loans increased by 14.9% to RMB494,945 million, contributing 68.7% to total loans as at December 31, 2012 (as at December 31, 2011: 69.4%). Retail loans increased by 6.6% to RMB176,110 million, contributing 24.4% to total loans as at December 31, 2012 (as at December 31, 2011: 26.6%). Accounts receivable on credit cards increased by 101.2% to RMB49,725 million, contributing 6.9% to total loans as at December 31, 2012 (as at December 31, 2011: 4.0%).

LOAN QUALITY

(in RMB million)	December 31, 2012	December 31, 2011
Pass	**706,738**	612,937
Special mention	**7,176**	4,410
Sub-standard	**5,030**	1,744
Doubtful	**962**	893
Loss	**874**	658
Total loans	**720,780**	620,642
Total non-performing loans	**6,866**	3,295
Non-performing loan ratio	**0.95%**	0.53%
Impairment provision balance	**12,518**	10,566
Provision coverage ratio	**182.32%**	320.66%

In 2012, external factors such as the slowing domestic economic growth exacerbated operating conditions and impeded the repayment ability of some SMEs in the Yangtze River Delta and other regions. This caused the rise in non-performing loan ratio of Ping An Bank. However, the new non-performing loans were mostly concentrated in Jiangsu and Zhejiang Provinces, most of which were secured and collateralized. Ping An Bank was able to maintain a stable credit assets quality in other regions while keeping overall risks under control. Going forward, Ping An Bank will further enhance its credit structure, ensure the granting of higher quality loans, prevent and mitigate potential risks associated with existing loans, tightly control the growth of non-performing loans and maintain stable assets quality.

As at the end of 2012, the carrying amount of non-performing loans was RMB6,866 million, up by RMB3,571 million; the non-performing loan ratio was 0.95%, up by 0.42 percentage points; the provision coverage ratio was 182.32%, down by 138.34 percentage points from the end of 2011.

CAPITAL ADEQUACY RATIO

(in RMB million)	December 31, 2012	December 31, 2011
Net capital	**101,866**	91,491
Including:		
Net Core Capital	**76,896**	67,244
Supplementary Capital	**25,430**	24,664
Total risk weighted assets	**895,593**	794,702
CAR (regulatory requirement >=8%)	**11.37%**	11.51%
Core CAR (regulatory requirement >=4%)	**8.59%**	8.46%

As at December 31, 2012, the CAR and Core CAR of our banking business maintained at strong levels of 11.37% and 8.59%, respectively.

Management Discussion and Analysis
Investment Business

- Ping An Securities successfully sponsored 14 IPOs and two refinancing projects as the lead underwriter; ranking third in terms of deal numbers and underwriting revenue for IPOs. It also completed 44 bond issuance projects as the lead underwriter, with the number of deals rising by 159% compared with last year.
- Ping An Trust recorded stable growth in its private wealth management business, the cumulative number of high net-worth customers surpassed 18,000.
- 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

Our securities business is conducted through Ping An Securities, which provides brokerage, investment banking, asset management and financial advisory services to clients. Ping An Securities became an innovative securities company in 2006, and started a wholly-owned subsidiary named Ping An Caizhi in 2008, which conducts direct investments business. In 2009, Ping An Securities set up another subsidiary in Hong Kong, Ping An Securities (Hong Kong). As at December 31, 2012, Ping An Securities had a registered capital of RMB3 billion, net assets of RMB8,553 million and total assets of RMB32,329 million.

In 2012, China's economy faced greater downward pressure which led to lower growth rates. The pace of securities issuance in the primary stock market slowed, while in the secondary market the CSI300 Index rose by 7.55%. However, the average daily turnover of the stock market plummeted, as the annual volume of stocks, funds and warrants fell 25% over last year, while trading commission rates further shrunk. The continued weakness of the market exerted considerable pressure on the entire securities industry.

In the face of the market downturn, Ping An Securities seized every market opportunity, met challenges head on, actively explored and developed new businesses, and worked towards opening up new points of profit growth. Since 2012, our investment banking business has maintained its lead in the SMEs and GEM underwriting markets. We successfully sponsored 14 IPOs and two refinancing projects as the lead underwriter, ranking third in the number of deals and underwriting revenue for IPO transactions. We had led the industry in our fixed income business, having completed 44 bond issuances projects as lead underwriter with the number of deals up by 159% over last year. Ping An Securities was also among the first batch of securities companies to obtain underwriting qualification for SME private placement bonds, and have completed the issuance of eight private placement bonds for SMEs. Our brokerage business successfully secured qualifications for securities and loan lending, with the closing balance of our margin trading and securities lending growing by 105.1% compared with the end of 2011. The asset management business was focused on innovating, while the targeted asset management business achieved a breakthrough with assets under management surpassing RMB10 billion. Also, leveraging the strength of the Group's integrated financial model, Ping An Securities obtained market maker status for the first tranche of ETFs, becoming the primary trader and market maker of Huatai Pinebridge CSI300 ETF and Harvest CSI300 ETF. Ping An Caizhi realized a good return from the exit of investment projects.

In recognition of its stellar performance in underwriting, sponsoring as well as its outstanding business innovation, Ping An Securities won five awards at the sixth annual New Fortune Magazine Investment Banks of the Year Awards, including "Best Domestic Investment Bank", "Best Investment Bank for Large Projects", and "Best Investment Bank for Small-to-Micro Projects". It was also given the "China Securities Companies Investment Banking Business Innovation Award" at the

2012 Securities Companies Innovation Forum. With its exemplary performance in asset management business in capital markets in recent years, Ping An Securities took home the "2012 China Securities Companies – Most Innovative Wealth Management Department" award at the 2012 China Securities Companies Annual Meeting. The Company's research department was the first runner up in the "Fastest Improved Research Institution" category, while its "Electronics" and "Automobiles" teams were ranked the second and third, respectively at the tenth Best Analyst Awards by New Fortune Magazine. The Company's "An-e Wealth Management Financial Terminal" won the "Best Deployment of Financial Information" award at the China Best Financial Innovation Awards 2012, organized by New Finance World Magazine. Ping An Caizhi also won awards including "2012 China Securities Companies – Top 5 Direct Investment Companies" by Zero2IPO Group.

With the securities industry presented with new opportunities for innovation and growth, Ping An Securities will proceed with its core strategy of "accumulating customers and assets, creating products and transactions", which will seize opportunities for industry innovation and its implementation, greatly enhance its floor trading and over-the-counter trading capabilities, and continue to leverage the Group's integrated financial strategy to expand its institutional and high-end individual customer base, to become a major dealer and trader in the securities market.

Results of Operation

(in RMB million)	2012	2011
Net fees and commission income	**1,531**	2,645
Investment income	**1,128**	397
Other income	**35**	38
Total operating income	**2,694**	3,080
Foreign currency losses	**–**	(8)
General, administrative and other expenses	**(1,613)**	(1,846)
Total operating expenses	**(1,613)**	(1,854)
Income tax	**(236)**	(263)
Net profit	**845**	963

In 2012, the underwriting and brokerage businesses slowed down due to the market environment, but we recorded good returns from the exit of investment projects. The net profit from our securities business decreased by 12.3% to RMB845 million as compared with 2011.

Net Fees and Commission Income

(in RMB million)	2012	2011
Fees and commission income		
Brokerage fees	**616**	867
Underwriting commission income	**1,108**	2,083
Others	**10**	9
Total fees and commission income	**1,734**	2,959
Fees and commission expenses		
Brokerage fees paid	**(99)**	(162)
Others	**(104)**	(152)
Total fees and commission expenses	**(203)**	(314)
Net fees and commission income	**1,531**	2,645

In 2012, with the pressure from lowered commission rates in the industry and the decreased average daily turnover of the stock market, our brokerage fees income decreased by 29.0% to RMB616 million from RMB867 million in 2011.

Underwriting commission income decreased by 46.8% to RMB1,108 million in 2012 from RMB2,083 million in 2011, since we sponsored 14 IPOs and two refinancing projects in 2012 as lead underwriter, comparing to 34 IPOs and 7 refinancing projects in 2011.

Total Investment Income

(in RMB million)	2012	2011
Net investment income(1)	**905**	793
Net realized and unrealized gains(2)	**246**	(396)
Impairment losses	**(23)**	–
Total investment income	**1,128**	397

(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.

OUR PERFORMANCE

Total investment income from our securities business increased greatly to RMB1,128 million in 2012 from RMB397 million in 2011, mainly due to the higher interest income in bond investments and good returns from the exit of investments projects.

TRUST BUSINESS

The Company provides third-party asset management services to customers through Ping An Trust. Ping An Trust also provides non-capital market investment services in infrastructure, properties and private equity to other Ping An subsidiaries. As at December 31, 2012, Ping An Trust had a registered capital of RMB6,988 million, net assets of RMB15,147 million and total assets of RMB16,072 million.

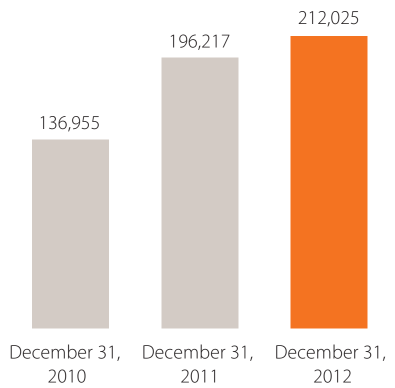
In 2012, the trust industry seized the opportunities stemming from macroeconomic policies and financial disintermediation to maintain their rapid growth trend. The industry valuation exceeded RMB7 trillion for the first time, presenting a rare growth opportunity for the wealth management business. At the same time, the introduction of more liberal regulatory policies for securities and fund industries had intensified competition in the wealth management business, spurring the transformation of the trust industry.

In 2012, Ping An Trust strengthened its active management capabilities on an ongoing basis. Propelled by its three main engines of products, channels and supporting platforms, the private wealth management business achieved record performance as management fees income grew by over 50%. The non-capital market investment business made a further breakthrough and maintained its rapid growth.

In terms of products, Ping An Trust focused on its non-capital markets investment capabilities and product development, introducing innovative products such as Private Equity Fund of Funds (PE FOF), umbrella products and deposit pledged business which further diversified the product line with outstanding results. Its paid-in capital of collective trust products surpassed RMB120 billion – accounting for 60.0% of paid-in capital of all products – far exceeding the industry average level and contributing to the further growth of our private wealth management business. On non-capital market investments, we expanded the Group's insurance funds investment channels with our property and infrastructure investments, taking guidance from regulatory policies. In line with the country's 12th Five-Year Plan, Ping An Trust made PE investments in the seven emerging strategic industries. We secured ideal returns by exiting from certain investments in this year. On channel establishment, Ping An Trust made steady inroads in its marketing plan. We utilized technology in finance by promoting the MIT platform, thus upgrading our personal sales channels and enhancing the customer service experience. As a result, the cumulative number of high net-worth customers surpassed 18,000, marking an increase of about 38% compared with the end of 2011. Ping An Trust took steady steps to improve its supporting platform, with 15 subprojects successfully launched in 2012, completely covering the front, middle and back offices of Ping An Trust, enhancing its operational service capability. Further, Ping An Trust established a risk management structure which involved multi-level coordination on investment assessment, risk management and decision-making, changing risk assessment on trust products from reactive to pre-emptive in nature. Through a comprehensive risk control system, various types of risk were identified, measured, controlled and managed. The optimized risk management system has effectively protected customers' interests.

In 2012, in recognition of its outstanding performance in promoting industry growth and business innovation, and in developing the wealth management field, Ping An Trust was awarded "Most Influential Trust Company" by *China Business News*, "Best Trust Company 2012" by Eastmoney.com, "Golden Abacus – Outstanding Contribution Award" by *Securities Daily* and www.ccstock.cn, "China Outstanding Trust Company", "Best Research and Development Team of the Year" and "Outstanding Financial Management Team of the Year" by *Securities Times*.

Assets held in trust
(In RMB million)



Results of Operation

(In RMB million)	2012	2011
Net fees and commission income	**2,271**	1,590
Investment income	**757**	806
Other income	**3**	11
Total operating income	**3,031**	2,407
Foreign currency losses	**-**	(1)
Asset impairment losses	**2**	32
General, administrative and other expenses	**(1,191)**	(1,021)
Total operating expenses	**(1,189)**	(990)
Income tax	**(318)**	(354)
Net profit	**1,524**	1,063

Net profit increased by 43.4% to RMB1,524 million in 2012 from RMB1,063 million in 2011, this was primarily attributable to the rise in management fees income of trust products.

Net Fees and Commission Income

(in RMB million)	2012	2011
Fees and commission income		
Management fees of trust products	**2,756**	1,802
Others	**206**	207
Total fees and commission income	**2,962**	2,009
Fees and commission expenses		
Handling charges of trust products	**(689)**	(396)
Others	**(2)**	(23)
Total fees and commission expenses	**(691)**	(419)
Net fees and commission income	**2,271**	1,590

Management fees income of trust products in 2012 was RMB2,756 million, representing an increase of 52.9% from RMB1,802 million in 2011. This was primarily due to an increase in management fees income of trust products as a result of the enlarged existing scale of trust products.

Handling charges of trust products went up to RMB689 million in 2012 from RMB396 million in 2011. This was primarily due to the enlarged scale and structural adjustment of trust products.

As a result, net fees and commission income increased by 42.8% to RMB2,271 million in 2012 from RMB1,590 million in 2011.

Total Investment Income

(in RMB million)	2012	2011
Net investment income(1)	**650**	498
Net realized and unrealized gains(2)	**107**	308
Total investment income	**757**	806

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

OUR PERFORMANCE

Management Discussion and Analysis
Investment Business

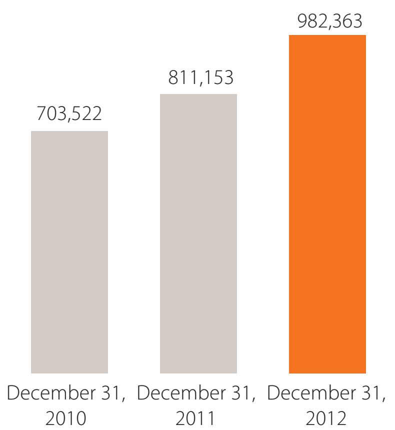
Net investment income increased to RMB650 million in 2012 from RMB498 million in 2011, as the dividend income from equity investments in 2012 increased compared with 2011; net realized and unrealized gains decreased to RMB107 million in 2012 from RMB308 million in 2011, primarily due to the decrease of realized gains from the sale of equity investments in the year compared with that of 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). To further stabilize investment income and enhance the medium-to-long-term investment returns of insurance funds, the Company established an investment management center at the group level in 2012 to coordinate investment management of insurance funds.

Ping An Asset Management is responsible for domestic investment management services in China and is entrusted to manage the insurance funds of the Group as well as investment assets of other subsidiaries of the Group. It also provides investment products and third-party asset management services for other investors through various channels. As at December 31, 2012, Ping An Asset Management had a registered capital of RMB500 million.

Assets under investment management
(in RMB million)



As at December 31, 2012, assets under management of Ping An Asset Management amounted to RMB982,363 million, representing an increase of 21.1% compared to the end of 2011. This was mainly attributed to the increase in investable assets generated from the steady growth in our insurance business.

In 2012, using our expertise in investment assessment and effective risk management, Ping An Asset Management responded promptly to the changes in the bond and equity markets, optimized asset allocation, steadily increased investments in fixed income assets with high interest rates, maintained the flexibility of equity assets allocation and obtained stable investment returns. Total investment income for the insurance funds in the year amounted to RMB25,680 million, and total investment yield was 2.9%, contributing positively to the Company's profit.

Our third-party business achieved steady growth. By continuously making improvements to our business structure, analyzing environmental changes, and actively pursuing business innovation, we were able to achieve stable growth both in terms of the scale and income while keeping risks at a manageable level.

In 2012, Ping An Asset Management saw through the construction of the investment management system platform, optimized investment transactions and operating procedures, and launched the data management project. Investment efficiency and operational stability were further enhanced, while the accuracy and timeliness of investment data analysis were strengthened. This provided effective support for investment research and facilitated decision making, establishing a solid foundation for building a competitive barrier for the Company.

Going forward, the Company will continue to strengthen its research and understanding on macroeconomic conditions, strive to unlock the full potential of its asset allocation, optimize its investment decision-making system and strengthen risk control measures. This will further stabilize investment income and make the Company less vulnerable to cyclical effects, improve the medium-to-long-term investment returns of insurance funds, as well as raise the competitiveness of our products to strengthen our image as a leading industry brand.

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. As at December 31, 2012, the assets denominated in foreign currency under management of Ping An Asset Management (Hong Kong) amounted to HK$30,354 million.

In 2012, Ping An Asset Management (Hong Kong) successfully launched three ETFs in Hong Kong, namely the Ping An of China CSI HK Dividend ETF, Ping An of China CSI HK Mid Cap Select ETF and Ping An of China CSI RAFI HK50 ETF. These products diversified the Company's overseas product line, and enhanced Ping An's reputation of being a professional offshore investment brand.

FUND BUSINESS

Ping An-UOB Fund Management Company Limited, established on January 7, 2011 with a registered capital of RMB300 million, is the 63rd fund management company in China. Ping An-UOB Fund mainly engages in raising securities investment funds, sales, assets management business, and provides professional investment products, portfolio and related services to retail and institutional investors. On December 14, 2012, Pingan-UOB Wealthtone Asset Management Co., Ltd, a wholly-owned subsidiary of Ping An-UOB Fund, was formally established upon approval, with registered address at Shenzhen Qianhai. It lays a solid foundation for the rapid development of Ping An-UOB Fund in the wealth management business for specific customers.

In 2012, the Ping An-UOB Fund established its public fund product line within a short period. Three public funds were launched under the product types of hybrid, capital preservation and pure debt. The Ping An-UOB Strategic Pioneer Hybrid Fund had an initial size of RMB459 million, the Ping An-UOB Capital Preservation Hybrid Fund an initial size of RMB1,019 million, and the Ping An-UOB Tianli Bond Fund an initial size of RMB2,356 million. As at December 31, 2012, the public fund assets managed by Ping An-UOB reached RMB5,331 million. The wealth management business for the separately managed account (SMA) program grew rapidly at the onset, seizing market opportunities that came its way. As at the end of 2012, it launched six SMA wealth management products in the investment fields such as SME private placement bonds and directional private placement, achieving good results.

In recognition of its outstanding performance among the new generation of fund companies and its excellent e-business platform, the Ping An-UOB Fund was given the "Most Growth Potential in the Fund Industry" Award in the Leading China Financial Industry 2012 Annual Awards by JRJ.com, and "The 10th China Financial and Economics Ranking – Best e-Business Platform of Funds 2012" by Hexun.com.

In future, the Ping An-UOB Fund will continue to establish its public fund product line, actively develop its SMA wealth management business, continue to expand the scope of its investment business and hone its investment capabilities. By providing more diverse wealth management products and working on the premise of steady investment results, we will meet various customers' investment and wealth management needs.

Management Discussion and Analysis
Synergy

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

Ping An Technology, Ping An Processing & Technology and Ping An Channel Development are responsible for the development of the Company's shared platforms for IT, back office, cross-selling, etc. In 2012, the Company's integrated financial service structure and governance structure were further improved through the corporate operations of our three major business units. In addition, market oriented operations increased the efficient use of resources and lowered service costs.

CROSS-SELLING

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 2012:

New Business Acquired through Cross-selling

(In RMB million)	2012 Amount	2012 Business contribution percentage (%)	2011 Amount	2011 Business contribution percentage (%)
Property and casualty insurance business				
Premium income	**14,770**	**15.0**	11,940	14.3
Group short-term insurance business of Ping An Annuity				
Sales volume	**3,412**	**57.7**	2,231	44.2
Trust business				
Trust schemes	**68,949**	**17.0**	22,546	9.4
Banking business				
Corporate deposits (increase of daily average size)[1]	**4,093**	**6.8**	2,433	8.7
Retail deposits (increase of daily average size)[1]	**4,732**	**15.9**	1,377	42.9
Credit cards (in ten thousands)	**241**	**53.6**	114	42.9

(1) The data of 2011 only includes deposits through cross-selling of 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 December 31, 2012, the Company made progress in the centralization of its back office and operating platform in the following areas:

Specialized Operations:

Our business network currently covers the entire country and we continue to improve our service network by centralizing underwriting, claims and policyholder operations. With the centralization of our business, Ping An Processing & Technology will establish a centralized back office and operation platform for end-to-end workflow management, while continuing to create new service models to enhance the customer service experience.

- 60.3% of the policyholder business was centralized at the end of 2012, following the full centralization of the underwriting and claims operations of the individual life insurance business.

- Centralization of claims processing of automobile insurance and property and casualty insurance, and manual underwriting of automobile insurance through telemarketing channel and Ping An Property & Casualty's accident and health insurance business were fully completed. Centralization of over-the-counter collection and issuance for property and casualty insurance was 62.0% completed. Full completion of centralization of life insurance investigation was achieved among major Ping An's subsidiaries such as Ping An Property & Casualty, Ping An Life and Ping An Annuity.

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

Shared Operations:

The Company stepped up efforts to promote operations sharing, with participating businesses attaining industry-leading levels of performance. Through raising operational scale and cross operations sharing, we have improved our service quality while substantially lowering costs. The Company will continue to consolidate its operations sharing to improve services directly accessed by customers, and to enhance service efficiency.

- The centralization of document processing among major Ping An subsidiaries such as Ping An Property & Casualty, Ping An Life, Ping An Annuity, Ping An Health, Ping An Bank and Ping An Securities was 55.6% completed.

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

- Centralization of call centre services for Ping An Property & Casualty, Ping An Life, Ping An Annuity, Ping An Health, Ping An Bank, Ping An Securities, Ping An Trust and Ping An Technology was implemented, with 72% of all calls taken centrally.

In 2012, Ping An further strengthened the centralization of its back-office for integrated financial services, which greatly increased the economies of scale of various businesses along with service levels. Complying with legal requirements, the Company continued to diversify its service channels by launching comprehensive service counters, a unified customer service hotline and remote service terminals. It also deployed technological innovations across its services, including a mobile phone locator service and a voice-activated self-service offering to provide customers with a better service experience. In future, the Company will continue to strengthen its capabilities in technological innovation, improve operations flow, as well as raise service quality to set up a leading end-to-end integrated financial operating service platform.

Embedded Value

As at December 31, 2012, the embedded value of the Company was RMB285,874 million, and the value of one year's new business of life insurance sold during 2012 was RMB15,915 million.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON THE EMBEDDED VALUE DISCLOSURES

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

We have reviewed the accompanying Embedded Value disclosures of Ping An Insurance (Group) Company of China, Ltd. ("the Company") as set out in the Company 2012 Year-end annual report ("the Disclosures"). The Disclosures comprise: the Economic Value, which is the Embedded Value as at December 31, 2012 and the Value of one year's new business after the cost of solvency ("the New Business Value"); the Methodology and Assumptions; New Business Volumes; Embedded Value Movement; and Sensitivity Analysis.

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

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

Basis of Our Opinion

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

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

Opinion

In our opinion:

- The assumptions used to assess the value of the in-force business, the cost of holding the required solvency margin and the value of one year's new business as of the year ended December 31, 2012 are reasonable, and

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

We also confirm that the embedded value information disclosed in the Company's 2012 Year-end annual report is consistent with the information we have reviewed.

Xiaojing Zhao, Actuary
March 14, 2013

Ernst & Young (China) Advisory Limited

EMBEDDED VALUE REPORT OF PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD. 2012

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

In accordance with the related provisions of the Rules for the Compilation of Information Disclosures by the Companies Offering Securities to the Public (No. 4) – Special Provisions on Information Disclosures by Insurance Companies, the Company has engaged Ernst & Young (China) Advisory Limited to review the reasonableness of the methodology, the assumptions and the calculation results of the Company's embedded value as at December 31, 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 May 15, 2012, the Ministry of Finance and the State Administration of Taxation issued the "Notice on Corporate Income Tax Deduction of Reserves for Insurance Companies" (Cai Shui [2012] No. 45). Based on this notice, during the preparation of 2012 embedded value report, the contract liabilities of life insurance business related to distributable profit were measured according to the assessment standards of the liabilities pursuant to the current solvency regulations, but those related to the income tax were measured according to "Regulations regarding the Accounting Treatment of Insurance Contracts" (Cai Kuai [2009] No. 15).

Components of Economic Value

(in RMB million)	December 31, 2012	December 31, 2011
	Earned Rate/	Earned Rate/
Risk discount rate	**11.0%**	11.0%
Adjusted net asset value	**165,386**	139,446
Including: Adjusted net asset value of life insurance business	**56,973**	48,219
Value of in-force insurance business written prior to June 1999	**(8,036)**	(8,549)
Value of in-force insurance business written since June 1999	**153,665**	126,099
Cost of holding the required solvency margin	**(25,142)**	(21,369)
Embedded value	**285,874**	235,627
Including: Embedded value of life insurance business	**177,460**	144,400

(in RMB million)	December 31, 2012	December 31, 2011
Risk discount rate	**11.0%**	11.0%
Value of one year's new business	**18,312**	19,339
Cost of holding the required solvency margin	**(2,397)**	(2,518)
Value of one year's new business after cost of solvency	**15,915**	16,822
Value of one year's new business after cost of solvency (assumptions and method used in 2011 valuation)	**16,860**	

Note: Figures may not match totals due to rounding.

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

Embedded Value

Key Assumptions

The assumptions used in the embedded value calculation in 2012 have been made on a "going concern" basis, assuming continuation of the economic and legal environment currently prevailing in China. The statutory reserving basis and solvency margin requirement were assumed in the calculation. Certain portfolio assumptions were based on the Company's own recent experience as well as considering the more general China market and other life insurance markets' experience. The principal bases and assumptions used in the calculation are described below:

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

2. **Investment returns**
   Future investment returns have been assumed to be 4.75% in the next year and to increase by 0.25% every year to 5.5% and thereafter for the non-investment-linked fund. For the investment-linked fund, future investment returns have been assumed to be slightly higher than the above non-investment-linked fund investment returns assumption. These returns have been derived by consideration of the current capital market condition, the Company's current and expected future asset allocations and associated investment returns for a range of major asset classes.

3. **Taxation**
   A 25% average income tax rate has been assumed. The percentage of investment returns that can be exempted from income tax has been assumed to be 12% in the next year and to increase by 3% every year to 18% and thereafter. In addition, a 5.5% business tax rate has been applied to the gross written premiums of the short-term accident insurance business.

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

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

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

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

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

New Business Volumes and Value of New Business

The volume of new business sold and modelled used to calculate the value of one year's new business were RMB57,051 million and RMB69,355 million in terms of first year premium for year 2012 and 2011. The new business volumes measured by first year premium and one-year new business value by segment was:

(in RMB million)	FYP used to calculate value of new business 2012	2011	Growth	Value of one year's new business 2012	2011	Growth
Individual	**34,770**	42,002	-17.2%	**14,685**	15,417	-4.7%
Group	**11,995**	10,506	14.2%	**725**	661	9.7%
Bancassurance	**10,285**	16,848	-39.0%	**505**	744	-32.1%
Total	**57,051**	69,355	-17.7%	**15,915**	16,822	-5.4%

Note: Figures may not match totals due to rounding.

Embedded Value Movement

The table below shows how the embedded value changed to RMB285,874 million as at December 31, 2012.

(in RMB million)	2012	Description
Embedded value of life insurance business as at December 31, 2011	**144,400**	
Expected return on year-start embedded value	14,958	Expected growth of embedded value occurred in 2012
Value of one-year new business	16,340	The contribution came from new business sold during 2012 and discounted at earned rate/11.0%
Assumptions and method changes	10,222	Income tax measurement method and assumption changes, such as investment return, increased embedded value on an aggregate basis
Market value adjustment	5,594	The market value adjustment of relevant investments increased due to unrealized capital gains
Investment return variance	(7,019)	Actual investment return in 2012 was lower than the assumed return
Other experience variances	(1,051)	Other variances between actual experience and assumptions
Embedded value of life insurance business before capital changes	**183,443**	Embedded value of life insurance business before impact of capital change increased by 27.0%
Shareholder dividends	(5,987)	The impact of dividends paid to shareholders by Ping An Life
Dividends received	4	Dividends received from Ping An Asset Management
Embedded value of life insurance business as at December 31, 2012	**177,460**	

Embedded Value

(in RMB million)	2012	Description
Adjusted net asset value of other business as at December 31, 2011	**91,227**	
Net Profit of other business	12,342	
Market value adjustment and other variances	2,080	
Adjusted net asset value of other business as at December 31, 2012 before capital changes	**105,649**	
Shareholder dividends	(1,469)	The impact of dividends paid to shareholders by Ping An Property & Casualty was RMB1,015 million; The impact of dividends paid to shareholders by Ping An Bank was RMB268 million;The impact of dividends paid to shareholders by Ping An Asset Management was RMB186 million
Dividends received from subsidiaries	7,400	Dividends paid to the Company by Ping An Life was RMB5,987 million; Dividends paid to the Company by Ping An Property & Casualty was RMB1,015 million; Dividends paid to the Company by Ping An Bank was RMB216 million; Dividends paid to the Company by Ping An Asset Management was RMB182 million
Shareholder dividends paid by the Company	(3,166)	Dividends paid to shareholders by the Company
Adjusted net asset value of other business as at December 31, 2012	**108,414**	
Embedded value as at December 31, 2012	**285,874**	
Embedded value per share as at December 31, 2012 (in RMB)	**36.1**	

Note: Figures may not match totals due to rounding.

Sensitivity Analysis

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

- Risk discount rate
- Assumptions and method used in 2011 valuation
- Investment return increased by 50 basis points every year
- Investment return decreased by 50 basis points every year
- A 10% reduction in mortality and morbidity for assured lives
- A 10% reduction in policy discontinuance rates
- A 10% reduction in maintenance expenses
- A 5% increase in the policyholders' dividend payout ratio
- Solvency margin at 150% of the regulatory level

(in RMB million)	Risk Discount Rate			
	Earned Rate/10.5%	Earned Rate/11.0%	Earned Rate/11.5%	11.0%
Value of in-force business	125,728	120,488	115,531	121,082
	10.5%	11.0%	11.5%	Earned Rate/11.0%
Value of one year's new business	16,837	15,915	15,057	16,340

Assumptions (in RMB million)	Value of in-force business	Value of one year's new business
Central case	120,488	15,915
Assumptions and method used in 2011 valuation	114,377	16,860
Investment return increased by 50bp every year	135,679	16,961
Investment return decreased by 50bp every year	104,566	14,873
10% reduction in mortality and morbidity rates	122,892	16,287
10% reduction in policy discontinuance rates	123,398	16,494
10% reduction in maintenance expense	122,010	16,187
5% increase in the policyholders' dividend payout ratio	116,177	15,378
Solvency margin at 150% of the regulatory level	107,671	14,717

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

Liquidity and Financial Resources

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

As at December 31, 2012, the solvency of the Group was adequate.

GENERAL PRINCIPLES

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

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

The liquidity management of the Group comprises capital planning and cash flow management. The Company has put in place a comprehensive capital management and decision-making mechanism. As part of this process, the Group's subsidiaries put forward their capital requirements based on their own business development needs. The parent company then submits its recommendations on the overall capital planning for the Group, based on the overall situation of its subsidiaries' business development. The Group Executive Committee then determines a final capital planning scheme based on the strategic planning of the entire group before allocating capital accordingly. In 2012, the capital injections into our subsidiaries by the Company are as follows:

- RMB237 million to Ping An International Financial Leasing Co., Ltd.

All operations, investment and financing activities should follow the requirements of liquidity management. Ping An Group and its insurance subsidiaries implement separate management on their operating cash inflow and outflow. Through the pooling of cash inflow and outflow, allocation and deployment of funds are centralized. The Group is therefore able to monitor its cash flow status in a timely manner. In 2012, the Group maintained net cash inflows in its operating cash flows.

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

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

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

CAPITAL STRUCTURE

As at December 31, 2012, equity attributable to shareholders of the parent company was RMB159,617 million, representing an increase of 22.0% as compared to the end of 2011.

As at the end of 2012, the parent company's capital structure mainly comprised contributions from shareholders as well as proceeds from issuance of H shares and A shares. The parent company did not issue any form of debt securities. 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.

To enhance capital strength and improve the solvency margin ratio, Ping An Life and Ping An Property & Casualty issued subordinated term debts in 2012, respectively. The transactions are summarised as follows:

- Ping An Life: subordinated term debts, 5+5 years, RMB9,000 million
- Ping An Property & Casualty: subordinated term debts, 5+5 years, RMB3,000 million.

The following table sets out the balances of subordinated debts and hybrid capital debts held by the subsidiaries of the Group by the end of 2012:

(in RMB million)	Subordinated debts	Hybrid capital debts
Ping An Property & Casualty	7,500	–
Ping An Life	13,000	–
Ping An Bank	11,000	5,150

GEARING RATIO

	December 31, 2012	December 31, 2011
Gearing ratio (%)	**94.4**	94.3

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

CASH FLOW ANALYSIS

(in RMB million)	2012	2011
Net cash flows from operating activities	**280,897**	75,348
Net cash flows from investing activities	**(193,840)**	(32,109)
Net cash flows from financing activities	**49,521**	(13,339)

Net cash inflows from operating activities increased by 272.8% to RMB280,897 million in 2012 from RMB75,348 million in 2011. This was mainly due to the effect of consolidation of Ping An Bank (In 2012, the Company consolidated the whole operating results of Original SDB, but in 2011, only that of the second half of the year was consolidated), as a result, the net cash inflows from customer deposits and interbank deposits increased significantly.

Net cash outflows from investing activities increased significantly to RMB193,840 million in 2012 from RMB32,109 million in 2011. Firstly, there were large net cash inflows from the acquisition of SDB in 2011; secondly, the cash outflows of purchases of investment in 2012 increased in line with our business development.

Net cash inflows from financing activities were RMB49,521 million in 2012 while there were outflows of RMB13,339 million in 2011, mainly due to the increase in cash inflows from the financing activities of our insurance business and the effect of issuance of subordinated debts of RMB3 billion and RMB9 billion by Ping An Property & Casualty and Ping An Life in 2012, respectively.

CASH AND CASH EQUIVALENTS

(in RMB million)	December 31, 2012	December 31, 2011
Cash	**194,628**	95,178
Money market funds	**8,957**	4,334
Bond investment with original maturity less than 3 months	**304**	103
Asset purchased under agreements to resell with original maturity less than 3 months	**42,997**	10,866
Total cash and cash equivalents	**246,886**	110,481

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

GROUP SOLVENCY MARGIN

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

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

(in RMB million)	December 31, 2012	December 31, 2011
Actual capital	**226,512**	182,492
Minimum capital	**122,027**	109,489
Solvency margin ratio (%)	**185.6**	166.7

The above figures indicate that the solvency of the Group was adequate as at December 31, 2012.

The Group's solvency margin ratio increased as compared with the end of 2011 mainly due to the subordinated debts of RMB9,000 million and RMB3,000 million issued by Ping An Life and Ping An Property & Casualty in 2012, respectively. In addition, Ping An Life entered into reinsurance contracts in 2012 to diversify its operating risks, which raised its solvency margin ratio.

Risk Management

We will strive to make Ping An the leading personal financial services group in China offering the best customer experience, ultimately fulfilling our grand vision of becoming a leading global integrated financial services provider. To achieve this goal, we take steady steps to build an effective and centralized risk management platform.

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

As we consider risk management to be an integral part of our operations and business activities, we take steady steps to build a comprehensive risk management system that is integrated with the characteristics of our business aligned with our grand vision of becoming a leading global integrated financial services provider and our goal of being the leading personal financial services group in China offering the best customer experience. Our risk management system, with its optimized risk management framework and standardized risk management procedures, adopts both qualitative and quantitative risk management methodologies and measures in order to identify, evaluate and manage risks, thereby supporting our business decisions and facilitating the profitable, sustainable and healthy growth of the Group. To further raise our risk management standards, the Group has introduced internationally advanced risk management concepts, conducted thorough reviews of its risk management system so as to further manage its risk management structure, given a clear definition of risk management goals and explored new risk management techniques.

RISK MANAGEMENT FRAMEWORK

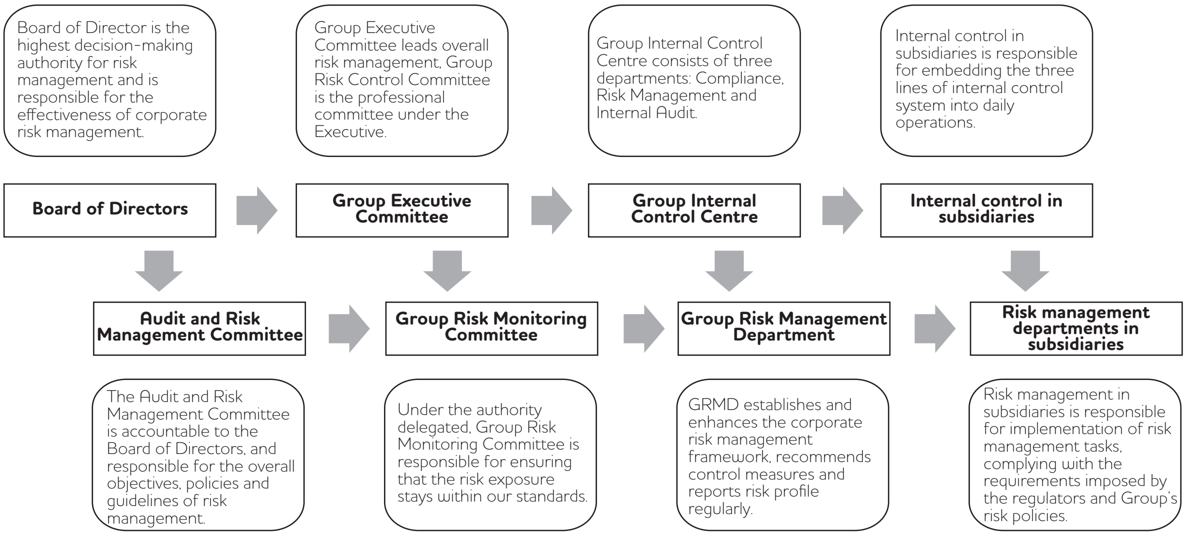
The Group actively complied with the PRC Company Law, the Articles of Association of Ping An Insurance (Group) Company of China, Ltd. and relevant corporate risk governance requirements. We have in place a comprehensive risk governance framework which holds the Board ultimately accountable and is directly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

The Audit and Risk Management Committee under the Board is responsible for the following:

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

- Overall objectives, basic policies and operating procedures of risk management;
- The organizational structure and responsibilities of risk management;
- Risk assessments for major strategic and policy decisions, mitigating plans and solution for significant risks;
- Annual risk assessment reports.

The Group Executive Committee leads all aspects of the Group's risk management work. Formed by the Group Executive Committee, the Group Risk Monitoring Committee's (RMC) main responsibilities include: developing overall objectives, basic policies and operating procedures for risk management; monitoring the Company's risk exposure and level of available capital; overseeing the establishment of risk management organization at subsidiaries and monitoring their performance; supervising the implementation of the risk management system in each subsidiary or business line and promoting a culture of comprehensive risk management within the Group.



Members of the Risk Monitoring Committee include the Group's Vice Chief Executive Officer, President, Chief Financial Officer, Chief Actuarial Officer, Chief Internal Auditor, Vice Chief Financial Officer, Chief Insurance Officer, Chief Legal Officer, Chief Investment Officer and the General Manager of the Group Risk Management Department (GRMD).

Group Risk Management Department, working under the directive of RMC, is responsible for supporting the operations of RMC, establishing and strengthening the Enterprise Risk Management (ERM) framework across the Group. By enhancing risk management techniques, GRMD helps to identify and evaluate risks, conducts limit management, makes relevant reports and develops measures and solutions. It guides subsidiaries' risk management departments in implementing the Group's risk management policies and improving risk governance. It also evaluates key risk indicators of the Group and its subsidiaries.

In 2012, the Group continued to optimize its risk management based on the established comprehensive risk management system and framework. We have closely reviewed the corporate governance and risk governance structure of the Group and its subsidiaries, identified major risks and appointed responsible committees and departments of various risks. The Group introduced the "risk dashboard" to systematically categorize and analyse the risks faced by the Group and its subsidiaries to ensure that all risks are effectively and timely managed. In addition, guided by risk appetite, the Group also reviewed its business development to optimize capital efficiency and risk-reward balance.

To effectively manage risks at the Group level and prevent risks from spreading between the Group and its subsidiaries, the Group was active in exploring management techniques of consolidated financial statement in 2012. As such, credit risk and market risk were placed under the purview of consolidated reporting management. The Group coordinated and promoted operational risk management among each department. It also conducted portfolio analysis and limit management on large risk exposure and risk concentration at the Group level. It continued to develop and optimize a system for stress testing and establish a policy for the implementation of stress testing Group-wide both on a regular and irregular basis.

To meet regulatory requirements and to support the Company's strategy and business development in a healthy and effective manner, the Group has implemented a top-down performance management system that takes into account risk and compliance management. Assessment criteria for personnel, entities and procedures were developed through the principle of "Accountability at every level with evaluation at each stage". The Group aims to enhance the awareness of the philosophy behind risk compliance by tying risk compliance to performance evaluation.

Risk Management

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

RISK MANAGEMENT OBJECTIVES

Over the past two decades, Ping An has developed its risk management standards in tandem with the Group's overall strategic development. The Group has made continuous improvements in its risk management system, policies and controls as it works towards becoming a leading global integrated financial services provider.

Ping An will continue to expand its business portfolio as well as gain traction in the implementation of its integrated financial strategy, in step with the ever-changing domestic and international economic environments and evolving regulations. It will build a comprehensive risk management system based on scientific principles, which complies with world-class practices and is based on Ping An's robust internal controls and compliance, with capital at its core, risk governance as its basis, risk appetite as its guidance, as well as with quantitative and qualitative risk assessments as its techniques. We will constantly improve and refine our risk governance and skill and manage both individual and collective risks to maintain stability in the Group's consolidated financial statements, and to achieve the ideal risk-reward balance.

MAJOR MEASURES OF RISK MANAGEMENT

We will strive to make Ping An the leading personal financial services group in China offering the best customer experience, ultimately fulfilling our grand vision of becoming a leading global integrated financial services provider. This is the strategy that guides us in developing a comprehensive risk management system. The Group continues to improve its organizational structure and standardize procedures for risk management. The Group adopts qualitative and quantitative approaches to risk management to identify, evaluate, measure and manage risks, so as to prevent systematic risks associated with integrated financial business models as well as to enhance the overall risk management capabilities for the balanced development of the Group's insurance, banking and investment businesses.

- The Group has established an optimal risk governance framework and reporting mechanism which integrates risk management culture into its corporate culture, laying a foundation for the healthy, sustainable and steady development of risk management practices.

- The Group is actively exploring and formulating a methodical risk appetite system in line with its business development strategy.

- The Group has established risk management system for concentration risks which strengthens its ability to manage concentration risks, ranging from policy development to limit management, system establishment and risk reporting, raising the Group's overall competency in risk management for its integrated financial business.

- The Group manages risks of its subsidiaries through consolidated reporting and improved risk measurement.

- The Group continues to develop and optimize quantitative techniques and models of risk management and adopts a mix of qualitative and quantitative approaches for risk management. We regularly carry out sensitivity analysis and scenario stress tests to analyse risk exposure and evaluate its quantitative and qualitative impact on our solvency. Such exercises enable us to plan ahead and take the necessary precautions in a timely manner to eliminate any risks and to reduce potential losses.

Insurance Risk

Insurance risk refers to the risk arising from potential losses brought about by under-estimating the frequency and severity of insurance accidents, as well as the insurance lapse rates.

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

Sensitivity analysis on long term life insurance contracts

December 31, 2012 (in RMB million)	Change in assumptions	Impact on gross policyholders' reserves (after reinsurance) increase/(decrease)
Discount rate/ Investment return	+10bps	(3,773)
Discount rate/ Investment return	-10bps	4,875
Morbidity/ mortality rates*	+10%/-10% pre/post payment period	6,256
Policy lapse rates	+10%	3,157
Maintenance expense rates	+5%	1,332

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

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

December 31, 2012 (in RMB million)	Change in average claim cost	Impact on net liabilities (after reinsurance) increase/(decrease)
Property and casualty insurance	+5%	1,276
Short term life insurance	+5%	83

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

- Implement effective product development policy and develop appropriate terms and conditions for products to control risks arising from product pricing;
- Implement prudent underwriting policies and issue underwriting guidelines and policies to control and reduce the risk of adverse selection;
- Limit the Group's exposure to large claims and catastrophe claims by transferring excessive risks to reinsurance companies with high credit-ratings;
- Follow proactive procedures to investigate and process claims, thereby preventing dubious or fraudulent claim payments;
- Apply actuarial models and statistical techniques to assist in pricing decisions and to monitor patterns in claim payments through periodic model validation;
- Use management information systems (MIS) to provide up-to-date, accurate and reliable risk exposure data. Conduct experience analysis and trend research periodically as the basis for the adjustment and improvement of pricing and actuarial valuation assumptions.

Market Risk

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

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

Interest rate risk

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

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

December 31, 2012 (in RMB million)	Change in interest rate	Decrease in profit	Decrease in equity
Bond investments carried at fair value through profit or loss and available-for-sale	+50 basis points	113	3,723

OUR PERFORMANCE

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

Equity risk

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

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

As at December 31, 2012, the VaR for listed equity securities and equity investment funds is as follows:

December 31, 2012 (in RMB million)	Impact on equity
listed equity securities and equity investment funds carried at fair value through profit or loss and available-for-sale	6,573

Foreign exchange risk

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

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

December 31, 2012 (in RMB million)	Decrease in profit	Decrease in equity
Net exposure to fluctuations in exchange rates assuming a simultaneous and uniform 5% rate of depreciation of all foreign currency denominated monetary assets and liabilities and non-monetary assets and liabilities measured at fair value against the Renminbi	979	1,281

When the currencies listed above appreciate by the same margin, there will be a corresponding negative impact on profit before tax and equity in the table.

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

- Establish and implement a series of internal management guidelines on investment based on the principle of safeguarding the security, liquidity and efficiency of the investment fund; reduce market risk by developing strategic asset allocation and investment guidelines with an aim to match assets and liabilities;

- Perform routine market risk management through scenario analysis, VaR and stress testing based on the characteristics of capital investment and market risk management to manage market risk effectively and scientifically;

- Set risk limits for each asset class to control market risk. When setting these limits, the Company takes into full consideration the risk strategy, the impact on financial position as well as the asset and liability management strategy thoroughly;

- Assets and liabilities are managed by portfolio based on liability characteristics of the various insurance products. The fluctuation of the Company's profit and net asset could be reduced through the appropriate accounting classification of assets;

- Regulate risk reporting system, issue daily and monthly risk reports and make recommendations on risk management to ensure the market risk exposure is within the risk tolerance level.

Credit Risk

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

The Group manages credit risk through several measures, including:

- Establishing a credit risk management mechanism with credit risk rating as its core methodology;

- Develop standardized policies, systems and procedures for credit risk management;

- Define credit risk limits in multiple dimensions for investments and credit-related portfolios;

- Monitor credit risk through risk information management system.

In response to these credit risks, the Group carries out consolidated analysis, monitoring and reporting on the credit risk and investment businesses at the Group level. The Group further optimizes its credit risk limit system through segregated accounts and products. To manage high risk exposure and the concentration of risk after consolidating the Group's financial statement, it also provides forward-looking insights and analysis on potential credit risks and its impact on the Group.

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

Credit risk associated with banking business

The Group conducts thorough credit assessments on potential borrowers, reviews outstanding loans regularly, sets credit risk limits on portfolios in multiple dimensions, gets collateral and guarantees, etc and so on. In the case of off-balance sheet credit related commitments, the Group refers to the principles and methods applied to on-balance sheet credit asset management to set up standard approval and management procedures. Collateral and guarantees are received to reduce credit risk. The credit condition of off-balance sheet business is sound.

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

Reinsurance credit risk associated with insurance business

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

Credit risk associated with investment business

The Group makes credit assessments on investments in line with internal risk control policies and procedures, and would choose a counterparty that has relatively high credit standing and adopt a multifaceted approach when setting risk limits on investment portfolios to manage credit risks.

The Group sets limits and allocates portions for credit granted to an individual investment entity to minimize the impact on the financial conditions of the Group when fair value of a single entity deteriorates and reduce concentration risk.

December 31, 2012	The ratio to total corporate debts/ financial debts
Corporate bonds held by the Group with the domestic credit rating of AA and A-1 or above	98.47%
Financial bonds held by the Group with the domestic credit rating of A or above	100.00%

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

In 2012, the Group established a general corporate credit risk management mechanism under its consolidated reporting. It continued to work on improving the credit risk limit system for financial institutions and general corporate services to prevent risk concentration associated with financial companies and general corporate operations across the Group.

Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or failed internal procedures and deficiencies in human performance, information technology systems and external events.

As a leading integrated financial services group in China, the Group is devoted to establishing an operational risk management system that complies with international standards and the relevant regulatory requirements. Under this system, the Group continues to enhance the coordination and allocation of "three lines of defence", namely, the business and functional departments, which is primarily responsible for managing operational risks, supported by the risk compliance management department; and the audit and supervision department which is responsible for supervising, reviewing and auditing different business units. The Group has further strengthened internal coordination and information cross-sharing, as well as the linkages between the three lines of the internal control system, including the "Pre-emptive, Ongoing and Post-event" stages of risk management mechanism, to effectively manage risk and to safeguard the Company's business, as well as ensure its stable development.

In 2012, taking reference from the New Basel Capital Accord and working in accordance with the Company's development strategy and management needs, the Group developed an overall operational risk management plan, which was submitted to the Group's Risk Monitoring Committee for approval. The Group established an overarching policy for operational risk management, and relied on various forms of publicity such as online training courses and morning video broadcasts to promote an operational risk management culture. It continued to enhance its system to lay a solid foundation for implementing its operational risk management work. The Group did not incur any material losses from operational risks in 2012.

Based on the Group's overall operational risk management plan, the Group focused on its banking business and has been expediting the following operational risk management work at its subsidiaries in 2012: 1. In the area of governance: Continuously improving the operational risk management structure and policy framework; 2. In the area of management tools: Building an operational risk database to complete an evaluation mechanism integrating CSOX (Internal Control Self-Assessment) and RCSA (Risk and Control Self-Assessment and Evaluation), which is tailored to Ping An and constantly being improved. Exploring and enhancing operational risk measurement methods by designing a Key Risk Indicator (KRI) mechanism and improving the Loss Data Collection (LDC) mechanism; 3. In the establishment of a system platform: Optimising the system platform in step with updates to the business and procedures which require a synchronized system; 4. In promoting a new risk management culture: developing various forms of training and education programs to promote the philosophy of "Everybody is responsible for operational risk management", and to create a culture of operational risk management.

The Audit and Supervision Department is responsible for ensuring the integrity of the operational risk management system; reporting cases in compliance with the relevant national laws and regulations, regulatory rules and Company policies; and questioning personnel held accountable. In 2012, the Group promoted the philosophy of auditing and supervision through a risk-based approach under the guideline of "Professional audit and supervision to safeguard values", and took reference from leading world-class experience which was integrated into the company's overall strategy. The Group continued to optimize its vertical structure for centralized management and independent management model of audit and supervision, allowing for a high level of integration and centralized deployment in the overall audit and supervising resources system, as well as maintaining effective real-time interaction with the management. The Group strengthened and promoted innovative auditing and supervision measures. The Audit and Supervision Department, powered by remote audit and supervision and drawing from different audit models – i.e. regular audit, specialized audit, ambush-style audit and IT audit – helped to safeguard the case prevention and anti-corruption system. The department regularly assesses the implementation of the Company's operational risk system, facilitating the transition of supervision from procedural to routine in nature, therefore serving as the third line of defence in risk control and assuring the Group's healthy and sustainable development.

Looking ahead, the Group will continue to optimize its operational risk management framework and promote its advanced operational risk management philosophy and best practices to its subsidiaries, to meet its requirements and regulations in internal management as it pursues sustainable development and will continue to enhance its overall operational risk management system.

SOLVENCY MANAGEMENT

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

As at December 31, 2012, the Group's solvency ratio stood at 185.6% which was in full compliance with regulatory requirements.

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

- Ensure the impact on solvency is evaluated when formulating key initiatives such as strategies, business plans, investment decisions, and dividend distribution;
- Solvency target is a key indicator of the Group's limit management mechanism. In order to ensure the Group's solvency is maintained at an appropriate level, a warning and contingency system is in place against significant changes to solvency margin;
- Include solvency as a KPI at the Company level to be instituted from the top-down, and used as a performance measure associated with business performance;
- Adopt a prudent asset and liability management policy, enhance asset quality and business operations, strengthen capital management and focus on capital requirements in tandem with the Group's business growth;
- Conduct periodic solvency projections and dynamic solvency testing, monitor changes and trends on solvency margin;
- Adopt sensitivity and scenario stress tests to warn of potential changes in solvency margin.

Corporate Social Responsibility

Looking back on the past 25 years of Ping An's development, corporate social responsibility has always been the Company philosophy underpinning its long-term development. Amidst the rapid growth of our business, we pledged our eternal integrity, diligence and gratitude to our shareholders, customers, employees and society.

1. To improve the customer experience, Ping An announced a major upgrade of its "Fast Payment, Easy Claim and Free Road-side" service for automobile insurance in 2012, at the "Expertise Makes Life Simple" press conference for the stepping up of its service promise.
2. Ping An has received the "Most Respected Company" award for 11 consecutive years, in recognition of its commitment to shareholders, customers, employees and the community.
3. To build a more gracious culture, Ping An unveiled the "Courtesy Creates Value" Competition in 2012 to select courtesy ambassadors. The 36 appointed courtesy ambassadors from subsidiaries nationwide performed to the warm applause of nearly 500 audiences.

Facing the complex overseas and domestic market environment in 2012, we met the challenges head on and continued focusing on developing our integrated financial services, to demonstrate the value we brought to society as a business and the value we contributed to society through our social responsibility. We developed a leading back-office operating platform using high-tech and professional techniques, which brought stable, healthy and above-market growth to our three pillars of business – insurance, banking and investment. We developed a professional platform to manage our social responsibility, built a system to manage our social responsibility on a more scientific basis, and applied advanced management tools to fulfil our corporate social responsibility to our stakeholders. Expertise creates value, to create a harmonious society.

OUR COMMITMENT TO SHAREHOLDERS: ENHANCE ASSET VALUE AND DELIVER STABLE RETURNS

We have delivered sustainable, stable and healthy returns to our shareholders by establishing a solid corporate governance framework, in line with our commitment to corporate governance. At the same time, we continue to improve our risk management system by upgrading our internal control system, integrating risk compliance assessment into the Company's strategic development goals to safeguard its continued healthy growth.

Concerns:

- Our shareholders are concerned about if we have a logical strategic development plan to ensure our businesses deliver stable and continued growth.
- Our shareholders are concerned about if we will continue to improve the Company's governance structure to ensure our healthy and sustainable development.
- Our shareholders are concerned about if we can take reasonable precautions against operational risks, and whether the Company is enjoying healthy growth and operating in compliance with regulations.
- Our shareholders are concerned about if we rely on a supervisory mechanism which meets global standards, enhancing our capabilities in risk prevention and monitoring.

Progress:

Excellent business performance: We responded vigorously to changes and challenges in the market in 2012, which contributed to the continued healthy growth of the three pillars of the Company, namely insurance, banking and investment. With total assets of RMB2.8 trillion, the Group made steady progress towards the execution of our integrated financial strategy, while the innovative technology business started to show results which strengthened our overall competitiveness.

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Well-developed corporate governance: Through our high-caliber management teams, stringent disclosure principles, transparent investor communications and well-developed governance structure, we ensured the Company grew in a highly efficient, healthy and sustainable manner. This year, we held elections for a new session of the Board, and ensured the General Meeting, the Board and the Supervisory Committee operated independently and in compliance with the relevant regulations. We also ensured the accuracy and authenticity of information disclosed.

Clear internal control system: Internal control and risk management are key in implementing corporate social responsibility. In 2012, we established a risk management structure for which the Board takes overall responsibility, and which is led by the management for all subsidiaries and business units. This will further strengthen collaboration between the "three lines of defence", including the business and functional departments, the compliance and risk management departments and the auditing and supervision departments. Meanwhile, we further improved the auditing and supervision system as well as the operating system to meet international standards and regulatory requirements, which put us in a leading position in the domestic market. We strengthened and promoted a comprehensive and innovative approach to auditing and supervision, while improving the institutional risk assessment and evaluation system to increase the efficiency and quality of our auditing and supervision management.

Tightened anti-money laundering controls: In 2012, we planned and executed projects to counter money laundering, based on the "Risk is Key" philosophy behind our anti-money laundering efforts. This was to promote the "Triple Anti-Exercise", which comprised of anti-money laundering, anti-fraud and anti-embezzlement, of which anti-money laundering achieved better results. In 2012, no money laundering took place at the Company.

In 2013, we will:

- Spare no effort to build an "integrated finance" platform, improve our "one-stop" services and ensure the healthy growth of the three pillars of business, namely insurance, banking and investment.

- Improve the communications protocol between the investors and regulatory departments, to exercise the function of the integrated communication committee as well as to increase the transparency of the Company's corporate governance.

- Closely monitor regulatory requirements, industry trends and management needs using a risk-based approach, to strengthen our workflow management and innovate in the area of auditing and supervision.

- Establish a nationwide anti-money laundering monitoring center to strengthen the mechanism behind the Triple Anti-Exercise of "Anti-Money Laundering, Anti-Fraud and Anti-Embezzlement".

4. Ping An unveiled the "We are the Family" nationwide campaign in 2012, which covered various aspects of employees' work and personal lives, to build a greater sense of unity among employees. The picture shows a campaign activity taking place in Qingdao.

5. The Award Ceremony for Ping An's Endeavourers' Plan was held at Beijing's Central University of Finance and Economics in 2012. The team from Shenzhen's Hulu Robotics Technology Company Limited won first place in the Future Entrepreneur Awards and RMB100,000 in recognition of their innovative mobile internet project.

6. Lowering carbon emission starts from taking small steps. In 2012, Ping An embarked on its "Low Carbon 100" project to encourage employees to reduce carbon emissions, by undertaking simple measures that benefited their health and environment. The picture shows employees taking a walk along a green path on a weekend and cleaning up garbage along the way.

Corporate Social Responsibility

OUR COMMITMENT TO CLIENTS: SUPERIOR SERVICE WITH ASSURED INTEGRITY

We are concerned about consumer experience. Apart from providing a variety of financial products to customers, we offer them efficient service as well as a consumer experience hinging on making life simpler. We simplified the professional, complex front-end business system by making simple and efficient integrated financial products of a high quality available on an innovative service platform. We demonstrate our genuine concern for customers through our constantly improving service promise, in an attempt to innovate in the financial space as part of our business development.

Concerns:

- Our customers are concerned about if we have sufficient breadth in our financial products to benefit the masses.
- Our customers are concerned about if we can provide a simple and convenient financial service experience.
- Our customers are concerned about if we can provide them with value-added service that beyond their expectations.
- Our customers are concerned about if we will deploy the latest technology and techniques to drive the development of financial services.

Progress:

Financial services that benefit the masses:

- We are highly concerned about the wellbeing of the masses, providing insurance services which benefit the broader community and playing our part in social responsibility to relieve the pressures faced by the man-in-the-street. In 2012, we launched the Food Safety Responsibility Insurance and health insurance products for mothers-to-be. We also introduced the Rural Small Claim Personal Accident Insurance targeted at low-income rural residents, developed the Parent Care Subsidy Liability Insurance and the innovative Overseas Work Products aimed at safeguarding the safety of expatriates abroad.
- We developed and promoted new modes of senior care, starting the Zhejiang Tongxiang Ping An Senior Care Integrated Service Community and leading the way for senior care communities and in the delivery of senior care in China. We also continued to explore introducing serious illness insurance for urban and rural residents.
- We continued our support for the business development of SMEs, providing a solid platform for their financing, loans and credit guarantee. With micro-finance as the major focus under "Best Banking Strategy", we continued to optimize our micro-loan business structure and risk approval structure. In 2012, the micro-loan balance was RMB55,834 million for a client base of 30,000. Meanwhile, our micro enterprise loan insurance helped increase small enterprises' chances of receiving unsecured loans financing, enhancing their competitiveness as well as their profitability.

Integrity in Customer Experience:

- We enhanced our property and casualty insurance by upgrading the "Fast, Easy and Free" service, which for the first time integrates insurance, investigation and compensation into a single process, providing customers with simple and convenient end-to-end service. We also introduced a "Settlement First, Repair Vehicle Later" express compensation channel, a "Receiving Settlement within Three Days for Claims under RMB10,000" time-based promise, and "considerate online service, effort-saving mediation, hassle-free compensation" service, provided a 24/7 medical expert hotline and online counseling services, as well as the hundred-kilometer free road-side assistance service. In 2012, the free road-side assistance service had dispatched a total of 566,900 rescue operations.
- Our direct automobile insurance introduced the professional "Bee Service Standard", which allows millions of automobile owners in China to enjoy standardized automobile insurance services for the first time. By completing payment through convenient channels such as cellphones, customers

can have bills delivered to their homes by express delivery. They can complete the entire application process for automobile insurance in 30 minutes, and enjoy numerous after-sale services provided by professional service personnel.

- We greatly value customers' queries and complaints, and have established a corresponding system and manual to handle grievances. We require customer service personnel to promptly acknowledge and provide timely responses, with general phone queries and complaint cases guaranteed to be resolved within two working days, while special cases would be mediated and resolved within five working days.

Genuine customer care:

- Through children's talent competitions, expert tours, low-carbon activities for the community and various themes such as caring for children, we have organized nearly 6,000 customer service events, involving about 3.06 million participants. For the 1.46 million upper-tier VIP customers from the Group's various businesses, we provide privileges and the latest integrated financial information.

- In the "Search for the Surviving Benefit Owner" service initiative, we searched for customers who had yet to claim their maturity benefits/survivor benefits by phone interviews and visits. In 2012, we gave out a total of RMB1.4 billion to customers under this initiative.

Innovative financial development:

- The Group's Shanghai Lujiazui International Financial Asset Exchange Co., Ltd. (Lufax) introduced the first innovative investment and financing service for individual – "Stable Profit – An e Loans", making technological innovation one of the key developmental drivers for the future, as well as exploring the potential of a new technology platform for an innovative financial business. We established the "Ping An Innovative Investment Fund" modeled after innovative investment methods and models overseas, providing comprehensive support to our investments which include capital, our own resources and platforms as well as management experience.

Teaching Financial Literacy from the Heart:

- The Group's bank organised the "Universal Financial Literacy Marathon" initiative from September to December 2012, designing a "financial literacy manual" aimed at various groups to raise their level of financial knowledge. Through seminars, a "knowledge lounge" and community activities organized, we helped to popularize financial understanding for consumers in the community.

In 2013, we will:

- Rely on our leading prowess in financial technology to constantly enhance our service commitment.

- Strive to become a leading integrated financial operations service provider and develop innovative service channels.

- Leverage the power of integrated finance to develop more financial products, enabling stable investment returns to consumers and meeting their various needs.

- Integrate corporate social responsibility indicators into financial product development, increase investments in projects which contribute to a good corporate image with a potential for sustainable growth.

OUR COMMITMENT TO EMPLOYEES: CAREER DEVELOPMENT AND BETTER LIVING CONDITIONS

A professional team of dedicated employees is crucial for the continuous expansion of a leading financial institution. To cope with the challenges arising from our multi-channel businesses, we adopt a professional human resources management system to establish a standardized management mechanism and platform. Through a healthy and harmonious work environment, an appropriate and competitive salary structure, a clear career path, significant room for career development, as well as a well-established top-tier training system, we not only train and retain our talent, but also help them maximize their potential so that they can develop their careers and improve their living conditions.

Corporate Social Responsibility

Concerns:

- Our employees are concerned about if the working atmosphere is harmonious and pleasant.
- Our employees are concerned about if the salary and benefits are competitive.
- Our employees are concerned about if the career path is clear and the space for career development is wide.
- Our employees are concerned about if professional and highly effective training is provided to enhance personal value.

Progress:

COMPREHENSIVE CARING PROGRAM: "I am in charge of my health" was the theme of our EAP employee caring scheme for 2012. To ease the concerns of our employees in different areas such as career development, work pressure and performance assessment, we offered one-on-one counseling through phone calls and emails. Meanwhile, we established over 80 employee clubs, which organized caring activities for female employees and fieldwork employees, as well as health seminars on different topics such as Chinese medicine for personal wellbeing, emotional management, occupational stress management and female health problems. During the year, we provided over 480 counseling sessions to employees who were ill or facing difficulties, and gave out cash subsidies and alms totaling RMB1.182 million.

REASONABLE SALARY STRUCTURE: The basic principles of our salary structure are "fair, just, open, and transparent". We conduct market salary research regularly, continuously review the competitiveness of employee salaries and encouraged a performance-based reward system. We also distributed bonuses in accordance with performance and contribution. In 2012, we paid a total of RMB21,659 million for salaries and RMB5,576 million for the welfare of our people. There was no pay discrepancy between male and female employees in the same position.

SIGNIFICANT ROOM FOR CAREER DEVELOPMENT: Through performance management and promoting a performance culture, we helped our employees communicate with their superiors effectively to enhance work efficiency and achieve constant growth. In response to the diversified nature of our business, we provided different career paths and different management systems to ensure every employee had a clear and smooth career development path.

A WELL-DEVELOPED TRAINING SYSTEM: We have set up a well-developed training system. To cater to different employees in professional skills development, we have designed different training programs and provided training in the form of face-to-face lectures and online training. We also provide training to new employees and employees of newly acquired subsidiaries to help them adapt to the Ping An culture. As at the end of 2012, we have invested RMB360 million in staff training.

In 2013, we will:

- Continue to focus on the theme of "health and care" and launch initiatives related to the "four principles of health and four attainments of care", to promote a healthy and happy lifestyle among employees.
- Organize employee caring activities on the 25th anniversary of Ping An. By promoting a culture of gratitude and organizing a variety of exciting activities, we aim to unite our employees and strengthen their sense of belonging.
- Continue to be mindful of national and regional policies to ensure that our operations meet compliance requirements. We will continue to be committed to corporate social responsibility and ensure proper compensation for our employees.
- Integrate resources for face-to-face and online training, as well as for development training programs for career development.

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

Low carbon development is an integral part of the development of a society. We actively promote green finance and are committed to building a greener future to be responsible and contribute to society. We are also committed to the harmonious development of our society, and actively participate in education and charity related events to contribute to the development of the country and build a better future.

Concerns:

- Society is concerned about how we react to well-being issues.
- Society is concerned about how we participate in environmental development, education and charity events.
- Society is concerned about how we can reduce carbon dioxide emissions through lowering our consumption.
- Society is concerned about how we can introduce more and better green financial products.

Our Progress:

PROMOTING A HARMONIOUS SOCIETY: To promote the development of China's asset management and wealth management industry, as well as express our forward-looking views, we have released the "2012 China Trust Industry Development Report". We have issued the first corporate employee welfare index in China (the China Employee Benefits Index, or "CEBI") to enable companies and the general public to have a proper understanding of employee welfare systems. In addition, we have released the "Ping An National Citizens Health Report", an industry first, providing in-depth analysis of citizens' health.

INNOVATIVE GREEN FINANCE: We devoted our efforts to establishing the "Low Carbon 100" green financial brand, and to quantifying targets for reducing operational consumption. We have significantly reduced energy consumption while raising operational efficiency. During the year, per capita average water consumption fell by 2.35 tons as compared with 2011. Meanwhile, our e-business achieved another milestone as over 10 million customers registered for our e-correspondence, making us China's leading insurance company in the provision of e-correspondence service. With the launch of our upgraded smart version of MIT, we saved 890.6 tons of paper in our showcase development, electronic policies, e-correspondence and electronic bills. Further, we have made significant progress in green credit financing and green procurement and provided capital support for renewable energy companies.

CONTINUOUS SUPPORT FOR THE ENVIRONMENT: We collaborated with the China Youth Development Foundation in 2012 to launch the "10,000 acres of Ping An Forest" project, and planted a total of 10,000 acres of Ping An forest across 10 regions in China. Locations included Chengde in Hebei Province, Duolun in Inner Mongolia, Huaining in Anhui Province and Ezhou in Hubei Province, etc. Over 3,000 customers and employees participated in our tree planting activities.

ACTIVELY SUPPORTING EDUCATION: We continued to build hope primary schools and initiated rural teacher programs. Our senior management, volunteers and caring customers formed rural teaching teams, bringing new concepts and vision to rural education. From 2007 to December 31, 2012, over 2,000 volunteers participated in our rural teacher programs, which benefited about 30,000 students. 2012 marked the ninth year of the Endeavourers Plan, under which we have awarded over RMB10 million worth of scholarships to 4,820 students. We also actively responded to contemporary social issues, initiating activities such as the "Operation Warm-Up" which provided winter clothes for homeless children and the "Deep Love School Aid" initiative which helped teachers and students in disaster areas begin new lives. We also conducted charity sales for the children attending hope primary schools.

In 2013, we will:

- Further standardize our low-carbon performance and promote the scientific application of the carbon management platform, as well as promote green financial services and implement policies for corporate emission reduction step-by-step.
- Strengthen our focus on charity events, in continuing to launch charity projects such as the Low Carbon 100, rural teacher programs and the Endeavourers Plan to care for those in need.

Corporate Social Responsibility

OUR COMMITMENT TO BUSINESS PARTNERS: A MUTUALLY BENEFICIAL AND RECIPROCAL PARTNERSHIP

The growth of a company relies on the long-term support and commitment of its business partners. We offer differentiated services with a professional attitude to promote cooperation between the Company and our agents and suppliers, build steady and reliable relationships to progress hand-in-hand with business partners and to achieve win-win situations.

Concerns:

- Business partners are concerned about if they are in a long-term, stable and reliable partnership.
- Business partners are concerned about if there is a platform for risk and profit sharing.
- Business partners are concerned about if we can use our professional products and services to enhance the partnership value.

Progress:

PROFESSIONAL CUSTOMER MANAGERS: To transform our agents into integrated financial planners, we developed the Integrated Financial Customer Manager Courses in 2012 to facilitate their transition to integrated financial customer managers. We set up over 100 modern training centers in 88 mid to large cities across the country, providing excellent training as well as hardware support for the learning and development needs of the agents. We have developed promotion systems based on logic and scientific principles, as well as a platform for our agents to bring their strengths into full play.

TRANSPARENT SUPPLIER PARTNERSHIPS: Designated hospitals are important partners with regard to our insurance claims and compensation. To effectively safeguard our customers' medical expenditures, we have implemented segmented management of designated hospitals to promote the sustainable development of the serious illness insurance system. For supplier management, we promoted "Trust and Integrity, Transparent Procurement" as we implemented an open, fair and just procurement method to protect the interests of all parties. We have also added green procurement terms to our procurement system and tightened the environmental protection and safety requirements for our suppliers.

In 2013, we will:

- Improve the training program system as well as its research, development and feedback mechanism.
- Provide continuing education, product and selling technique enhancement trainings for our teams of agents, to retain and develop the teams.
- Explore the implementation of the Standardization of Medical Insurance Data Exchange to provide "one-stop" claim and compensation services for our customers.
- Establish a designated hospital data management platform to improve data management.

OUTLOOK FOR 2013

We will celebrate Ping An's 25th anniversary in 2013. For a company, the 25th anniversary signifies passion, the spirit to endeavor, and the courage to innovate and assume responsibilities. We are grateful because the growth and rewards we gained every day cannot be realized without the support and trust of our shareholders, customers, employees and business partners. We are also confident that, in this new era full of challenges and opportunities, we are able to strengthen the Company's corporate governance, raise the management standards of various businesses and guarantee the growth of shareholders' wealth. We can continue to advance the strategic development of Ping An Bank, develop more innovative financial products and provide one-stop integrated financial products and services for our customers. We are also responsible at all times for the health and career development of employees. We will provide them with more development opportunities to let them live a more harmonious and blissful life. We are obligated to the environment and education, and will remain committed to environmental protection, the growth of children and the nurturing talent to contribute to the society. Let us join hands and strive for the sustainable and healthy development of the Company, and hope for a brighter future for our country.

Prospects on Future Development

BUSINESS PLANS FOR 2013

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

In 2012, the Company was committed to driving and implementing its business plans effectively. The three pillar businesses – insurance, banking and investment – all recorded steady and healthy growth. We steadily enhanced profitability and achieved the performance indicators of all operating plans as set out last year.

In 2013, the Company will remain resolute and continue to forge ahead with the development plans formulated by the Board of Directors to achieve reasonable growth and optimize its internal structure. We have actively mapped out our future to achieve growth that is value-oriented, sustainable and which outperforms the market, bringing our strategic goal of becoming "the leading personal financial services group in China, offering the best customer experience" to a higher stage.

- Our life insurance business will continue to focus on value creation under the core strategy of "Reaching New Heights" and "Two-Tier Development". By keeping to our human resources development strategy, implementing our differentiated business development model and enhancing our operations management platform, we will further improve the scale and efficiency of our sales team to transform it into a professional integrated financial sales team. Ping An Property & Casualty will continue to hone its differentiated competitive advantages and raise its level of refined management capability, while providing better customer experience and improving customer satisfaction through matching specific products and services with customer attributes. The corporate annuity business under Ping An Annuity will focus on sustainability of the customer base and assets, ensuring a level of investment income which is steady, healthy and competitive while actively exploring employee benefits schemes business, expanding market coverage and accumulating customer resources. Through product innovation under the "Vitality" program, Ping An Health will provide a comprehensive solution covering prevention, health promotion and protection to its customers to build its core competitive advantage.

- Our banking business will enter a new phase of development following the integration. In strict compliance with legal regulations and regulatory requirements, and with a market-oriented approach underpinned by scientific planning as the operational strategy, we will continue to strengthen our fundamentals for development and improve our business structure, to further enhance the overall operational quality and efficiency of our bank. Leveraging the Group's integrated financial strength in our quest to exemplify the philosophy of "Change, Innovation and Development", we aim to achieve healthy and rapid growth and deliver sustainable and favorable returns to our shareholders.

- We will continue to promote Ping An's investment business as a leading investment management platform. By leveraging its strength in integrated financial services, the Group offers customers a comprehensive range of services which include securities and bonds financing, securities agents, financial advisors and asset management, enhancing the customer experience. We will enhance the market value of our investment project by strengthening our management of the post-investment process, and by using the experience gained to guide our customers' investment decisions. We will take reference from global experience in managing our insurance funds, to further improve our investment management system. In compliance with CIRC policy requirements, we will actively explore and promote alternative asset investments, to improve the stability and returns of our insurance fund investments, and to make our insurance products more competitive.

Prospects on Future Development

- We will continue to refine the "one customer, one account, multiple products and one-stop services" integrated financial structure and platform, further develop the front office and overhaul the middle office, enhance our customer service model along with our customer experience, and gradually introduce the "customer-focused" management philosophy to reinforce customer loyalty and increase the average value contributed by each customer.

The Company expects to maintain a steady growth in its performance in 2013, with sustainable and solid growth in the insurance business. Following the consolidation of the two banks, the Company also expects an improved performance from the banking business, and more diversified returns for its investment business. In light of changes in the macroeconomic environment, market competition, investment market conditions and other factors, we will make timely adjustments to our business development goal to further enhance our market competitiveness.

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

China's Insurance Market has Immense Growth Potential

Insurance business is currently our core business. In 2012, China's insurance business realized a total premium income of RMB1,548,793 million. Of which, premium income from life insurance was RMB890,806 million; premium income from property and casualty insurance was RMB533,093 million; premium income from health insurance was RMB86,276 million; premium income from accident insurance was RMB38,618 million. Total assets of insurance companies were RMB7.35 trillion, an increase of 22.3% as compared with the end of 2011. The insurance industry is among the fastest growing industries in China's national economy. As China's economy keeps growing and personal wealth is expanding, such rapid growth is expected to continue in future.

Analysis of Competition

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

The following table shows the ranking and market share of premium income from life insurance companies in 2012:

Company	Premium income (in RMB million)	Market share (%)
China Life Insurance Company Limited	322,741	32.4
Ping An Life	128,771	12.9
New China Life Insurance Co., Ltd.	97,719	9.8
China Pacific Life Insurance Co., Ltd.	93,461	9.4
PICC Life Insurance Company Limited	64,030	6.4
Taikang Life Insurance Co., Ltd.	61,578	6.2
Others	227,489	22.9
Total	995,789	100.0

Source: CIRC website

The following table shows the ranking and market share of premium income from property and casualty insurance companies in 2012:

Company	Premium income (in RMB million)	Market share (%)
PICC Property & Casualty Company Limited	193,018	34.9
Ping An Property & Casualty	98,786	17.9
China Pacific Property Insurance Co., Ltd.	69,550	12.6
Others	191,634	34.6
Total	552,988	100.0

Source: CIRC website

In 2012, in terms of premium income, Ping An Life was the second largest life insurance company and Ping An Property & Casualty was the second largest property and casualty insurance company in China.

OPPORTUNITIES FOR AND CHALLENGES IN FUTURE DEVELOPMENT

In 2012, China's economy faced severe challenges both at home and abroad. China's national economy continued to grow steadily, and its growth pattern will accelerate in step with urbanization, laying a strong foundation for sustainable economic growth in the future. Looking into 2013, the global economy will remain sluggish, with the U.S. economy at risk of falling off the "fiscal cliff". There will be new challenges looming in the distance, and lingering impact from the European debt crisis which was more severe and prolonged than originally expected, hindering the recovery of the global economy. Nevertheless, on a macroeconomic level, China has a solid foundation on which it will maintain steady and healthy development. No changes have been made in the fundamentals which support the sustained economic growth and long-term trends. There is still much room for the development of the financial and insurance industries. All of the factors listed above bring valuable opportunities for us to achieve our strategic goals.

At the same time, we also face challenges in our future development. In the long-term, China's large financial institutions have accelerated their efforts to achieve integrated financial shareholdings. In this regard, Ping An has yet to catch up in terms of the number of customers and the development of its distribution network. Meanwhile, as integrated financial operations emerge to serve growing expanding businesses and become more complex in structure, there will be increased requirement for better management standards. It will take time for the power of integrated financial synergies to show effects. In the short term, while striving to maintain steady and healthy economic growth, China also faces various challenges such as the adjustment of its economic structure and the urbanization construction. The global economic outlook remains complex and uncertain, and a slow economic growth trend will persist. Potential inflation, the risk of an asset bubble and other factors will exert pressure on and pose challenges to the Company's operating results in 2013.

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

Changes in the Share Capital and Shareholders' Profile

INFORMATION DISCLOSED UNDER A SHARES REGULATORY REQUIREMENTS

Changes in Share Capital

Statement of changes in share capital

Unit: Shares	January 1, 2012		Changes during the reporting period					December 31, 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 of shares of the Company

Issue of shares in the last three years

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

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

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

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

During the reporting period, there were no change in the total number of shares and shareholding structure of the Company.

Existing staff shares

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

Shareholders' Information

Number of shareholders and their shareholdings

Unit: Shareholder	As at the end of the reporting period (December 31, 2012)	As at the end of the 5th trading days prior to publication of the annual report (March 8, 2013)
Total number of shareholders	251,615 (of which there were 246,070 domestic shareholders)	262,346 (of which there were 256,838 domestic shareholders)

Shareholdings of top ten shareholders as at the end of the reporting period

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Change during the reporting period	Number of selling-restricted shares held	Number of pledged or frozen shares
The Hongkong and Shanghai Banking Corporation Limited	Overseas legal person	7.76	613,929,279	-	-	-
Shenzhen Investment Holdings Co., Ltd.	State	6.08	481,359,551	-	-	239,980,000 pledged shares
Yuan Trust Investment Co., Ltd.	Domestic non-state-owned legal person	4.80	380,000,000	-	-	-
HSBC Insurance Holdings Limited	Overseas legal person	4.58	362,192,116	-256,694,218	-	-
Linzhi New Horse Investment Development Co., Ltd.	Domestic non-state-owned legal person	4.03	319,094,187	-	-	-
Linzhi Jingao Industrial Development Co., Ltd.	Domestic non-state-owned legal person	3.46	273,701,889	-	-	-
Shum Yip Group Limited	State-owned legal person	2.27	179,675,070	-	-	-
Shenzhen Wuxin Yufu Industrial Co., Ltd.	Domestic non-state-owned legal person	2.22	175,655,734	-3,146,370	-	-
Gongbujiangda Jiangnan Industrial Development Co., Ltd.	Domestic non-state-owned legal person	1.76	139,112,886	-	-	33,000,000 pledged shares
All Gain Trading Limited	Overseas legal person	1.04	82,142,150	+82,142,150	-	-

Shareholdings of top ten holders of selling-unrestricted shares as at the end of the reporting period

Name of shareholder	Number of selling-unrestricted shares held	Type of 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
HSBC Insurance Holdings Limited	362,192,116	H shares
Linzhi New Horse Investment Development Co., Ltd.	319,094,187	A shares
Linzhi Jingao Industrial Development Co., Ltd.	273,701,889	A shares
Shum Yip Group Limited	179,675,070	A shares
Shenzhen Wuxin Yufu Industrial Co., Ltd.	175,655,734	A shares
Gongbujiangda Jiangnan Industrial Development Co., Ltd.	139,112,886	A shares
All Gain Trading Limited	82,142,150	H shares

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

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

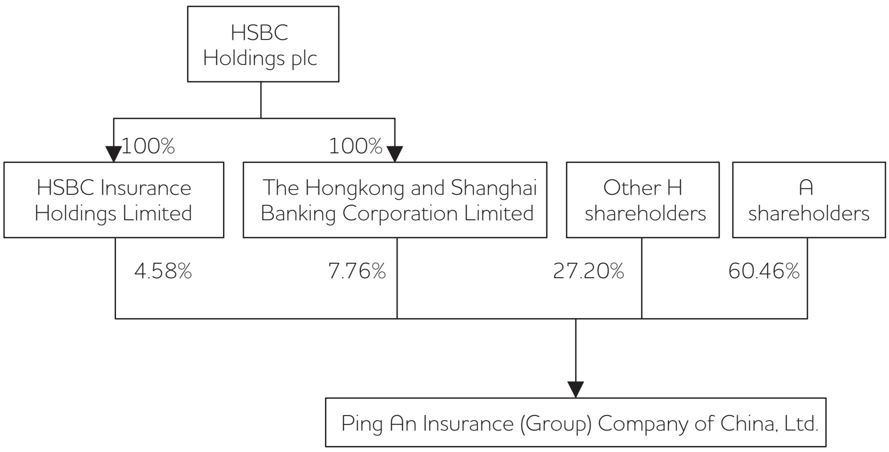
All Gain Trading Limited is an indirect wholly-owned subsidiary of CP Group which holds 63.34% of the shares of Gongbujiangda Jiangnan Industrial Development Co., Ltd. through its wholly-owned subsidiary Linzhi Zhengda Global Investment Co., Ltd.. Gongbujiangda Jiangnan Industrial Development Co., Ltd. and All Gain Trading Limited are of connected relationship since they are under common control.

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

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

As at the end of the reporting period, the largest and fourth largest shareholders of the Company are two wholly-owned subsidiaries of HSBC Holdings, namely HSBC and HSBC Insurance. As at December 31, 2012, the total number of H shares of the Company held by these two companies amounted to 976,121,395 shares, accounting for approximately 12.33% of the total existing share capital of the Company of 7,916 million shares.

The following chart shows the relationship between the Company and the ultimate controller of shareholders holding more than 10% of equity interest of the Company:



Information on shareholders holding more than 10% of equity interest of the Company
The shareholding structure of the Company is relatively scattered. There is no controlling shareholder, nor de facto controller. The detail of shareholders holding more than 10% of shares of the Company are as follows:

As at December 31, 2012, the total number of H shares of the Company held by HSBC Holdings (a public listed company) through its two wholly-owned subsidiaries HSBC and HSBC Insurance amounted to 976,121,395 shares, accounting for approximately 12.33% of the total existing share capital of the Company.

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

HSBC was established on August 14, 1866 (registration date in Hong Kong). The registered capital of its ordinary shares and preference shares are HK$80 billion and US$13.4505 billion, respectively. The paid-up capital of its ordinary shares and preference shares are HK$58.9687 billion and US$10.2335 billion, respectively. Its registered address is No.1 Queen's Road Central, Hong Kong and its principal business is banking and financial services. HSBC and its subsidiaries have approximately 1,080 branches and offices across 19 countries and territories in the Asia-Pacific Region and have approximately 20 branches and offices in other 6 countries around the world. HSBC is a founding member of HSBC Holdings and its flagship arm in the Asia-Pacific Region. It is also the largest locally registered bank and one of the three note-issuing banks in Hong Kong.

HSBC Holdings was established on January 1, 1959 with a paid-up capital of US$9,238,004,332. Its registered address is 8 Canada Square, London, E14 5HQ, United Kingdom and its principal business is banking and financial services. HSBC Group is one of the largest banking and financial services organizations in the world, with global network spanning across 85 countries and territories and approximately 7,200 offices covering 6 territories of Europe, Hong Kong, other Asia-Pacific regions, Middle East, North America and Latin America. It provides comprehensive financial services to approximately 100 million customers through four customer groups and global business, namely Retail Banking and Wealth Management; Commercial Banking; Global Banking and Capital Markets; and Global Private Banking.

INFORMATION DISCLOSED UNDER H SHARES REGULATORY REQUIREMENTS

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

As far as is known to any Director or Supervisor of the Company, as at December 31, 2012, the following persons (other than the Directors or Supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

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 (%)
Charoen Pokphand Group Company Limited	H	Interest of controlled corporations	1,2	1,232,815,613	Long Position	39.39	15.57
HSBC Holdings plc	H	Interest of controlled corporations	1,3,4,5	976,919,214	Long Position	31.21	12.34
				976,346,245	Short Position	31.20	12.33

Changes in the Share Capital and Shareholders' Profile

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 (%)
All Gain Trading Limited	H	Beneficial owner	1,2	394,500,996	Long Position	12.60	4.98
Easy Boom Developments Limited	H	Beneficial owner	1,2	369,844,684	Long Position	11.82	4.67
Business Fortune Holdings Limited	H	Beneficial owner	1,2	246,563,123	Long Position	7.88	3.11
Bloom Fortune Group Limited	H	Beneficial owner	1,2	221,906,810	Long Position	7.09	2.80
HSBC Insurance Holdings Limited	H	Beneficial owner	3	362,192,116	Long Position	11.57	4.58
				362,192,116	Short Position	11.57	4.58
The Hongkong and Shanghai Banking Corporation Limited	H	Beneficial owner	5	613,929,279	Long Position	19.62	7.76
				613,929,279	Short Position	19.62	7.76
JPMorgan Chase & Co.	H	Beneficial owner		27,869,272	Long Position	0.89	0.35
		Investment manager		145,277,412	Long Position	4.64	1.84
		Custodian		79,013,324	Long Position	2.53	1.00
		Total:	6	252,160,008		8.06	3.19
		Beneficial owner	6	16,207,839	Short Position	0.52	0.20
Blackrock, Inc.	H	Interest of controlled corporations	7	158,595,220	Long Position	5.07	2.00
		Interest of controlled corporations	7	36,663,448	Short Position	1.17	0.46
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		481,359,551	Long Position	10.06	6.08
Linzhi Jingao Industrial Development Co., Ltd.	A	Beneficial owner	8	273,701,889	Long Position	5.72	3.46
China Foreign Economic Trading Trust Co., Ltd.	A	Interest of controlled corporation	8	273,701,889	Long Position	5.72	3.46
Linzhi New Horse Investment Development Co., Ltd.	A	Beneficial owner	9	319,094,187	Long Position	6.67	4.03
Beijing Fengrui Investment Fund (LLP)	A	Interest of controlled corporation	9	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) All Gain Trading Limited, Easy Boom Developments Limited, Business Fortune Holdings Limited and Bloom Fortune Group Limited were indirect wholly-owned subsidiaries of CP Group and their respective interests in 394,500,996 H shares (Long position), 369,844,684 H shares (Long position), 246,563,123 H shares (Long position) and 221,906,810 H shares (Long position) of the Company were deemed to be the interest of CP Group. On December 5, 2012, HSBC Insurance and HSBC, indirect wholly-owned subsidiaries of HSBC Holdings agreed to sell their entire interests in the Company to All Gain Trading Limited, Easy Boom Developments Limited, Business Fortune Holdings Limited and Bloom Fortune Group Limited. The share transfer transaction was completed on February 6, 2013. HSBC Holdings ceased to be the substantial shareholder of the Company on the same day.

(2) All Gain Trading Limited, Easy Boom Developments Limited, Business Fortune Holdings Limited and Bloom Fortune Group Limited were wholly owned by Chia Tai Primrose Investment Limited, a wholly-owned subsidiary of Chia Tai Primrose Holdings Limited. Chia Tai Primrose Holdings Limited was wholly owned by Chia Tai Giant Far Limited, a wholly-owned subsidiary of Chia Tai Worldwide (HK) Investment Company Limited. Chia Tai Worldwide (HK) Investment Company Limited was wholly owned by Chia Tai Worldwide (BVI) Investment Company Limited, a wholly-owned subsidiary of Chia Tai Resources Holdings Limited (BVI). Chia Tai Resources Holdings Limited (BVI) was wholly owned by Charoen Pokphand Group (BVI) Holdings Limited, being a corporation wholly owned by CPG Overseas Company Limited (Hong Kong), which was in turn wholly owned by CP Group.

(3) HSBC Insurance was a wholly-owned subsidiary of HSBC Holdings and its interests in 362,192,116 H shares (Long position) and 362,192,116 H shares (Short position) of the Company was deemed to be the interest of HSBC Holdings.

(4) Apart from (3) above, HSBC Holdings by virtue of its control over (i) HSBC; (ii) Hang Seng Bank Trustee International Limited; (iii) HSBC Bank plc; and (iv) HSBC Private Bank (Suisse) SA, which respectively held a direct interest in 613,929,279 H shares (Long position) and 613,929,279 H shares (Short position); 602,008 H shares (Long position); 143,011 H shares (Long position) and 172,050 H shares (Short position); and 52,800 H shares (Long position) and 52,800 H shares (Short position) in the Company, were also deemed to be interested in an aggregate of 614,727,098 H shares (Long position) and 614,154,129 H shares (Short position) of the Company.

(5) HSBC was wholly owned by HSBC Asia Holdings BV, a wholly-owned subsidiary of HSBC Asia Holdings (UK) Limited, which in turn was a wholly-owned subsidiary of HSBC Holdings BV. HSBC Finance (Netherlands), a wholly-owned subsidiary of HSBC Holdings, owned 100% interest in HSBC Holdings BV.

HSBC directly held 613,929,279 H shares (Long position) and 613,929,279 H shares (Short position) of the Company and indirectly held 602,008 H shares (Long position) of the Company through Hang Seng Bank Trustee International Limited. Hang Seng Bank Trustee International Limited was a wholly-owned subsidiary of Hang Seng Bank Limited, of which 62.14% equity was held by HSBC.

(6) JPMorgan Chase & Co. was deemed to be interested in a total of 252,160,008 H shares (Long position) and 16,207,839 H shares (Short position) in the Company by virtue of its control over the following corporations:

(i) JPMorgan Chase Bank, N.A, which was a wholly-owned subsidiary of JPMorgan Chase & Co., held 90,900,324 H shares (Long position) in the Company.

(ii) J.P. Morgan Whitefriars Inc. held 16,082,965 H shares (Long position) and 11,194,450 H shares (Short position) in the Company. J.P. Morgan Whitefriars Inc. was a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly-owned by Bank One International Holdings Corporation, being a corporation wholly owned by J.P. Morgan International Inc. and J.P. Morgan International Inc. was wholly owned by JPMorgan Chase Bank, N.A. which was in turn wholly owned by JPMorgan Chase & Co..

(iii) J.P. Morgan Securities plc held 11,786,307 H shares (Long position) and 4,042,000 H shares (Short position) in the Company. J.P. Morgan Securities plc 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 31,461,112 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 47,664,000 H shares (Long position) in the Company. JF Asset Management Limited was wholly owned by JPMorgan Asset Management (Asia) Inc. which was in turn wholly owned by JPMorgan Asset Management Holdings Inc. as referred to in (iv) above.

(vi) JPMorgan Asset Management (UK) Limited held 44,490,300 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 3,744,000 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 1,011,500 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 522,000 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 2,355,000 H shares (Long position) in the Company and was owned as to 49% by JPMorgan Asset Management (UK) Limited as referred to in (vi) above.

Changes in the Share Capital and Shareholders' Profile

(xi) J.P. Morgan Whitefriars (UK) held 971,389 H shares (Short position) in the Company. J.P. Morgan Whitefriars (UK) was a 99.99% owned subsidiary of J.P. Morgan Whitefriars Inc. as referred to in (ii) above.

(xii) JPMorgan Asset Management (Japan) Limited held 2,142,500 H shares (Long position) in the Company. JPMorgan Asset Management (Japan) Limited was a wholly-owned subsidiary of JPMorgan Asset Management (Asia) Inc. as referred to in (v) above.

The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 79,013,324 H shares (Long position). Besides, 8,965,176 H shares (Long position) and 16,207,839 H shares (Short position) were held through derivatives as follows:

6,061,000 H shares (Long position) and 3,842,000 H shares (Short position)	–	through physically settled listed securities
10,593,450 H shares (Short position)	–	through cash settled listed securities
1,819,676 H shares (Long position) and 1,445,389 H shares (Short position)	–	through physically settled unlisted securities
1,084,500 H shares (Long position) and 327,000 H shares (Short position)	–	through cash settled unlisted securities

On February 18, 2013, JPMorgan Chase & Co. was deemed to be interested in a total of 294,249,294 H shares (Long position) and 31,868,126 H shares (Short position) in the Company. The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 96,274,288 H shares (Long position).

(7) Blackrock, Inc. was deemed to be interested in a total of 158,595,220 H shares (Long position) and 36,663,448 H shares (Short position) in the Company by virtue of its control over the following corporations:

(i) BlackRock Investment Management, LLC. held 1,107,795 H shares (Long position) in the Company. BlackRock Investment Management, LLC. was a wholly-owned subsidiary of Trident Merger, LLC, which in turn was a wholly-owned subsidiary of Blackrock, Inc.

(ii) BlackRock Fund Advisors held 62,202,500 H shares (Long position) in the Company. BlackRock Institutional Trust Company, N.A. held 21,937,000 H shares (Long position) and 338,500 H shares (Short position) in the Company. BlackRock Fund Advisors and BlackRock Institutional Trust Company, N.A. were wholly-owned subsidiaries of BlackRock Delaware Holdings, Inc., which in turn was wholly owned by BlackRock Holdco 6 LLC. BlackRock Holdco 6 LLC was wholly owned by BlackRock Holdco 4 LLC, which in turn was wholly owned by BlackRock Financial Management, Inc. BlackRock Financial Management, Inc. held 157,487,425 H shares (Long position) and 36,663,448 H shares (Short position) in the Company. BlackRock Financial Management, Inc. was a wholly-owned subsidiary of BlackRock Holdco 2 Inc., which in turn was wholly owned by Blackrock, Inc.

(iii) BlackRock Advisors, LLC. held 31,500 H shares (Long position) in the Company. BlackRock Advisors, LLC. was wholly owned by BlackRock Capital Holdings, Inc., the latter was a wholly-owned subsidiary of BlackRock Advisors Holdings Inc. BlackRock Advisors Holdings Inc. was a wholly-owned subsidiary of BlackRock Financial Management, Inc., as referred to in (ii) above.

(iv) BlackRock Investments Canada, Inc held 67,000 H shares (Long position) in the Company. BlackRock Asset Management Canada Limited held 175,500 H shares (Long position) in the Company. BlackRock Investments Canada, Inc and BlackRock Asset Management Canada Limited were wholly owned by BlackRock Holdings Canada Limited. BlackRock Holdings Canada Limited was a wholly-owned subsidiary of BlackRock (Institutional) Canada Ltd, and the latter was a wholly-owned subsidiary of BR Jersey International LP. BR Jersey International LP was a wholly-owned subsidiary of BlackRock International Holdings Inc. BlackRock International Holdings Inc. was wholly owned by BlackRock Advisors Holdings Inc., as referred to in (iii) above.

(v) BlackRock Japan Co. Ltd. held 26,000 H shares (Long position) in the Company. BlackRock Japan Co. Ltd. was wholly owned by BlackRock Japan Holdings GK. BlackRock Japan Holdings GK was a wholly-owned subsidiary of BlackRock Trident Holding Company Limited, which in turn was wholly owned by BlackRock Cayco Ltd., the latter was a wholly-owned subsidiary of BR Jersey International LP, as referred to in (iv) above.

(vi) BlackRock Asset Management Australia Limited held 122,000 H shares (Long position) in the Company. BlackRock Asset Management Australia Limited was wholly owned by BlackRock Australia Holdco Pty Ltd, the latter was a wholly-owned subsidiary of BR Jersey International LP, as referred to in (iv) above.

(vii) BlackRock Asset Management North Asia Limited held 37,900,348 H shares (Long position) and 30,514,377 H shares (Short position) in the Company. BlackRock Asset Management North Asia Limited was wholly owned by BlackRock HK Holdco Limited, the latter was wholly owned by BR Jersey International LP, as referred to in (iv) above.

(viii) Blackrock Advisors (UK) Limited held 15,877,071 H shares (Long position) and 5,779,071 H shares (Short position) in the Company. BlackRock (Netherlands) B.V. held 27,500 H shares (Long position) in the Company. BlackRock International Limited held 1,435,000 H shares (Long position) in the Company. All the three corporations were wholly owned by BlackRock Group Limited, the latter was wholly owned by BR Jersey International LP, as referred to in (iv) above.

(ix) BlackRock (Luxembourg) S.A. held 8,500 H shares (Long position) in the Company. BlackRock (Luxembourg) S.A. was wholly owned by BlackRock Luxembourg Holdco S.a.r.l., the latter was a wholly-owned subsidiary of BlackRock Group Limited, as referred to in (viii) above.

(x) BlackRock Asset Management Ireland Limited held 16,143,506 H shares (Long position) in the Company. BlackRock Asset Management Ireland Limited was wholly owned by BlackRock Investment Management Ireland Holdings Ltd, the latter was a wholly-owned subsidiary of BlackRock Luxembourg Holdco S.a.r.l., as referred to in (ix) above.

(xi) BlackRock Fund Managers Limited held 328,000 H shares (Long position) in the Company. BlackRock Fund Managers Limited was wholly owned by BlackRock Investment Management (UK) Limited, the latter was a wholly-owned subsidiary of BlackRock Group Limited, as referred to in (viii) above.

(xii) BlackRock Asset Management Deutschland AG held 251,000 H shares (Long position) in the Company. BlackRock Asset Management Deutschland AG was wholly owned by BlackRock Holdings Deutschland GmbH, the latter was a wholly-owned subsidiary of BlackRock Investment Management (UK) Limited, as referred to in (xi) above.

The entire interest of Blackrock, Inc. in the Company included 212,500 H shares (Long position) and 34,500 H shares (Short position) which were held through derivatives, the category of which is through physically settled listed securities.

On February 22, 2013. Blackrock, Inc. was deemed to be interested in a total of 186,919,936 H shares (Long position) and 48,807,163 H shares (Short position) in the Company.

(8) 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.

(9) 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 December 31, 2012 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Directors, Supervisors, Senior Management and Employees

BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Positions	Sex	Age	Appointment date
MA Mingzhe	Chairman and Chief Executive Officer	Male	57	2012.06-2015 election
SUN Jianyi	Vice Chairman and Executive Vice President	Male	60	2012.06-2015 election
REN Huichuan[1]	Executive Director and President	Male	43	2012.07-2015 election
KU Man[1]	Executive Director and Executive Vice President	Male	39	2012.07-2015 election
YAO Jason Bo	Executive Director, Senior Vice President, Chief Financial Officer and Chief Actuarial Officer	Male	42	2012.06-2015 election
FAN Mingchun[1]	Vice Chairman (Non-executive Director)	Male	50	2012.06-2015 election
LIN Lijun	Non-executive Director	Female	50	2012.06-2015 election
LI Zhe	Non-executive Director	Female	43	2012.06-2015 election
GUO Limin	Non-executive Director	Male	50	2012.06-2015 election
ZHANG Hongyi	Independent Non-executive Director	Male	67	2012.06-2015 election

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

Name	Positions	Sex	Age	Appointment date
CHEN Su	Independent Non-executive Director	Male	55	2012.06-2015 election
XIA Liping	Independent Non-executive Director	Male	75	2012.06-2015 election
TANG Yunwei	Independent Non-executive Director	Male	69	2012.06-2015 election
LEE Carmelo Ka Sze	Independent Non-executive Director	Male	52	2012.06-2015 election
WOO Ka Biu Jackson	Independent Non-executive Director	Male	50	2012.06-2015 election
Stephen Thomas MELDRUM	Independent Non-executive Director	Male	70	2012.07-2015 election
CHEN Hongbo(1)	retired Director	Male	61	2009.06-2012.03
CHUNG Yu-wo Danny(1)	retired Director	Male	61	2009.06-2012.06
CHEUNG Chi Yan Louis(1)	retired Director	Male	49	2009.06-2012.06
WONG Tung Shun Peter(1)	resigned Director	Male	61	2012.06-2012.12
CHENG Siu Hong(1)	resigned Director	Male	53	2012.07-2012.12
NG Sing Yip(1)	resigned Director	Male	62	2012.06-2013.02
GU Liji	Chairman of Supervisory Committee (Independent Supervisor)	Male	65	2012.07-2015 election

Directors, Supervisors, Senior Management and Employees

Name	Positions	Sex	Age	Appointment date
SUN Fuxin	Independent Supervisor	Male	74	2012.07-2015 election
PENG Zhijian	Independent Supervisor	Male	64	2012.07-2015 election
LIN Li	Shareholder Representative Supervisor	Male	50	2012.07-2015 election
SUN Jianping	Employee Representative Supervisor	Male	52	2012.07-2015 election
ZHAO Fujun	Employee Representative Supervisor	Male	47	2012.07-2015 election
PAN Zhongwu	Employee Representative Supervisor	Male	43	2012.07-2015 election
DING Xinmin(1)	retired Supervisor	Male	50	2009.06-2012.07
XIAO Jiyan(1)	retired Supervisor	Male	59	2011.05-2012.07
WANG Liping(1)	Senior Vice President, retired Director	Female	56	2004.01-
LEE Yuansiong	Senior Vice President	Male	47	2011.01-
CAO Shifan	Senior Vice President	Male	57	2007.04-
CHEN Kexiang	Senior Vice President	Male	55	2007.01-
IP So Lan	Senior Vice President	Female	56	2011.01-
Gregory D. GIBB	Senior Vice President	Male	46	2011.12-
LO Sai Lai(2)	retired Senior Vice President	Male	50	2007.01-2013.01
YAO Jun(3)	Chief Legal Officer, Company secretary	Male	47	2008.10-
CHAN Tak Yin	Chief Investment Officer	Male	53	2012.08-
JIN Shaoliang	Secretary of the Board	Male	53	2012.02-
CHEUNG Chun Tong(4)	retired Chief Actuarial Officer	Male	51	2007.01-2012.09

Note: (1) Mr. Fan Mingchun replaced Mr. Chen Hongbo as a Non-executive Director of the Company on March 8, 2012. Mr. Chung Yu-wo Danny, Mr. Cheung Chi Yan Louis and Ms. Wang Liping retired as Directors of the Company on June 27, 2012 upon expiry of their terms of office. Owing to the share transfer arrangement between HSBC Insurance, HSBC and indirect wholly-owned subsidiaries of CP Group, Mr. Wong Tung Shun Peter and Mr. Cheng Siu Hong resigned as Directors of the Company on December 7, 2012 while Mr. Ng Sing Yip resigned as Director of the Company on February 4, 2013. The qualification of Mr. Ren Huichuan, Mr. Ku Man, Mr. Stephen Thomas Meldrum, Mr. Cheng Siu Hong, who are newly appointed Directors of the 9th session of the Board and the qualification of the Supervisors of the 7th session of the Supervisory Committee were approved by CIRC on July 17, 2012 while Mr. Ding Xinmin and Mr. Xiao Jiyan retired as the Employee Representative Supervisors for the 6th session of the Supervisory Committee upon expiry of their terms of office.

(2) Mr. Lo Sai Lai ceased to be the Senior Vice President from January 2013.

(3) Mr. Yao Jun was the Secretary of the Board from October 2008 to February 2012. He was appointed as a member of senior management of the Company at the 9th Session of the Board in July 2012.

(4) Mr. Cheung Chun Tong ceased to be the Chief Actuarial Officer since September 2012.

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

Directors

Executive Directors

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

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

REN Huichuan, has been an Executive Director of the Company since July 2012. Mr. Ren has been the President of the Company since March 2011. Mr. Ren joined the Company in 1992. He was the Senior Vice President of the Company between June 2010 and March 2011, Chief Insurance Business Officer between June 2010 and December 2010, the Chairman and CEO of Ping An Property & Casualty between April 2007 and May 2011, and was appointed as an Employee Representative Supervisor of the Company from March 2009 to March 2010. Before that, Mr. Ren had been Senior Vice President, the assistant to the President and Financial Director of the Company, the Assistant Director of the Development and Reform Center, Senior Vice President of Ping An Property & Casualty and the Vice President of the Property & Casualty Insurance business of the Company. Mr. Ren holds an MBA degree from Peking University.

KU Man, has been an Executive Director of the Company since July 2012. Mr. Ku has been serving as the Executive Vice President of the Company since June 2012, and Chairman and Chief Executive Officer of Ping An Channel Development, Chairman of Ping An Processing & Technology since November 2008 and January 2010, respectively. Mr. Ku joined Ping An in 2000, and has served as the Senior Vice President of the Company and Ping An E-commerce, the General Manager of Customer Resource Center, the General Manager of E Service Marketing Center, the General Manager of Life Insurance Operation Center, and the Deputy Director of the Development and Reform Center of the Group. From February 2004 to March 2008, Mr. Ku served as General Manager, Deputy Chief Service & Operation Officer of the National Integrated Operating Center and the Operational Management Center of the Group, respectively. From March 2008 to October 2009 and from October 2009 to June 2012, Mr. Ku served as the assistant to the President and the Senior Vice President of the Company, respectively. Mr. Ku has been the Non-executive Director of Ping An Bank (previously named SDB) since June 2010. Prior to this, Mr. Ku worked in Mckinsey & Company as a consultant. Mr. Ku has obtained his Bachelor's degree of Science in Business Administration from the Chinese University of Hong Kong.

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

Directors, Supervisors, Senior Management and Employees

Non-executive Directors

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

LIN Lijun, has been a Non-executive Director of the Company since May 2003 and is currently the Vice Chairman of the Company Union and the President of Linzhi New House Investment Development Co. Ltd. Ms. Lin previously served as the Chairman of the Board of Directors of Linzhi New Horse Investment Development Co., Ltd. from 2000 to 2012, and served as the Deputy General Manager of the Human Resources Department at Ping An Property & Casualty, which is a subsidiary of the Company, from 1997 to 2000. Ms. Lin has a Bachelor's degree in Chinese Language and Literature from South China Normal University.

LI Zhe, has been a Non-executive Director of the Company since June 2009. Ms. Li served in Fook Woo Group Holdings Limited as an Executive Director from April 2012 to October 2012 and re-designated as a Non-executive Director of Fook Woo Group Holdings Limited in October 2012. Ms. Li has served in Guangdong Gain Law Firm as a lawyer from January 2007 to July 2011. Ms. Li served in Guangdong Sheng He Sheng Law Firm as a lawyer from May 2003 to December 2006, and headed the Legal Department in New World Infrastructure Limited from August 1998 to April 2003. She was an Advisor on PRC Laws for Victor Chu & Co., Callanty. T. HO & CO. and Anthony Chiang & Partners from August 1993 to July 1998. Ms. Li was a lawyer at Guangzhou Second International Economic Law Firm from July 1991 to July 1993. Ms. Li holds a Bachelor degree in Law received from Sun Yat-sen University, a Bachelor degree in Law from Manchester Metropolitan University and an MBA degree from Murdoch University.

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

Independent Non-executive Directors

ZHANG Hongyi, a Senior Economist and a fellow of the Hong Kong Institute of Bankers and a guest professor at the Graduate School of the People's Bank of China, has been an Independent Non-executive Director of the Company since March 2007. He is a Council Member of China Development Institute (Shenzhen, PRC) and a Non-executive Director of the Bank of East Asia (China) Ltd.. He has been appointed as an Independent Non-executive Director of Convenience Retail Asia Limited since July 2012, and an Independent Non-executive Director of Shenzhen Rural Commercial Bank Ltd. since August 2012. He previously served as the President of Shenzhen branch of Bank of China, Deputy Mayor of Shenzhen Municipal Government, Deputy C.E.O. of Hong Kong & Macau regional Office of Bank of China, Chairman of Nanyang Commercial Bank Ltd., Chairman of Hua Chiao Commercial Bank Ltd., Vice Chairman of Bank of China Credit Card (International) Co. Ltd., General Manager of Macau branch of Bank of China, Managing Director of BANCO TAI FUNG, Chairman of Nam Tung Trust & Investment Co. Ltd., Chairman of Nantong Bank Ltd. (Zhuhai), Executive Vice President of China Development Institute (Shenzhen, PRC), an Independent Non-executive Director of OCT Holdings Co., a Director of Henderson (China) Investment Co. Ltd. and a Non-executive Director of Inter-Citic Minerals Inc. etc.

CHEN Su, has been an Independent Non-executive Director of the Company since March 2007. Mr. Chen is currently the Joint Secretary to the Committee of the Communist Party of China at the Institute of Law at the Chinese Academy of Social Science and the Institute of International Law, the Deputy Director of the Research Department of the Institute of Law and the Deputy Director of the Research Department of the Institute of International Law and the Deputy Chairman of the Business Law Research Department of the Chinese Law Association. Mr. Chen served as an Independent Non-executive Director in Offshore Oil Engineering Co., Ltd since May 2009 and also served as an Independent Non-executive Director of Minmetals Development Co., Ltd. since April 2012. Mr. Chen was also a member of the Special Committee for Company Law Amendments of the Legislative Affairs Office of the State Council and a member of the Special Committee for Securities Law Amendments of the Financial and Economics Affairs Committee of the National People's Congress.

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

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

Directors, Supervisors, Senior Management and Employees

LEE Carmelo Ka Sze, has been an Independent Non-executive Director of the Company since June 2009. Mr. Lee joined Woo, Kwan, Lee & Lo in 1983, obtained qualifications to practise as a solicitor in Hong Kong in 1985 and became a partner of Woo, Kwan, Lee & Lo in 1989. Mr. Lee is currently also a Non-executive Director of each of Hopewell Holdings Limited, CSPC Pharmaceutical Group Limited (previously named China Pharmaceutical Group Limited), Yugang International Limited, Y.T. Realty Group Limited, Safety Godown Company Limited and Termbray Industries International (Holdings) Limited, and an Independent Non-Executive Director of KWG Property Holding Limited, all of the above are companies listed on the HKEx. Mr. Lee is the Chairman of the Listing Committee of the HKEx. Mr. Lee also serves as a Chairman of the Transport Tribunal of the Hong Kong SAR Government, a member of SFC (HKEx Listing) Committee, a member of the Disciplinary Group of The Hong Kong Institute of Certified Public Accountants, a member of SFC Dual Filing Advisory Group of Securities and Futures Commission, a campaign committee member of The Community Chest of Hong Kong and a Co-chairman of Corporate Challenge Half Marathon of Community Chest. Mr. Lee was a member of the Main Board Listing Committee of The Stock Exchange of Hong Kong Limited from 2000 to 2003 and was a Deputy Chairman of the Main Board Listing Committee of the HKEx from 2009 to 2012. Mr. Lee received a Bachelor's degree in Laws from The University of Hong Kong. He is qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory.

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

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

Supervisors

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

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

PENG Zhijian, has been an Independent Supervisor of the Company since June 2009. Mr. Peng is also an Independent Supervisor of China Merchants Bank Co., Ltd. and an Independent Non-executive Director of Dong Guan Trust Co., Ltd.. Mr. Peng started his working career in January 1969, and had consecutively served as the Deputy Governor, Governor and Party Committee Secretary of PBC Guangxi Branch since June 1988, had consecutively served as the Deputy Party Committee Secretary and Deputy Governor of PBC Guangzhou Regional Branch, the Governor of PBC Shenzhen Central Branch, the Party Secretary and Governor of PBC Wuhan Regional Branch and the Head of the State Administration of Foreign Exchange Hubei Bureau, the Party Committee Secretary and Governor of Guangdong Regulatory Bureau of China Banking Regulatory Commission since November 1998, and had served as the Executive Commissioner of People's Political Consultative Conference Standing Committee of Guangdong Province, the Deputy Director of the Economic Committee for People's Political Consultative Conference of Guangdong Province from 2008 to 2012. Mr. Peng also served as an Executive Director of the Congress of the Chinese Monetary Society and the General Assembly of the Institute of Chinese Money, and now Mr. Peng is a part-time professor of the School of Economics and Management Financial Engineering Research Center of South China University of Science and Technology and the School of Economics and Management of Jinan University. Mr. Peng graduated from a full-time course on finance from Zhengzhou University and holds a postgraduate degree in Financial Investment from Guangxi Normal University.

Directors, Supervisors, Senior Management and Employees

LIN Li, has been a Shareholder Representative Supervisor of the Company since July 2012. Mr. Lin is currently the Chairman of Shenzhen Liye Group Co., Ltd. and the deputy to the fifth National People's Congress of Shenzhen. Mr. Lin is the vice president of China Association of Small and Medium Enterprises and Shenzhen Federation of Industry & Commerce; he is also the executive vice president of Shenzhen Chamber of Investment. Prior to joining Shenzhen Liye Group Co., Ltd., Mr. Lin served in Shenzhen Branch of Bank of China, Shenzhen Zhonghua Trading Company, Heyuan Branch of the Peoples' Bank of China and Agricultural Bank of China. Mr. Lin graduated from Hubei Polytechnic University in Finance and Accounting and holds a Doctorate degree from Inter American University.

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

ZHAO Fujun, has been an Employee Representative Supervisor of the Company since July 2012. Mr. Zhao is currently the Vice President and President of Central and Western District Business Department of Ping An Life, the Secretary to the Party Committee of Ping An Life and the member of the Party Committee of the Company. Since Mr. Zhao joined the Group in 1992, he served as the Assistant to the President of Dalian Branch of Ping An Life, the Vice President of Heilongjiang Branch of Ping An Life and the President of Shenzhen Branch of Ping An Life. Mr. Zhao holds a Bachelor's degree in Political Economy from Shanghai University of Finance and Economics.

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

Senior Management

See "Executive Directors" for working experiences, positions and part-time jobs of Mr. Ma Mingzhe, Mr. Sun Jianyi, Mr. Ren Huichuan, Mr. Ku Man and Mr. Yao Jason Bo.

WANG Liping has been the Senior Vice President of the Company since January 2004, and has also served as a Non-executive Director of Ping An Bank (Original SDB) since June 2010. Ms. Wang joined the Company in June 1989 and served as Executive Director from June 2009 to June 2012. From July 2006 to January 2007, Ms. Wang was the Vice Chief Insurance Business Officer. From 2002 to 2004, she served as the Chairman and Chief Executive Officer of Ping An Life. From 1998 to 2002, she served as Vice President and Senior Vice President of the Company successively. From 1995 to 1997, she served as the General Manager of the Management Department and Vice President of the Life Insurance business of the Company. From 1994 to 1995, she served as the President of the Securities Department of the Company. Ms. Wang has a Master's degree in Monetary & Banking from Nankai University.

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

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

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

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

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

YAO Jun has been the Chief Legal Officer and Company Secretary since September 2003 and May 2008 respectively. He has been appointed as the general manager of the Legal Department of the Company since April 2007. Between October 2008 and February 2012, he was the Secretary of the Board of the Company and the Joint Secretary of the Company from June 2004 to May 2008. Mr. Yao joined the Company in September 2003, before that, he was a partner of Commerce & Finance Law Offices. Mr. Yao is a fellow of FCIS and FCS. He holds a Master's degree in Laws from Peking University.

Directors, Supervisors, Senior Management and Employees

CHAN Tak Yin has been the Chief Investment Officer of the Company since August 2012 and the Chairman of Ping An of China Asset Management (Hong Kong) Company Limited since January 2009. Mr. Chan is also a Non-executive Director of Yunnan Baiyao Group Co., Ltd. Mr. Chan joined Ping An in 2005 and was subsequently appointed as the Deputy Chief Investment Officer of the Company as well as the Chairman and CEO of Ping An Asset Management Co., Ltd. Prior to this, he held the posts of fund manager, investment director, chief investment director and managing director in BNP Paribas Asset Management SAS, Barclays Investment Management Company, SHK Fund Management Limited and Standard Chartered Investment Management Company respectively. Mr. Chan graduated from the University of Hong Kong with a Bachelor's Degree in Arts.

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

Chief Actuarial Officer

See "Executive Directors" for the working experiences, positions and part-time jobs of Mr. Yao Jason Bo.

Company Secretary

See "Senior Management" for the working experiences, positions and part-time jobs of Mr. Yao Jun.

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

Name	Name of shareholder' s company	Position	Period of engagement
LIN Lijun	Linzhi New Horse Investment Development Co. Ltd.	General Manager	June 2012-
FAN Mingchun	Shenzhen Investment Holdings Co., Ltd.	Chairman	January 2011-
GUO Limin	Shum Yip Group Limited	Chairman	September 2009-April 2012
LIN Li	Shenzhen Liye Group Co., Ltd	Chairman	May 1995-

For details of the other engagements information of Directors, Supervisors and Senior Management in non shareholders' companies outside the Group, please refer to "Major working experiences of Directors, Supervisors and Senior Management and details of their part-time jobs".

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 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 retired 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 appointed as the Employee Representative Supervisors 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 appointed as a Shareholder Representative Supervisor 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 retired as the Employee Representative Supervisors on the same day.

4. Owing to the share transfer arrangement between HSBC Insurance, HSBC and indirect wholly-owned subsidiaries of CP Group, Mr. Wong Tung Shun, Peter and Mr. Cheng Siu Hong resigned as Non-executive Directors of the Company from December 7, 2012 while Mr. Ng Sing Yip resigned as Non-executive Director of the Company from February 4, 2013.

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

6. Mr. Ku Man was the Senior Vice President from November 2009, and has been the Executive Vice President of the Company since June 2012.

7. Mr. Yao Jun was appointed as a senior management of the Company at the 9th Session of the Board in July 2012.

8. Mr. Chan Tak Yin was appointed as a senior management of the Company at the 9th Session of the Board in August 2012.

9. Mr. Yao Jason Bo has been the Chief Actuarial Officer of the Company since October 2012 whereas Mr. Cheung Chun Tong ceased to be the Chief Actuarial Officer of the Company from September 21, 2012.

10. Mr. Lo Sai Lai ceased to be the Senior Vice President from January 8, 2013.

Directors, Supervisors, Senior Management and Employees

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

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, and was appointed as the Independent Non-executive Director of Shenzhen Rural Commercial Bank Ltd. since August 2012, and he resigned as the Non-executive Director of Inter-Citic Minerals Inc. in November 2012.

2. Mr. Lee Carmelo Ka Sze, the Independent Non-executive Director of the Company, was appointed as a member of the SFC (HKEx 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, also he has no longer served as the Non-executive Director of Cross Harbour (Holdings) Limited since December 2012.

3. 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 an Honorary Director of Tsinghua University and a China-appointed Attesting Officer appointed by the Ministry of Justice, PRC since December and July of 2012, respectively.

4. Mr. Chen Su, the Independent Non-executive Director of the Company, was appointed as the Independent Non-executive Director of Minmetals Development Co., Ltd. in April 2012.

5. Mr. Tang Yunwei, the Independent Non-executive Director of the Company, resigned as the Chairman of Shanghai Accounting Association in November 2012.

6. Mr. Fan Mingchun, the Non-executive Director of the Company, was appointed as the Vice Chairman of the Company on April 27, 2012.

7. Mr. Guo Limin, the Non-executive Director of the Company, was appointed as the Chief of Shenzhen Economics and Information Committee in February 2012. He resigned as the Chairman of Shenzhen Investment Ltd., Shum Yip and Shum Yip Holdings Company Limited, a Non-executive Director of Coastal Greenland Limited since April 2012, and resigned as the Non-executive Director of Road King Infrastructure Limited since May 2012.

8. Ms. Li Zhe, the Non-executive Director of the Company, served in Fook Woo Group Holdings Limited as an Executive Director from April 2012 to October 2012 and re-designated as a Non-executive Director of Fook Woo Group Holdings Limited in October 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 Independent 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, and resigned as an Executive Director of the Seventh Congress of the Chinese Monetary Society and the Sixth General Assembly of the Institute of Chinese Money since September 2012.

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

Direct Shareholding

As at December 31, 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. 2 – The Contents and Formats of Annual Report (Revised in 2012)" issued by CSRC, and the interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) shall have been notified to the Company and the 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 the HKEx pursuant to the Model Code set out in Appendix 10 to the HKEx Listing Rules, were as follows:

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

Name	Position	Capacity	H/A Shares	Number of shares held at the beginning of the period (share)	Number of shares held at the end of the period (share)	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	-	1,898,280	+1,898,280	Acquisition	Long position	0.03966	0.02398
Ren Huichuan	Executive Director and President	Beneficial owner	A	-	100,000	+100,000	Acquisition	Long position	0.00209	0.00126
Yao Jason Bo	Executive Director, Senior Vice President, Chief Financial Officer and Chief Actuarial Officer	Beneficial owner	H	12,000	12,000	-	-	Long position	0.00038	0.00015
Peng Zhijian	Independent Supervisor	Beneficial owner	A	6,600	6,600	-	-	Long position	0.00014	0.00008
Lin Li(1)	Shareholder Representative Supervisor	Interest of controlled corporation	A	N/A	78,829,088	-	-	Long position	1.64694	0.99580
Zhao Fujun(2)	Employee Representative Supervisor	Interest of his spouse	A	N/A	1,700	-	-	Long position	0.00004	0.00002
Cheung Chi Yan Louis(3)	retired Director	Beneficial owner	H	248,000	248,000	-	-	Long position	0.00792	0.00313
Xiao Jiyan(3)	retired Supervisor	Beneficial owner	H	16,000	16,000	-	-	Long position	0.00051	0.00020

(1) Mr. Lin Li by virtue of his control over Shenzhen Liye Group Co., Ltd., a shareholder of the Company, was deemed to be interested in the shares of the Company held by Shenzhen Liye Group. Mr. Lin was appointed as a Shareholder Representative Supervisor from July 17, 2012 and before his appointment, Liye Group had already held A shares of the Company which had not been changed since Mr. Lin's appointment.

(2) Mr. Zhao Fujun was appointed as an Employee Representative Supervisor from July 17, 2012 and before his appointment, his spouse had already held such A shares which had not been changed since his appointment.

(3) Mr. Cheng Chi Yan Louis retired as the Non-executive Director since June 27, 2012, Mr. Xiao Jiyan retired as the Employee Representative Supervisor of the Company since July 17, 2012.

Change in the number of shares, share options and restricted shares held in associated corporations 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 (%)
Sun Jianping	Employee Representative Supervisor	PAB	Beneficial owner	A	27,214	27,214	-	-	Long position	0.00053

Indirect Shareholding

As at December 31, 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, Chief Financial Officer and Chief Actuarial Officer	82,251	0	-82,251	Interests distribution
LIN Lijun	Non-executive Director	816,594	0	-816,594	Interests distribution
SUN Jianping	Employee Representative Supervisor	920,067	0	-920,067	Interests distribution
ZHAO Fujun	Employee Representative Supervisor	318,741	0	-318,741	Interests distribution
WANG Liping	Senior Vice President, retired Director	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
CHEN Kexiang	Senior Vice President	1,129,348	0	-1,129,348	Interests distribution
LO Sai Lai(1)	retired Senior Vice President	246,754	0	-246,754	Interests distribution
JIN Shaoliang	Secretary of the Board	185,099	0	-185,099	Interests distribution
Total		14,371,940	0	-14,371,940	-

Note: (1) Mr. Lo Sai Lai ceased to be the Senior Vice President from January 8, 2013.

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

Name	Position	Shareholding percentage at the beginning of the period (%)	Shareholding percentage at the end of the period (%)	Change in the number of shares	Reason for the change
MA Mingzhe	Chairman and Chief Executive Officer	5.86	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, Chief Financial Officer and Chief Actuarial Officer	0.18	0	-0.18	Interests distribution
LIN Lijun	Non-executive Director	0.12	0	-0.12	Interests distribution
SUN Jianping	Employee Representative Supervisor	0.59	0	-0.59	Interests distribution
ZHAO Fujun	Employee Representative Supervisor	0.53	0	-0.53	Interests distribution
WANG Liping	Senior Vice President, retired Director	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
CHEN Kexiang	Senior Vice President	3.81	0	-3.81	Interests distribution
LO Sai Lai(1)	retired Senior Vice President	0.70	0	-0.70	Interests distribution
YAO Jun	Chief Legal Officer, Company Secretary	0.59	0	-0.59	Interests distribution
CHAN Tak Yin	Chief Investment Officer	0.29	0	-0.29	Interests distribution
JIN Shaoliang	Secretary of the Board	0.12	0	-0.12	Interests distribution
Total		20.97	0	-20.97	-

Note: (1) Mr. Lo Sai Lai ceased to be the Senior Vice President from January 8, 2013.

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 on job presently and those who resigned during the reporting period, nor were there restricted shares granted.

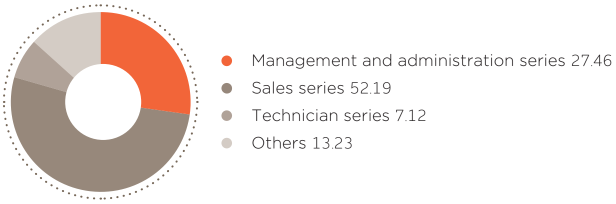
Save as disclosed above, as at December 31, 2012, none of the Directors, Supervisors and Senior Management (including chief executive) held or was deemed to hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which are required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors, Supervisors and Senior Management (including chief executive) to the Company and the HKEx pursuant to the Model Code nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

Directors, Supervisors, Senior Management and Employees

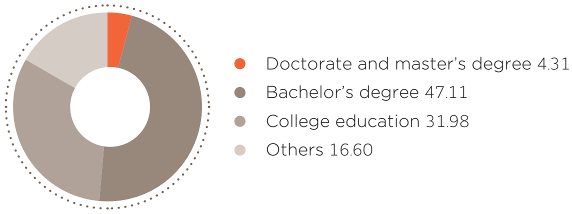
NUMBER OF STAFF, PROFESSIONAL QUALIFICATION AND EDUCATION BACKGROUND

As at December 31, 2012, the Company had a total of 190,284 active staff, of which 52,249 were management and administration personnel, representing 27.46%; 99,300 were sales personnel, representing 52.19%; 13,552 were technician personnel, representing 7.12% and other personnel 25,183, representing 13.23%. Among all the staff, 8,195 hold doctorate or master's degree, representing 4.31%; 89,646 hold bachelor's degree, representing 47.11%; 60,853 attained college education, representing 31.98% and 31,590 with other qualification, representing 16.60%.

By profession structure
(%)



By degree
(%)



Corporate Governance Report

The Board of Directors of the Company ("Board") is pleased to report to the shareholders on the corporate governance of the Company for the year ended December 31, 2012 ("Reporting Period").

CORPORATE GOVERNANCE

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

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

Shareholders and the General Meeting

During the Reporting Period, the Company convened the 2011 Annual General Meeting and two Extraordinary General Meetings. The notice, convocation and procedures for convening and voting at the shareholders' general meeting comply with the requirements of the Company Law of PRC and the Articles of Association. The general meeting established and expanded effective channels for communication with the shareholders, listening to their opinions and advices so as to ensure their information rights, participation rights and voting rights on the significant events of the Company.

The Annual General Meeting

The Company held its 2011 Annual General Meeting by way of physical meeting on June 27, 2012 in Shenzhen, at which the following reports and resolutions were considered and passed: the 2011 Report of the Board of the Company, the 2011 Report of the Supervisory Committee of the Company, the 2011 Annual Report of the Company and its Summary, the 2011 Report of Final Accounts of the Company, the 2011 Profit Distribution Proposal of the Company, the Resolution on Re-appointment of Ernst & Young Hua Ming and Ernst & Young as the Company's Auditors for 2012, the Resolution on Election of Directors for the Ninth Session of the Board, the Resolution on Election of Independent Supervisors and Shareholder Representative Supervisors of the Company for the Seventh Session of the Supervisory Committee and the Resolution relating to Reviewing the Continuing Connected Transactions Conducted Between Ping An Group and Connected Banks in the Ordinary and Usual Course of Business. The shareholders also heard and reviewed the Performance Report of the Directors for the Year 2011, the Performance Report of the Independent Directors for the Year 2011 and the Report on Connected Transactions and Implementation of Management System of Connected Transactions for the Year 2011.

The Extraordinary General Meeting

The First Extraordinary General Meeting

The Company held its First Extraordinary General Meeting of 2012 by way of physical voting and online voting on February 8, 2012 in Shenzhen, at which the following resolutions were considered and passed: the Resolution in relation to the Grant of a General Mandate on Issuance of New Shares to the Board, the Resolution in relation to the Public Issuance of A Share Convertible Corporate Bonds, the Resolution in relation to the Feasibility Analysis on Use of Proceeds of the Public Issuance of A Share Convertible Corporate Bonds, the Resolution in relation to the Utilization Report on the Use of Proceeds from the Previous Fund Raising Activity and the Resolution in relation to the Election of Mr. Fan Mingchun as a Non-executive Director of the Eighth Session of the Board.

The Second Extraordinary General Meeting

The Company held its Second Extraordinary General Meeting of 2012 by way of physical voting on September 20, 2012 in Shenzhen, at which the Resolution on Amendment to the Articles of Association was considered and passed.

The relevant announcements regarding the resolutions of the above-mentioned General Meetings were published on Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily and the website of SSE (www.sse.com.cn) on February 9, 2012, June 28, 2012 and September 21, 2012. The voting results announcements have also been published on the website of HKEx (www.hkexnews.hk) on the same date of the relevant general meetings.

Attendance of Directors at the General Meeting

During the Reporting Period, the Directors actively participated in general meetings in person and have been doing their best to develop a balanced understanding of the views of shareholders. The attendance records of each Director at the general meetings are as follows:

Members	Date of appointment as Directors	General Meetings attended in person/General Meetings convented in the year[5]	% of attendance in person
Executive Directors			
MA Mingzhe (Chairman)	March 21, 1988	3/3	100%
SUN Jianyi	March 29, 1995	3/3	100%
REN Huichuan[1]	July 17, 2012	1/1	100%
KU Man[1]	July 17, 2012	1/1	100%
YAO Jason Bo	June 9, 2009	3/3	100%
WANG Liping (retired on June 27, 2012)[1]	June 9, 2009	2/2	100%
Non-executive Directors			
FAN Mingchun[2]	March 8, 2012	1/2	50%
LIN Lijun	May 16, 2003	0/3	0%
LI Zhe	June 9, 2009	0/3	0%
GUO Limin	February 11, 2010	0/3	0%
CHEN Hongbo (retired on March 8, 2012)[2]	June 23, 2005	0/1	0%
CHEUNG Chi Yan Louis (retired on June 27, 2012)[1]	May 25, 2006	0/2	0%
WONG Tung Shun Peter (resigned on December 7, 2012)[3]	May 25, 2006	0/3	0%
CHENG Siu Hong (resigned on December 7, 2012)[1] [3]	July 17, 2012	1/1	100%
NG Sing Yip (resigned on February 4, 2013)[4]	May 25, 2006	1/3	33.3%
Independent Non-executive Directors			
ZHANG Hongyi	March 19, 2007	1/3	33.3%
CHEN Su	March 19, 2007	1/3	33.3%
XIA Liping	June 7, 2007	0/3	0%
TANG Yunwei	June 9, 2009	1/3	33.3%
LEE Carmelo Ka Sze	June 9, 2009	2/3	66.7%
WOO Ka Biu Jackson	July 22, 2011	1/3	33.3%
Stephen Thomas MELDRUM[1]	July 17, 2012	0/1	0%
CHUNG Yu-wo Danny (retired on June 27, 2012)[1]	June 9, 2009	1/2	50%

(1) The election of the new session of the Board 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 retired 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 the Company, respectively; Mr. Ren Huichuan and Mr. Ku Man were elected as Executive Directors of the 9th Session of the Board of the Company. The qualifications of the newly elected directors were approved by CIRC on July 17, 2012.

(2) Mr. Chen Hongbo retired from Shenzhen Investment Holdings Co., Ltd., a shareholder of the Company, 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 Company.

(3) Owing to the share transfer arrangement between HSBC Insurance, HSBC and indirect wholly-owned subsidiaries of CP Group, Mr. Wong Tung Shun Peter and Mr. Cheng Siu Hong tendered their resignation letters to the Board on December 7, 2012 and resigned as Non-executive Directors of the Company, such resignations took effect from December 7, 2012 when the resignation letters were submitted to the Board.

(4) Owing to the share transfer arrangement between HSBC Insurance, HSBC and indirect wholly-owned subsidiaries of CP Group, Mr. Ng Sing Yip tendered his resignation letter to the Board on February 4, 2013 and resigned as a Non-executive Director of the Company, such resignation took effect from February 4, 2013 when the resignation letter was submitted to the Board.

(5) The Independent Non-executive Directors and other Non-executive Directors did not attend certain general meetings due to business reasons or being abroad.

Shareholders' Rights

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

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

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

Directors, Board and Specialized Committees under the Board

Directors

As at December 31, 2012, the Board of the Company consists of 17 members, among whom there were 5 Executive Directors, 5 Non-executive Directors and 7 Independent Non-executive Directors, and the profile of each Director has been included in the section headed "Directors, Supervisors, Senior Management and Employees" of this Annual Report. The number of Directors and composition of the Board are in compliance with the regulatory requirements and provisions of the Articles of Association, except there are two vacancies for Directors due to the resignation of two Non-executive Directors appointed by the shareholder. As provided in the Articles of Association, Directors should be elected at the general meeting with a term of 3 years, and are eligible for re-election upon expiry of the term, however, the Independent Non-executive Directors should not hold office for more than 6 consecutive years.

Continuous Professional Development of the Directors

All Directors of the Company receive comprehensive information on appointment, so as to ensure understanding of the business and operations of the Group and Directors' responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company also provided information such as updated statutory and regulatory regime and the business and market changes to all Directors to facilitate the discharge of their responsibilities and obligations under the Listing Rules and relevant statutory requirements.

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

All Directors of the Company as at December 31, 2012, i.e. Mr. Ma Mingzhe, Mr. Sun Jianyi, Mr. Ren Huichuan, Mr. Ku Man, Mr. Yao Jason Bo, Mr. Fan Mingchun, Ms. Lin Lijun, Mr. Ng Sing Yip, Ms. Li Zhe, Mr. Guo Limin, Mr. Zhang Hongyi, Mr. Chen Su, Mr. Xia Liping, Mr. Tang Yunwei, Mr. Lee Carmelo Ka Sze, Mr. Woo Ka Biu Jackson and Mr. Stephen Thomas Meldrum attended the training with the topics covering corporate governance, regulations and the Company's business; in addition, Mr. Lee Carmelo Ka Sze and Mr. Woo Ka Biu Jackson attended the training with the topics covering finance, and Mr. Stephen Thomas Meldrum attended the training related to finance and the insurance industry.

Board

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

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

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

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

Attendance of Directors at the Board Meeting

During the Reporting Period, the Board held 7 meetings. All such meetings were convened in accordance with the Articles of Association, and were attended in person or by proxy by all Directors entitled to be present, at which the Directors actively participated either in person or through electronic means of communication. All the Directors have been doing their best to make right decisions on the basis of good knowledge of circumstances, and are committed to protecting the interests of the Company and its shareholders as a whole. The attendance records of each Director at the Board meetings are as follows:

Members	Board Meetings attended in person/ Meetings required to attend	% of attendance in person	Meetings attended by proxy/ Meetings required to attend	% of attendance by proxy
Executive Directors				
MA Mingzhe (Chairman)	7/7	100%	0/7	0%
SUN Jianyi	7/7	100%	0/7	0%
REN Huichuan(1)	4/4	100%	0/4	0%
KU Man(1)	3/4	75%	1/4	25%
YAO Jason Bo	7/7	100%	0/7	0%
WANG Liping (retired on June 27, 2012)(1)	3/3	100%	0/3	0%
Non-executive Directors				
FAN Mingchun(1)	6/6	100%	0/6	0%
LIN Lijun	7/7	100%	0/7	0%
LI Zhe	5/7	71.4%	2/7	28.6%
GUO Limin	2/7	28.6%	5/7	71.4%
CHEN Hongbo (retired on March 8, 2012)(1)	1/1	100%	0/1	0%
CHEUNG Chi Yan Louis (retired on June 27, 2012)(1)	3/3	100%	0/3	0%
WONG Tung Shun Peter (resigned on December 7, 2012)(1)	2/6	33.3%	4/6	66.7%
CHENG Siu Hong (resigned on December 7, 2012)(1)	3/3	100%	0/3	0%
NG Sing Yip (resigned on February 4, 2013)(1)	7/7	100%	0/7	0%
Independent Non-executive Directors				
ZHANG Hongyi	7/7	100%	0/7	0%
CHEN Su	6/7	85.7%	1/7	14.3%
XIA Liping	7/7	100%	0/7	0%
TANG Yunwei	7/7	100%	0/7	0%
LEE Carmelo Ka Sze	7/7	100%	0/7	0%
WOO Ka Biu Jackson	7/7	100%	0/7	0%
Stephen Thomas MELDRUM(1)	3/4	75%	1/4	25%
CHUNG Yu-wo Danny (retired on June 27, 2012)(1)	2/3	66.7%	0/3	0%

(1) Details regarding retirement, resignation and appointment of the Directors during the Reporting Period are set out under the annotations of the "Attendance of Directors at the General Meeting" in this chapter.

Corporate Governance Report

Board Meetings and Contents of Resolutions

The 19th Meeting of the 8th Session of the Board was held from January 10 to 12, 2012 through written communication and voting, at which the Resolution on Recommendation of the Non-executive Director Candidate for the 8th Session of the Board and the Resolution on Appointment of Mr. Jin Shaoliang as the Secretary of the Board were considered and approved.

The 20th Meeting of the 8th Session of the Board was held in Shenzhen on March 15, 2012, at which the following reports and resolutions were considered and passed: the Resolution on Consideration of the 2011 Operating Report, the 2011 Report of Final Accounts of the Company, the 2011 Profit Distribution Proposal of the Company, the Resolution on Re-appointment of Ernst & Young Hua Ming and Ernst & Young as the Company's Auditors for 2012, the Resolution on Consideration of the 2011 Annual Report of the Company (Draft), the 2011 Corporate Governance Report of the Company, the 2011 Report of the Board of the Company, the Results Announcement of the Company as at December 31, 2011 and the Summary of the 2011 Annual Report of the Company, the Resolution on Recommendation of Director Candidates for the 9th Session of the Board of the Company, the Resolution on Convening the 2011 Annual General Meeting, the Resolution on Consideration of the Performance Report of the Directors and the Performance Report of the Independent Directors for the Year 2011, the Resolution on Consideration of the 2011 Corporate Governance Report of the Company, the Resolution on Amendment to the Charter of the Specialized Committees under the Board, the Resolution on Consideration of the 2011 Corporate Social Responsibility Report of the Company, the Resolution on Consideration of the 2011 Solvency Report of the Company, the Resolution on Consideration of the 2011 Risk Assessment Report of the Company, the Resolution on Consideration of the 2011 Report of Planning and Allocation of Financial Resources of the Company, the Resolution relating to Reviewing the Continuing Connected Transactions Conducted Between Ping An Group and Connected Banks in the Ordinary and Usual Course of Business, the Resolution on Consideration of the 2011 Internal Control Assessment Report of the Company, the Resolution on Consideration of the 2011 Compliance Report of the Company, the Resolution on Consideration of the Report on Connected Transactions and Implementation of Management System of Connected Transactions for the Year 2011, the Resolution on Consideration of the Audit Report and Examination Report on the Resignation of Mr. Yao Jun as the Secretary of the Board and the Resolution on the Connected Transaction regarding Ping An Life's Subscription of Shares through the Non-public Issuance by Bank of Communications. The Board is of the opinion that the internal control system is complete and effective after considering the 2011 Risk Assessment Report of the Company, the 2011 Internal Control Assessment Report of the Company and the 2011 Compliance Report of the Company, and reviewing the Auditor's Report on the 2011 Financial Statements of the Company provided by Ernst & Young.

The 21st Meeting of the 8th Session of the Board was held in Shenzhen-based venue via video on April 27, 2012, at which the 2012 First Quarterly Operating Report and 2012 Working Plan, the First Quarterly Report of the Company for 2012 and the Unaudited Results Announcement for the Three Months ended March 31, 2012 (Draft), the Resolution on Election of the Vice Chairman of the 8th Session of the Board and the Resolution on Consideration of the Term-of-office Audit Report of the Executive Vice President Mr. Sun Jianyi were considered and passed.

The 1st Meeting of the 9th Session of the Board was held in Shenzhen-based venue via video on July 25, 2012, at which the following reports and resolutions were considered and passed: the Resolution on Approval of the Composition of the Specialized Committees under the 9th Session of the Board, the Resolution on Election of the Chairman and Vice Chairman of the 9th Session of the Board, the Resolution on Appointment of Mr. Ma Mingzhe as the CEO of the Company, the Resolution on Appointments of the Senior Management of the Company, the Resolution on Specifying of Special Provisions for the Public Issuance of A Share Convertible Corporate Bonds in relation to Solvency Capital, the Resolution on Amendment to the Articles of Association, the Resolution on Convening the Second Extraordinary General Meeting of 2012 and the Resolution on Reviewing the Shareholders' Return Plan for the Next Three Years of the Company.

The 2nd Meeting of the 9th Session of the Board was held in Shanghai on August 23, 2012, at which the following reports and resolutions were considered and passed: the Resolution on Consideration of the 2012 Interim Operating Report of the Company, the Resolution on Consideration of the 2012 Interim Report of the Company (Draft), the 2012 Interim Report Summary of the Company (Draft) and the Results Announcement of the Company for the Six Months ended June 30, 2012 (Draft), the Resolution in relation to the Proposal on Distribution of the 2012 Interim Dividend and the Resolution on Consideration of the Solvency Report of the Company for the First Half of 2012.

The 3rd Meeting of the 9th Session of the Board was held in Nanjing on October 30, 2012, at which the following reports and resolutions were considered and passed: the Resolution on Consideration of 2012 Third Quarterly Operating Report of the Company, the Third Quarterly Report of the Company for 2012, the Unaudited Results Announcement for the Nine Months ended September 30, 2012, the Resolution on Appointment of Mr. Yao Jason Bo as the Chief Actuarial Officer of the Company and the Resolution on Consideration of the Audit Report on the Resignation of Mr. Cheung Chun Tong.

The 4th Meeting of the 9th Session of the Board was held from December 17 to 18, 2012 through written communication and voting, at which the following resolutions were considered and passed: the Resolution in relation to Renewal of the Grant of the General Mandate on Issuance of New Shares to the Board, the Resolution Regarding the Extension of the Validity Period of the Resolution in relation to the Public Issuance of A Share Convertible Corporate Bonds (Including Subordinated Terms), the Resolution on Appointment of Ernst & Young to Implement Audit for the Senior Management of the Company, the Resolution on Consideration of the Audit Report on the Resignation of Mr. Lo Sai Lai as the Senior Vice President of the Company and the Resolution on Convening the First Extraordinary General Meeting of 2013.

The Board's implementation of the resolutions approved at the general meetings

During the Reporting Period, the Board has duly carried out its duties in a stringent manner in accordance with the relevant laws and regulations and the Articles of Association and conscientiously implemented the resolutions approved at the general meetings.

According to the 2011 Profit Distribution Proposal of the Company considered and passed at the 2011 Annual General Meeting held on June 27, 2012, the Company would pay in cash the 2011 final dividend of RMB0.25 (tax inclusive) per share, in a total amount of RMB1,979,035,523, based on its total share capital of 7,916,142,092 shares. The implementation of the distribution proposal has been completed during the Reporting Period.

In accordance with the Article 217 of the Articles of Association, the general meeting authorized the Board to distribute the interim dividend. In accordance with the authorization of the general meeting, the Resolution in relation to the Proposal on Distribution of the 2012 Interim Dividend was approved at the 2nd Meeting of the 9th Session of the Board held on August 23, 2012, i.e. the Company distributed the interim dividend for 2012 on the basis of 7,916,142,092 shares of the total share capital of the Company, the cash dividend was RMB0.15 (tax inclusive) per share, and the total amount was RMB1,187,421,313.80. The implementation of the distribution proposal has been completed during the Reporting Period.

The specialized committees under the Board

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

Strategy and Investment Committee

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

As considered and approved by the 1st Meeting of the 9th Session of the Board held on July 25, 2012, Mr. Ma Mingzhe, Mr. Zhang Hongyi, Mr. Tang Yunwei, Mr. Lee Carmelo Ka Sze and Mr. Wong Tung Shun Peter were appointed as members of the Strategy and Investment Committee of the 9th Session of the Board of the Company. Mr. Wong Tung Shun Peter resigned as a Director of the Company on December 7, 2012, and he ceased to be a member of the Strategy and Investment Committee on the same day. As of December 31, 2012, the Strategy and Investment Committee comprises four Directors, which includes three Independent Non-executive Directors, the ratio of whom to directors is 75%. The committee has one chairman, which is served by the Chairman of the Board and the chairman presides over the committee.

In 2012, the Strategy and Investment Committee held three meetings, the attendance of which met the requirements of the Articles of Association and the Charter of the Strategy and Investment Committee. The Resolution on 2012 First Quarterly Operating Report and 2012 Working Plan, the Resolution in relation to Renewal of the Grant of the General Mandate on Issuance of New Shares to the Board, the Resolution Regarding the Extension of the Validity Period of the Resolution in relation to the Public Issuance of A Share Convertible Corporate Bonds (Including Subordinated Terms) were considered. The attendance records of each member of the Strategy and Investment Committee are as follows:

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

(1) Mr. Wong Tung Shun Peter resigned as a Director of the Company on December 7, 2012, and he ceased to be a member of the Strategy and Investment Committee on the same day.

Audit and Risk Management Committee

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

In 2012, the composition of the Audit and Risk Management Committee made adjustments. Mr. Chung Yu-wo Danny ceased to be a Director of the Company on June 27, 2012 and he also ceased to be a member of the Audit and Risk Management Committee on the same day. As considered and approved by the 1st Meeting of the 9th Session of the Board held on July 25, 2012, Mr. Tang Yunwei, Mr. Zhang Hongyi, Mr. Chen Su, Mr. Woo Ka Biu Jackson, Mr. Stephen Thomas Meldrum and Mr. Ng Sing Yip were appointed as members of the Audit and Risk Management Committee of the 9th Session of the Board. As of December 31, 2012, the Audit and Risk Management Committee comprises 5 Independent Non-executive Directors and 1 Non-executive Director, the ratio of whom to directors is 80%. None of the members is involved in the day-to-day management of the Company. The Audit and Risk Management Committee is chaired by an Independent Non-executive Director who also possesses the appropriate professional qualifications or accounting or related financial management expertise.

In 2012, the Audit and Risk Management Committee held 5 meetings. All these meetings were convened in accordance with the Articles of Association and the Charter of the Audit and Risk Management Committee. In particular, the Audit and Risk Management Committee reviewed the Company's annual financial statements for the year ended December 31, 2011, the first quarterly financial statements for the three months ended March 31, 2012, the interim financial results for the six months ended June 30, 2012 and the third quarterly financial statements for the nine months ended September 30, 2012. Furthermore, the Audit and Risk Management Committee convened the meeting to review the unaudited financial report for the year 2012 and agreed to deliver it to the auditor for auditing. The Audit and Risk Management Committee also reviewed the audited financial report for the year ended December 31, 2012 at the second meeting in 2013 and was satisfied with their basis of preparation, including the appropriateness of assumptions and accounting policies and standards adopted, and made recommendations to the Board for their consideration. The attendance records of the members of the Audit and Risk Management Committee is as follows:

Members	Meetings attended in person/Meetings required to attend	% of Attendance in person	Meetings attended by proxy/Meetings required to attend	% of Attendance by proxy
Independent Non-executive Directors				
TANG Yunwei (Chairman)	5/5	100%	0/5	0%
ZHANG Hongyi	5/5	100%	0/5	0%
CHEN Su	5/5	100%	0/5	0%
WOO Ka Biu Jackson	5/5	100%	0/5	0%
Stephen Thomas MELDRUM(1)	3/3	100%	0/3	0%
CHUNG Yu-wo Danny(2)	2/2	100%	0/2	0%
Non-executive Director				
NG Sing Yip(3)	5/5	100%	0/5	0%

(1) Mr. Stephen Thomas MELDRUM was appointed as a member of the Audit and Risk Management Committee on July 25, 2012.

(2) Mr. Chung Yu-wo Danny ceased to be a Director of the Company on June 27, 2012 and he also ceased to be a member of the Audit and Risk Management Committee on the same day.

(3) Mr. Ng Sing Yip ceased to be a Director of the Company on February 4, 2013 and he also ceased to be a member of the Audit and Risk Management Committee on the same day.

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

The Audit and Risk Management Committee also considered and was satisfied with the performance, independence and objectivity of the Company's auditors.

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

Services rendered (in RMB million)	Fees paid/payable
Audit services for financial statements – audits, reviews and agreed upon procedures	51
Audit services for internal control	6
Other assurance services	1
Non-assurance services	14
Total	72

Remuneration Committee

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

As considered and approved by the 1st Meeting of the 9th Session of the Board held on July 25, 2012, Mr. Lee Carmelo Ka Sze, Mr. Xia Liping, Mr. Tang Yunwei, Mr. Woo Ka Biu Jackson and Mr. Cheng Siu Hong were appointed as members of the Remuneration Committee of the 9th Session of the Board. Mr. Cheng Siu Hong resigned as a Director of the Company on December 7, 2012, and he ceased to be a member of the Remuneration Committee on the same day. As of December 31, 2012, the Remuneration Committee comprises 4 Independent Non-executive Directors, none of whom is involved in the day-to-day management of the Company. The Remuneration Committee is chaired by an Independent Non-executive Director.

During 2012, the Remuneration Committee held 3 meetings, the attendance of which met the requirements of the Articles of Association and the Charter of the Remuneration Committee. The Committee considered the remuneration of Mr. Gregory D. GIBB (Senior Vice President of the Company), Mr. Jin Shaoliang (the Secretary of the Board) and Mr. Chan Tak Yin (the Chief Investment Officer of the Company) and reviewed the remuneration of the senior management of the Company. In addition, the Settlement Report of Executive Directors of the Company on 2011 Bonuses, the Report on Payment of Long-term Incentive to Senior Management of the Company in 2009 and the Settlement Report of Executive Directors of the Company on Long-term Incentive for 2011 were reviewed. Attendance of meetings by the members of the Remuneration Committee is set out below:

Members	Meetings attended in person/Meetings required to attend	% of Attendance in person	Meetings attended by proxy/Meetings required to attend	% of Attendance by proxy
Independent Non-executive Directors				
LEE Carmelo Ka Sze (Chairman)	3/3	100%	0/3	0%
XIA Liping	3/3	100%	0/3	0%
TANG Yunwei	3/3	100%	0/3	0%
WOO Ka Biu Jackson	3/3	100%	0/3	0%
Non-executive Director				
CHENG Siu Hong(1)	1/1	100%	0/1	0%

(1) Mr. Cheng Siu Hong was appointed as a member of the Remuneration Committee on July 25, 2012. He resigned as a Director of the Company on December 7, 2012 and ceased to be a member of the Remuneration Committee on the same day.

Nomination Committee

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

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

As considered and approved by the 1st Meeting of the 9th Session of the Board held on July 25, 2012, Mr. Zhang Hongyi, Mr. Xia Liping, Mr. Lee Carmelo Ka Sze, Mr. Ma Mingzhe and Mr. Ren Huichuan were appointed as members of the Nomination Committee for the 9th Session of the Board. Mr. Sun Jianyi ceased to be a member of the Nomination Committee. As of December 31, 2012, the Nomination Committee comprises 3 Independent Non-executive Directors and 2 Executive Directors, the ratio of Independent Non-executive Director to director is 60% and it is chaired by an Independent Non-executive Director.

In 2012, the Nomination Committee held 5 meetings, the attendance of which met the requirements of the Articles of Association and the Charter of the Nomination Committee. The meeting considered and recommended candidates for the directors and senior management to the Board. Among which, suggestions of change of Board members included recommendation of Mr. Fan Mingchun to replace Mr. Chen Hongbo as the Non-executive Director for the 8th Session of the Board, recommendation of Mr. Fan Mingchun as the Vice Chairman for the 8th Session of the Board, recommendation of Director candidates for the 9th Session of the Board and recommendation of the Chairman and the Vice Chairman for the 9th Session of the Board. In addition to nominating candidates for the directors, the Nomination Committee will also review the structure, size and composition of the Board in accordance with the business activities, assets & management mix of the Company. The attendance records of each member of the Nomination Committee are as follows:

Members	Meetings attended in person/Meetings required to attend	% of Attendance in person	Meetings attended by proxy/Meetings required to attend	% of Attendance by proxy
Independent Non-executive Directors				
ZHANG Hongyi (Chairman)	5/5	100%	0/5	0%
XIA Liping	5/5	100%	0/5	0%
LEE Carmelo Ka Sze	5/5	100%	0/5	0%
Executive Directors				
MA Mingzhe	5/5	100%	0/5	0%
REN Huichuan(1)	2/2	100%	0/2	0%
SUN Jianyi(2)	3/3	100%	0/3	0%

(1) Mr. Ren Huichuan was appointed as a member of the Nomination Committee on July 25, 2012.

(2) Mr. Sun Jianyi ceased to be a member of the Nomination Committee upon expiry of the 8th Session of the Board.

Supervisors and the Supervisory Committee

The Supervisory Committee now consists of 7 members, among which there are 3 Independent Supervisors, 1 Shareholder Representative Supervisor and 3 Employee Representative Supervisors, and the profile of each supervisor has been included in the section headed "Directors, Supervisors, Senior Management and Employees" of this Annual Report. The number of Supervisors and composition of the Supervisory Committee are in compliance with the regulatory requirements and provisions of the Articles of Association.

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

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

During the Reporting Period, the Supervisory Committee held 6 meetings, whereby the Supervisors inspected and supervised the operating results and financial activities of the Company through reviewing the documents provided to them, such as the periodic reports and designated reports. Adhering to the principle of fairness and honesty, the Supervisory Committee has duly carried out its supervisory duties in a stringent manner to effectively protect the rights and interests of the shareholders, the Company and the employees. In addition, the supervisors also attended the general meetings and on-site Board meetings held during the Reporting Period, whereby they inspected and supervised the performance of the Directors and the senior management, which ensured the constant, stable and healthy growth of the Company. The details of the Supervisors' duty performance are set out in the Report of the Supervisory Committee.

Management Committees

The Executive Committee

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

The Investment Management Committee

The Investment Management Committee oversees the investment-related operations of the Group, makes decisions on important investments relating to the day-to-day management of the Group, and generally approves, manages and reviews the Group's investment and related activities, as well as its risk control. The Investment Management Committee is also responsible for improving the Group's Investment Management Monitoring System. The Investment Management Committee is currently composed of 9 members, which is chaired by the deputy director of the Executive Committee of the Company.

The Budget Committee

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

The Investor Relations Management Committee

The Investor Relations Management Committee is responsible for formulating and amending guidelines for the Company's investor relations management, coordinating, providing guidance to and inspecting the operations of the investor relations department; supervising the collating and organizing of material information in relation to investor relations, and scrutinizing material information that is to be disclosed to the public; scrutinizing the external publication of news, and providing guidance as to responding to any adverse publicity by the media in relation to the Company's operations and activities; providing guidance on communications with shareholders; supervising and organizing road shows and meetings with investors and financial analysts; providing guidance on communicating with the stock exchanges where the company is listed, organizing regular meetings for the Investor Relations Management Committee; convening extraordinary meetings to deal with contingency matters; providing guidance on tracking unusual fluctuations in share price; and providing guidance on responding to assessments of the Company given by any assessment authority. The Investor Relations Management Committee is currently composed of 15 members, which is chaired by the President of the Company.

The Risk Monitoring Committee

The Risk Monitoring Committee is responsible for developing the overall objectives, basic policies and work systems of risk management according to the Company's development strategy, guiding the establishment of subsidiaries' risk management structure and overseeing the performance of their duties; monitoring Group's risk exposure and available financial resources, timely sending advanced warning and making recommendations to response; supervising the operation of risk management system in various subsidiaries or business lines, following up the implementation of major recommendations of risk management from audit. The Risk Monitoring Committee is currently composed of 8 members, which is chaired by the Chief Internal Auditor of the Company.

The Insurance Asset Liability Management Committee

The Insurance Asset Liability Management Committee leads and provides guidance for the matching of assets and liabilities of insurance funds of the Group. The Insurance Asset Liability Management Committee's responsibility is to define the Group's target and risk appetite regarding insurance assets and liabilities management; consider the allocation plan for strategic assets of insurance funds and the investment guidelines of insurance funds; review investment performance, the implementation and risk status on strategic assets allocation; propose relevant financial management strategy; make recommendation on insurance products; formulate policy for external investment trustee etc. The Insurance Asset Liability Management Committee is currently composed of 17 members, which is chaired by the President of the Company.

Information Disclosure and Investor Relations

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

Information disclosure

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

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

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

Investor relations

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

The Company maintains a website at www.pingan.com as a communication platform with shareholders and investors, where the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may also write directly to the Company's IR Team or via email to IR@pingan.com.cn or PR@pingan.com.cn for any inquiries. Inquiries are dealt with in an informative and timely manner.

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

During 2012, the Company organized 2 results releases, 2 global tele-conferences, 2 gathering of stock market critics, 1 Open Day, 8 roadshows and 2 online roadshows, received nearly 125 visits of investors/analysts home and abroad, attended around 37 conferences of investment banks and securities brokers, processed around 150 valid mails from investors and around 2000 inquiry phone calls of investors. Moreover, the Company was committed to collecting capital market analysis reports and shareholders' information, and paid special attention to the investors' concerns and advices, aiming at further enhancing the management and operation of the Company as well as its corporate governance. The Company also took great efforts in improving its internal workflow and policy formulation so as to provide the investors with better service in a more efficient way.

During the Reporting Period, Ping An was granted the "2012 Best Corporate Governance Disclosure Awards (Golden Award of H Share Category)" by the Hong Kong Institute of Certified Public Accountants; several awards under "2012 Asian Excellence Award" and "Corporate Governance Asia Recognition Awards" by Corporate Governance Asia; several awards under "2012 Asia's Best Managed Companies" by FinanceAsia; various awards including "Best IR Companies" by Institutional Investor; and various awards including "2012 Best Board of Listed Company in China" by Weekly Financial Management, a renowned financial management magazine in the PRC.

Amendments Made to the Articles of Association

During the Reporting Period, the following changes were made to the Articles of Association:

"Article 213

The profits after tax of the Company shall be distributed in the following sequence:

(1) cover losses in the previous year;

(2) allocate 10% to statutory revenue reserve;

(3) allocate to discretionary revenue reserve;

(4) pay dividends to shareholders.

When the accumulated statutory revenue reserve exceeds 50 percent of the Company's registered capital, the Company may cease to make such allocation. If the statutory revenue reserve is not sufficient to cover the losses made in the previous year, the profits of the current year shall be used to cover such losses before allocation to the statutory revenue reserve is made in accordance with the provisions of the previous paragraph. The decision on whether to make any allocation of profit after tax to the discretionary revenue reserve, after making allocation to the statutory revenue reserve, is subject to the resolution at general meetings.

The profits after tax of the Company, after covering the losses and making allocation to the revenue reserve, shall be distributed to the shareholders in accordance with their proportion of shareholdings in the Company.

If it is resolved at the general meeting to distribute profit to shareholders before covering the losses and making allocation to statutory revenue reserve in violation to the provisions of the previous paragraph, the shareholders shall return such distributed profits to the Company.

The shares held by the Company shall not participate in the profit distribution.

The Company shall attach importance to the reasonable investment returns of investors in terms of its profit distribution. The profit distribution policy of the Company shall maintain its continuity and stability. The accumulated profit to be distributed in cash for any three consecutive years shall not be less than 30% of the average annual distributable profit realized in the three years, provided that the annual distributable profits of the Company (namely profits after tax of the Company after covering the losses and making contributions to the revenue reserve) are positive in value and such distributions are in compliance with the prevailing laws and regulations and the requirements of regulatory authorities for solvency ratio. In determining the specific ratio of distribution of cash dividend, the Company shall take into account its profit, cash flow, solvency and operation and business development requirements. The board of directors of the Company shall be responsible for formulating and implementing a distribution plan according to the provisions of these Articles of Association.

In preparing profit distribution plans, the board of directors of the Company shall listen and absorb views and advice from shareholders (in particular, the minority shareholders), independent directors and independent supervisors through various ways. Independent directors of the Company shall express their independent opinions on the profit distribution plans. When a specific cash dividends distribution plan is put forward for consideration at a general meeting, a variety of channels shall be provided for communication and opinion exchange with shareholders (in particular, the minority shareholders), whose opinions and demands shall be fully heard and prompt response shall be given to any issues the minority shareholders are concerned.

Where adjustment to our profit distribution policy is required due to the applicable national laws and regulations and new rules promulgated by the CSRC regarding profit distribution policies of listed companies or significant changes in the external business environment and/or operating situations of the Company, it shall be done for the purpose of safeguarding the shareholders' interests and in strict compliance with the decision-making process. To this end, the board of directors of the Company shall work out an adjustment plan based on the operating situations of the Company and the relevant regulations of the CSRC, and then submit the same to the general meeting for consideration and approval. Implementation of the adjustment plan is conditional upon approval by shareholders (including their proxies) holding more than two-thirds of voting rights present at the general meeting."

PERFORMANCE OF DUTIES BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The 9th session of the Board consists of 7 Independent Non-executive Directors, which is in compliance with the requirements of CSRC and CIRC that the number of Independent Non-executive Directors should be one third or more of the total number of directors. The Independent Non-executive Directors all meet the specific independence guidelines as set out in Rule 3.13 of HKEx Listing Rules, and have presented their annual confirmation on independence to the Company. None of the Independent Non-executive Directors of the Company has any interests in the business or finance of the Company or its subsidiaries, and as a result, the Company continued to believe they are independent. Besides, Independent Non-executive Directors are not allowed to take any administrative positions in the Company. The Independent Non-executive Directors owe fiduciary duties to the Company and its shareholders, and are especially responsible for protecting the minority interests. They are playing a significant role in the decision-making of the Board and are a key link of our corporate governance. What's more, their valuable business and financial experience are crucial to the healthy growth of the Company.

The Establishment, Perfection and Key Contents of the Independent Non-executive Directors' Working System and Performance of Duties by Independent Non-executive Directors

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

The Independent Non-Executive Directors of the Company conscientiously perform their duties and responsibilities conferred by the Articles of Association, promptly learn the important information of operation of the Company, pay high attention to the development of the Company and actively attend the meetings of the Board during the Reporting Period. After a duly review on the external guarantee of the Company in 2011, the Independent Non-Executive Directors of the Company believed that the Company had exerted stringent control on risks associated with external guarantee and the external guarantees were in compliance with relevant laws and regulations and the Articles of Association. The Independent Non-executive Directors have conscientiously considered and made independent advice severally to agree with the following resolutions that were considered by the 8th Session of the Board in 2012: the Resolution on Recommendation of the Non-executive Director Candidate for the 8th Session of the Board, the Resolution on Appointment of Mr. Jin Shaoliang as the Secretary of the Board, the Resolution on Recommendation of Director Candidates for the 9th Session of the Board, the Resolution relating to Reviewing the Continuing Connected Transactions Conducted Between Ping An Group and Connected Banks in the Ordinary and Usual Course of Business and the Resolution on the Connected Transaction regarding Ping An Life's Subscription of Shares through the Non-public Issuance by Bank of Communications; as well as the following resolutions that were considered by the 9th Session of the Board in 2012: the Resolution on Election of the Chairman and Vice Chairman of the 9th Session of the Board, the Resolution on Appointment of Mr. Ma Mingzhe as the CEO of the Company, the Resolution on Appointments of the Senior Management of the Company, the Resolution on Amendment to the Articles of Association, the Resolution on Reviewing the Shareholders' Return Plan for the Next Three Years of the Company and the Resolution on Appointment of Mr. Yao Jason Bo as the Chief Actuarial Officer of the Company.

Attendance of Independent Non-Executive Directors at the Board Meeting

During the Reporting Period, the Independent Non-executive Directors conscientiously performed their duties and responsibilities in accordance with the relevant laws and regulations and the Articles of Association, and they fulfilled their credibility and due diligence obligations as well; they actively attended Board meetings and meetings of the specialized committees under the Board. The details of the attendance of Independent Non-executive Directors at the Board meetings are as follows:

the Names of Independent Non-Executive Directors	Meetings required to attend this year	Meetings attended in person (times)	Meetings attended by proxy (times)	Absence (times)	Remark
ZHANG Hongyi	7	7	–	–	–
CHEN Su	7	6	1	–	Mr. Chen Su did not attend in person the 1st Meeting of the 9th Session of the Board due to business reasons and authorized Independent Non-executive Director Mr. Xia Liping to attend the meeting and vote on his behalf.
XIA Liping	7	7	–	–	–
TANG Yunwei	7	7	–	–	–
LEE Carmelo Ka Sze	7	7	–	–	–
WOO Ka Biu Jackson	7	7	–	–	–
Stephen Thomas MELDRUM (appointed on July 17, 2012)	4	3	1	–	Mr. Stephen Thomas Meldrum did not attend in person the 1st Meeting of the 9th Session of the Board because of being abroad and authorized Independent Non-executive Director Mr. Tang Yunwei to attend the meeting and vote on his behalf.
CHUNG Yu-wo Danny (retired on June 27, 2012)	3	2	–	1	Mr. Chung Yu-wo Danny did not attend in person the 19th Meeting of the 8th Session of the Board because of being abroad.

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

During the Reporting Period, the Independent Non-executive Directors of the Company did not have any objection on the resolutions at the Board meetings and other matters that were not submitted to the Board meetings of the Company.

Adoption of Independent Non-executive Directors' Recommendation on the Company

During the Reporting Period, the Independent Non-executive Directors made some constructive advice and suggestions in respect of the shareholders and the Company as a whole, including but not limited to corporate governance, reform and development and operations; particularly, attention was paid to the legitimate interests of the minority shareholders in decision-making process. All of their opinions and recommendation were adopted by the Company.

Corporate Governance Report

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

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

ESTABLISHING AND PERFECTION OF THE INTERNAL CONTROL POLICY

The Company stands firm in its commitment to establish an internal control mechanism which meets all relevant international standards and regulatory requirements. We have adopted the "Laws + 1" system in compliance with national laws, regulations and regulatory requirements, by benchmarking the Company against world-class financial institutions, leveraging our integrated financial development strategy and taking into account operational needs. This underscores the effective internal control enshrined in our culture of "Comprehensive Coverage, Compliant Operation, Highly Targeted, Effective Execution and Rigorous Supervision" as we aim to increase our defence against risks and to ensure that the Group and its subsidiaries operate in strict compliance with the relevant laws, regulations and regulatory requirements. It also ensures that single or cumulative risks do not exceed the Company's risk tolerance, supports our three pillars of business, namely Insurance, Banking and Investment, while also promoting the sustainable and healthy development of the Group. In 2012, the Company focused on the "Ping An Reliability Project" under which we have effectively consolidated and upgraded our internal control mechanism, while keeping to our philosophy of "Regulation as the foundation, Following a Risk-based Approach, Processes as the Link, Internal Controls as a Tool". We have built trust upon our systems, procedures, mechanisms and platforms, with the Group's risk control practices, management system and mechanism having won accolades and recognition from regulatory authorities, peers and the media. The repute and influence of Ping An's internal controls continue to spread, further reinforcing the Group's leading position in the industry.

On the structure and platform of our internal controls, we have continued to improve our internal control and risk management system, governance structure and platform building to strengthen the ongoing support for the Group's integrated financial strategy. Ping An has formulated a comprehensive risk governance regime designed to cover the risk management of all subsidiaries and business units. This ensures that for risk management, the Board of Directors takes overall responsibility while the Management has primary oversight, with support by relevant committees working closely with various departments and functions. The Board of the Company ("Board") has overall responsibility for the establishment and effective implementation of internal controls for the entire organization. The Audit and Risk Management Committee under the Board is responsible for supervising, reviewing and evaluating the implementation of the internal control system as well as coordinating audit functions for internal controls and other relevant control matters. The Risk Monitoring Committee formed under the Group's Executive Committee ("Management") is responsible for developing overall goals, basic policies and operating procedures for risk management; monitoring the Company's risk exposure and capital availability; overseeing the set-up of risk management functions at subsidiaries and their performance; supervising each subsidiary or business line on the implementation of the risk management framework and promoting a comprehensive risk management culture in the Company. In 2012, the Company further strengthened the delineation of responsibilities and coordination across the three lines of defence, namely the business and functional departments which would be directly responsible for risk management, the compliance and risk management departments which would promote and support such efforts, and the audit and supervision departments which would handle supervision, inspections and audits. This would promote their partnership and information sharing as well as the "Before, During and After" stages of comprehensive risk management, to effectively implement risk controls and ensure the continued steady growth of the Company.

In terms of internal control mechanisms and measures, the Company continued to improve corporate governance, risks firewall and management of related parties' transactions. This provided a safeguard against systemic risks and risk transfer while setting the framework for risk compliance assessment and institutional risk rating, contributing to the more effective implementation of internal controls. Drawing from advanced assessment approaches, the current system of evaluating the Company's internal controls relies on the Compliance Department to coordinate and promote business divisions to conduct self-appraisal, the Audit Department to undergo independent appraisal, and external audits by professional auditing firms. This system has been running smoothly with visible results.

In compliance with "The Internal Control Guidelines for Enterprises" and other related supporting guidelines, the Company met its regulatory requirements and carried out an assessment of its internal controls in 2012. Under the guidance of our corporate culture and brand concept of "Expertise Creates Value", we created the annual theme of "Compliance Leads to Expertise, Expertise Creates Value, Value Enhances Trust" to support our compliance and internal control work. We also launched a series of activities such as internal control competitions, creating a good environment for compliance to raise employee awareness and enhance the effectiveness of internal control assessment. We further strengthened our internal control assessment mechanism, having upgraded our overall internal control system, improved the standardization and compliance of the internal control platform, as well as raised the awareness of internal control self-assessment among the business departments. This gave rise to a system of routine internal control which can be described as "Everybody is involved in Internal Control, Everybody is responsible for Compliance, and Internal Control is part of our business and processes". Concurrently, the Company proceeded with its implementation of "Measures for Management of Internal Control Assessment" as well as the update of the "Internal Control Self-Assessment Manual" and the "Internal Control and Auditing Independent Assessment Manual", further strengthening the internal control system. The upgrading of the internal assessment system platform improved the auto-management function of the internal control assessment work process, providing better support for internal control assessment.

The Company has been working to set up the Enterprise Risk Management (ERM) framework, in keeping closely with the prudent philosophy and principle underpinning risk management to continuously refine its risk governance structure. We standardized our risk management workflow, while adopting risk management methods that combine qualitative and quantitative approaches to identify, assess and manage risks. This helped to support business decision-making and further improve risk quantification, as well as established a centralized risk management platform. In 2012, the Company conducted a comprehensive review of its risk management system, further improving the organizational structure of risk management, setting risk management targets and exploring new risk management techniques. Scenario analyses, risk limits, stress tests, etc. were applied to the major risks as part of a scientific and effective approach to management, ensuring that the Company bears risk which is proportionate to returns. In line with the requirements of China Risk Oriented Solvency System (CROSS), the Company set up a specialized task force to roll out CROSS and ERM systems across insurance subsidiaries. Internal control systems relating to markets, credit and operational risks were developed and implemented to standardize the work flow for risk management. The Group also established a general corporate credit risk control mechanism on a consolidated financial statement basis, which continuously strengthened the credit risk limit framework for financial institution and general corporate to better protect the Group from concentration risk. We also standardized the risk reporting mechanism via regular monthly and quarterly reports, and will issue risk reminders to ensure that market risks fall within the risk tolerance level. The Company also continued to push the comprehensive integration of Ping An Bank following the merging, giving guidance and support to the bank in implementing the New Basel Capital Accord as required by regulators. This was to build a solid foundation for ERM system drawing from global best practices in the coming years.

In 2012, the Company further enhanced its auditing and supervision system and its related operating mechanism, the most advanced of their kind in China, which fully comply with international standards and regulatory requirements. The Company continued to develop and promote independent and vertical centralized auditing and supervision management. We further raised the level of automation in our platform through our continued efforts to explore and promote innovative auditing and supervision practices, and also switched from periodic to daily supervision. We have also further improved our risk-based auditing and supervision system, which enables us to effectively consolidate our resources. Through innovative measures, we have shifted the focus of our auditing and supervision to the effectiveness of risk control and assessment of risk management outcomes, with an emphasis on remote auditing and supervision. The measures are collectively implemented in a coordinated manner, evaluating the effectiveness of risk control and risk management outcomes. They also alert us to and let us investigate high-level risks, and give rational suggestions to mitigate weaker aspects of internal control. Our standards and capabilities in IT risk management and internal information control have been significantly improved through IT auditing. Powered by a firewall for our investment business information, a mechanism was set up to facilitate information sharing and monitor conflicts of interest, thereby improving our internal control policies by identifying and eliminating loopholes in risk management, as well as preventing risks from spreading.

Corporate Governance Report

The Company has accelerated the construction of a Case Prevention and Management System and a joint meeting mechanism which covers the insurance, banking and investment businesses. The early warning and emergency processing mechanism for cases cross business lines was strengthened, fully utilizing the early warning function of the supervisory mechanism which draws an alert to potential risks. The anti-insurance fraud, anti-money laundering and anti-corruption mechanisms were continuously improved to further tighten risk prevention and control. In our insurance business, we implemented the Guidelines for the Internal Audit of Insurance Companies issued by the China Insurance Regulatory Commission, strengthening the internal control of the Company's business lines. Through the effective coordination of supervision work and remote auditing, the Company has used data analysis and risk indicators to ensure the timely detection and handling of cases. This has helped to stem further losses and minimize the impact, resulting in better case prevention. In our banking business, the Company maintains a risk-based approach in further consolidating its business. Through the completion of our team consolidation, we gradually moved towards the harmonization of our systems, workflow, platforms and project management. The Company continues to build a robust internal auditing system and to enhance our control of the entire process in auditing projects, effectively raising auditing efficiency and quality. We set up a case prevention system by refining the case management organizational framework, stepping up our capabilities in case prevention. In our investment business, we continued with the auditing of the investment business information firewall, and set up a mechanism to facilitate information cross-sharing and detect conflicts of interest. This extended the coverage of the Company's information firewall to investment subsidiaries and strengthened the information firewall system, enabling us to reach our goal of having regular and dynamic audits of the information firewall for continued effective control.

During the year, the Company maintained effective internal control over key aspects of financial reporting in compliance with "The Internal Control Guidelines for Enterprises" and related requirements. The Company Board reviewed and approved the year's internal control assessment report. The Company also engaged Ernst & Young Hua Ming LLP to audit the effectiveness of internal controls relating to its financial reporting, as well as the effectiveness of internal controls over its non-financial reporting. This culminated in an "Internal Control Audit Report".

THE ASSESSMENT & EVALUATION AND REMUNERATION SYSTEMS OF THE COMPANY

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

As approved at the first extraordinary general meeting of the Company in 2004, the Company has established a long-term award scheme system in the form of virtual option, which is to mobilize and reward the outstanding senior management and certain key employees. In 2012, there was no newly granted long-term award scheme in the form of virtual options, and none of the expired long-term award scheme in the form of virtual options was exercised.

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

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

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

ESTABLISHMENT AND PERFECTION OF CORPORATE GOVERNANCE SYSTEM

The Company has established a meticulous and systematic corporate governance system in accordance with laws, regulations, SSE Listing Rules and HKEx Listing Rules which provides important institutional protection and basic guidelines for the corporate governance of the Company. During the Reporting Period, the Company continued to establish and perfect its corporate governance system.

The Company formulated the Registration Policy for Persons with Insider Information of the Company on October 27, 2009, and subsequently amended it in accordance with the Provisions for Establishing a Registration and Administration Policy for Persons with Insider Information in Listed Companies by CSRC on March 15, 2012. Besides, in order to strengthen the management of undisclosed information of the Company, prevent undue dissemination or manipulation of undisclosed information and protect the interests of the Company and its clients, the Company formulated the Interim Measures for Management of Undisclosed Information of the Company in July 2012. During the Reporting Period, the Company commenced supervision on insider information and undisclosed information strictly in accordance with the Registration Policy for Persons with Insider Information of the Company and the Interim Measures for Management of Undisclosed Information of the Company. The Company also conducted follow-up and supervision on persons with insider information dealing with company securities according to relevant requirements and procedures by regulatory departments including CSRC. Neither the Company nor any of relevant personnel were subject to regulatory actions or administrative penalty due to violation of relevant rules or suspected insider transaction.

Pursuant to the “Circular on Further Settling the Issues Concerning the Payment of Cash Dividends by Listed Companies” issued by CSRC and as considered and approved at the Second Extraordinary General Meeting of 2012 of the Company held on September 20, 2012, amendments were made to the relevant content regarding profit distribution in the Articles of Association. Details of the amendments are set out under “Amendments made to the Articles of Association” in this chapter.

OUR COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is responsible for performing the corporate governance duties set out in the terms of reference in Code Provision D.3.1 of the revised Corporate Governance Code.

During the Reporting Period, the Board held Board meetings to review the Company’s compliance with the Corporate Governance Code and the contents disclosed in the Corporate Governance Report.

None of the Directors is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the 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 December 31, 2012 save as disclosed below:

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

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

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

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

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

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

In light of the above, the Board is of the opinion that the Company's management structure is able to provide the Company with efficient management and, at the same time protect the shareholders' rights to the greatest extent. Accordingly, the Company does not intend to separate the roles of the Chairman of the Board and the Chief Executive Officer at the moment.

Attendance of Non-executive Directors of the Company at the General Meeting

Code Provision A.6.7 of the Corporate Governance Code provides that the Independent Non-executive Directors and other Non-executive Directors shall attend the general meetings and have a fair understanding on the opinions of the shareholders of the Company. Details regarding attendance of the Independent Non-executive Directors and other Non-executive Directors at general meetings during the year are set out under "Shareholders and the General Meeting" in this chapter.

OUR COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS OF THE COMPANY

On May 28, 2004, the Company adopted the Code of Conduct, which was amended on 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 had complied with the required standard set out in the Model Code and the Code of Conduct for the period from January 1, 2012 to December 31, 2012.

By order of the Board

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
March 14, 2013

Report of the Board of Directors

All members of the Board of Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended December 31, 2012.

PRINCIPAL ACTIVITIES

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

MAJOR CUSTOMERS

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

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

SUMMARY FINANCIAL INFORMATION

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

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

Cash Dividend Policy

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

In preparing profit distribution plans, the board of directors of the Company shall listen and absorb views and advice from shareholders (in particular, the minority shareholders), independent directors and independent supervisors through various ways. Independent directors of the Company shall express their independent opinions on the profit distribution plans. When a specific cash dividends distribution plan is put forward for consideration at a general meeting, a variety of channels shall be provided for communication and opinion exchange with shareholders (in particular, the minority shareholders), whose opinions and demands shall be fully heard and prompt response shall be given to any issues the minority shareholders are concerned.

Where adjustment to our profit distribution policy is required due to the applicable national laws and regulations and new rules promulgated by the CSRC regarding profit distribution policies of listed companies or significant changes in the external business environment and/or operating situations of the Company, it shall be done for the purpose of safeguarding the shareholders' interests and in strict compliance with the decision-making process. To this end, the board of directors of the Company shall work out an adjustment plan based on the operating situations of the Company and the relevant regulations of the CSRC, and then submit the same to the general meeting for consideration and approval. Implementation of the adjustment plan is conditional upon approval by shareholders (including their proxies) holding more than two-thirds of voting rights present at the general meeting.

Implementation of Profit Distribution Proposal

The 2011 annual profit distribution proposal of the Company was considered and passed at the 2011 Annual General Meeting of the Company held on June 27, 2012, the Company will pay in cash the 2011 final dividend of RMB0.25 (tax inclusive) per share, in a total amount of RMB1,979,035,523, based on its total share capital of 7,916,142,092 by the date of the Annual General Meeting. The record date for the distribution of dividends was July 13, 2012. The dividend distribution date was July 27, 2012.

The interim profit distribution proposal for 2012 was considered and passed by the 2nd meeting of the 9th session of the Board of Directors of the Company held on August 23, 2012, the Company will pay in cash the interim dividend of RMB0.15 (tax inclusive) per share for 2012, in a total amount of RMB1,187,421,313.80, based on its total share capital of 7,916,142,092. The Independent Non-executive Directors of the Company had agreed with the distribution proposal unanimously. The record date of A Shares for the distribution of dividends was September 25, 2012, and the record date of H Shares was October 3, 2012. The dividend distribution date was October 22, 2012.

The above profit distribution proposal was in line with the Articles of Association and relevant deliberation procedures and had fully protected the legitimate interests of medium and small investors. The announcement on the resolution of the general meeting and the board meeting were published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on June 28, 2012 and August 24, 2012, respectively. The announcements regarding the distribution of 2011 final dividend and 2012 interim dividend of the Company were published on the websites of SSE and HKEx, and in China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily printed on July 10, 2012 and September 20, 2012, respectively. The implementation of the above-mentioned distribution proposals have been completed.

ANNUAL RESULTS AND PROFIT DISTRIBUTION

The Group's results in 2012 are set out in the section titled "FINANCIAL STATEMENTS".

As stated in the 2012 audited financial statements of the Group prepared under CAS, the net profit attributable to shareholders of the parent company was RMB20,050 million and net profit of the parent Company was RMB7,355 million. Pursuant to the Articles of Association and other relevant requirements, the Company shall make appropriation to the statutory surplus reserve fund based on 10% of the net profit of the Company as shown in the financial statements under CAS before determining the profit available for distribution to shareholders. Appropriation to the statutory surplus reserve fund may cease to apply if the balance of the statutory surplus reserve fund reached an amount equal to 50% of the registered capital of the Company. After making the above profit distribution and taking into account the retained profit carried forward from last year, according to the Articles of Association and other relevant requirements, the profit available for distribution to shareholders was RMB26,819 million.

The Company had distributed an interim dividend of RMB0.15 (tax inclusive) per share for 2012, which amounted to a total of RMB1,187,421,313.80. The Company proposes to distribute a final dividend of RMB0.30 (tax inclusive) per share in cash for 2012, which will amount to RMB2,374,842,627.60 based on a total share capital of 7,916,142,092 shares, with the remaining retained profit being carried forward to 2013.

The above proposal will be implemented upon approval at the 2012 Annual General Meeting. The profit distribution proposal is in line with the Articles of Association and relevant deliberation procedures and fully protects the legitimate interests of medium and small investors. The Independent Non-executive Director has made independent opinion to agree with the profit distribution proposal.

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

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

	Cash dividend issued for each share during the year (in RMB yuan)	Cash dividend amount (including tax)[1] (in RMB million)	Net profit attributable to shareholders of the parent company (in RMB million)	Ratio (%)
2011[2]	0.40	3,166	19,475	16.3
2010[2]	0.55	4,204	17,311	24.3
2009[2]	0.45	3,395	13,883	24.5

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

(2) Profit distribution for each year has been completed during their corresponding years.

DISTRIBUTABLE RESERVES

As at December 31, 2012, the Company's reserves available for distribution totalled RMB26,819 million, of which RMB2,375 million has been proposed as a final dividend for the year. The retained profits were carried forward to 2013. In addition, the Company's capital reserve and surplus reserve fund, in the amount of RMB90,488 million, may be distributed by a future capitalization issue.

MANAGEMENT DISCUSSION AND ANALYSIS

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

PARTICULARS ON INVESTMENT DURING THE REPORTING PERIOD

The non-raised fund of the Company mainly comes from its core insurance business. The Company has been strictly following the relevant requirements of CIRC on the application of insurance fund. All investment in relation to insurance fund was conducted in the normal course of operation.

EQUITY INVESTMENT DURING THE REPORTING PERIOD

For equity investment during the reporting period, please refer to the section headed "Significant Events".

SHARE CAPITAL

The change in the share capital of the Company in 2012 and the share capital structure of the Company as at December 31, 2012 are set out in "Changes in the Share Capital and Shareholders' Profile".

RESERVES

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

CHARITABLE DONATIONS

Charitable donations made by the Company during 2012 totalled RMB49 million.

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed shares during the reporting period.

Report of the Board of Directors

DIRECTORS AND SUPERVISORS
The information about Directors and Supervisors of the Company are set out in "Corporate Governance Report" and "Report of the Supervisory Committee".

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION
According to the resolutions of the 25th Meeting of the 7th Session of the Board of Directors and the 2nd Meeting of the 7th Session of the Supervisory Committee of the Company, the Company entered into service contracts with all Directors of the 9th Session of the Board of Directors and all Supervisors of the 7th Session of the Supervisory Committee, respectively in July 2012 and August 2012. Terms, duties, remuneration expenses and confidentiality duties of Directors and Supervisors, and commencement and termination of contracts were specified in the service contracts. As of December 31, 2012, no Directors or Supervisors had a service contract with the Company which was not terminable by the Company within one year without payment of compensation other than statutory compensation.

Details of remuneration of the Directors and Supervisors for the year ended December 31, 2012 are set out in note 49 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS
No Directors or Supervisors had a material interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during 2012.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES
Details of Directors' and Supervisors' interests and short positions in shares are set out in the section titled "Directors, Supervisors, Senior Management and Employees".

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES
At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, Supervisors or their respective spouse or minor children, nor were any such rights exercised by them, or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS
During 2012 and up to the date of this annual report, the following person is considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group, as defined in the HKEx Listing Rules, as set out below:

Mr. Wong Tung Shun Peter, a former Non-executive Director of the Company, is the Chief Executive of HSBC, a Group Managing Director of HSBC Holdings and a member of the Group Management Board, and a Chairman of HSBC Bank (China) Company Limited which is the largest among foreign banks in mainland China and offers a wide range of banking and financial services by an ever-expanding network. As Ping An Bank, a subsidiary of the Company, is primarily engaged in commercial banking business in the PRC as approved by the CBRC, the authorized banking business of HSBC has, to a certain extent, overlapped and thus may compete with that of Ping An Bank. As at December 7, 2012, Mr. Wong Tong Shun Peter had resigned as a Non-executive Director of the Company, therefore the abovementioned competing business no longer exists.

Save as disclosed, as far as the Directors are aware, none of the Directors and Supervisors had any competing interest in a business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

BOARD COMMITTEES
The Company has established a Strategy and Investment Committee, an Audit and Risk Management Committee, a Remuneration Committee and a Nomination Committee. For details regarding these Board committees, please see the relevant sections in the "Corporate Governance Report".

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

For details regarding substantial shareholders' and other persons' interests and short positions in shares and underlying shares, please refer to section entitled "Changes in the Share Capital and Shareholders' Profile".

CONTINUING CONNECTED TRANSACTIONS

For details regarding continuing connected transactions, please refer to section entitled "Significant Events".

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 55 to the financial statements.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE CONTAINED IN APPENDIX 14 TO THE HKEX LISTING RULES

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the 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 December 31, 2012, except that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and Chief Executive Officer of the Company, and some Non-executive Directors (including Independent Non-executive Directors) failed to attend certain general meetings. Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out under the section headed "Corporate Governance Report". Details regarding attendance of the Directors of the Company at general meetings during the year are set out under "Shareholders and General Meeting" in "Corporate Governance Report".

ESTABLISHMENT AND IMPLEMENTATION OF THE ADMINISTRATION SYSTEM FOR INSIDER INFORMATION AND REGISTRATION

Details of the establishment and implementation of the administration system for insider information and registration are set out in "Establishment and Perfection of Corporate Governance System" to "Corporate Governance Report".

AUDITORS

According to the resolutions of the 2011 Annual General Meeting of the Company, the Company re-appointed Ernst & Young Hua Ming LLP as the PRC auditors of the Company for financial statements prepared in accordance with PRC Accounting Standards and Ernst & Young as the international auditors of the Company for financial statements prepared in accordance with International Financial Reporting Standards (hereinafter refer to "Ernst & Young"), and appointed Ernst & Young as the auditors of the company for internal control in 2012. As of the end of the reporting period, Ernst & Young has been providing audit services to the Company for eleven consecutive years.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, being March 14, 2013, at all times during the year ended December 31, 2012, not less than 20% of the issued share capital of the Company (being the minimum public float applicable to the shares of the Company) was held in public hands.

By order of the Board of Directors

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
March 14, 2013

Report of the Supervisory Committee

To all Shareholders,

During the reporting period, the Supervisory Committee has duly carried out its supervisory duties in a stringent manner and adhered to the principles of fairness and honesty to effectively protect the rights and interests of the shareholders, the Company and its employees in accordance with the relevant provisions of the Company Law of PRC and the Articles of Association.

THE WORK OF THE SUPERVISORY COMMITTEE

On March 15, 2012, the twelfth Meeting of the Sixth session of the Supervisory Committee was held in Shenzhen. During the meeting, the Supervisory Committee considered and approved unanimously the Report of the Supervisory Committee of the Company for 2011, the Resolution Relating to Considering the Annual Report and its Summary of the Company for the Year 2011, the Resolution Relating to Considering Corporate Social Responsibility Report of the Company for 2011, the Resolution on Recommendation of Candidates for Independent Supervisors and Shareholder Representative Supervisors of the Company for the 7th Session of the Supervisory Committee, the Resolution Relating to Considering the Performance Report of Directors and the Performance Report of the Independent Directors of the Company for 2011, and the Resolution on the Consideration of the Report on Connected Transactions and Implementation of Management System of Connected Transactions for 2011, the Resolution on Consideration of the Audit Report and Examination Report on the Resignation of Mr. Yao Jun as the Secretary of the Board of Directors, the Brief Report on the Compliance of the Company with the Corporate Governance Standards for Listed Companies promulgated by the CSRC and the Code on Corporate Governance Practices promulgated by HKEX, the 2011 Report on the Anti-Corruption Campaign and the 2011 Assessment Report on Internal Control were also heard and reviewed.

From April 21 to April 27, 2012, the Thirteenth Meeting of the Sixth session of the Supervisory Committee was held through written communication and voting. During the meeting, the Resolution Relating to Considering the First Quarterly Report (Draft) of the Company for 2012 and the Resolution on Consideration of the Term-of-office Audit Report of Executive Vice President Mr. Sun Jianyi were considered and approved unanimously.

From July 23 to July 25, 2012, the First Meeting of the Seventh session of the Supervisory Committee was held through written communication and voting, The Resolution on Election of Mr. Gu Liji as Chairman of the seventh Session of the Supervisory Committee was considered and approved unanimously.

On August 23, 2012, the Second Meeting of the Seventh session of the Supervisory Committee was held in Shanghai. During the meeting, the Resolution Relating to Considering the Interim Report (Draft) of the Company for 2012, and the Resolution on Amendments to the Service Contracts of Supervisors were considered and approved unanimously. The Working Report on the Internal Control of the Company for the First Half of 2012, the Brief Report on the Compliance of the Company with the Corporate Governance Standards for Listed Companies and the Corporate Governance Code were also heard and reviewed.

From October 25 to October 30, 2012, the Third Meeting of the Seventh session of the Supervisory Committee was held through written communication and voting. During the meeting, the Third Quarterly Report (Draft) of the Company for 2012 and the Resolution on Consideration of the Resignation Audit Report of Mr. Cheung Chun Tong were considered and approved unanimously.

From December 17 to December 18, 2012, the Fourth Meeting of the Seventh session of the Supervisory Committee was held through written communication and voting. During the meeting, the Resolution on Consideration of the Resignation Audit Report of Mr. Lo Sai Lai as the Senior Vice President of the Company was considered and approved unanimously.

Details of members' attendance at meetings of the Supervisory Committee are set out as follows:

Class of Supervisors	Name	Date of appointment	Meetings attended/ Meetings required to attend	Percentage of attendance
Independent Supervisors	GU Liji (Chairman)	June 3, 2009	6/6	100%
	SUN Fuxin	May 16, 2003	6/6	100%
	PENG Zhijian	June 3, 2009	6/6	100%
Shareholder Representative Supervisors	LIN Li	July 17, 2012	4/4	100%
Employee Representative Supervisors	SUN Jianping	March 19, 2010	6/6	100%
	ZHAO Fujun	July 17, 2012	4/4	100%
	PAN Zhongwu	July 17, 2012	4/4	100%
	DING Xinmin (retired)(1)	June 3, 2009	2/2	100%
	XIAO Jiyan (retired)(1)	May 5, 2011	2/2	100%

(1) Since Mr. DING Xinmin and Mr. XIAO Jiyan's terms of office of Employee Representative Supervisors have expired, in the Labour Union Work Meeting held by the Company on February 17, 2012, Mr. ZHAO Fujun and Mr. PAN Zhongwu were appointed as the Employee Representative Supervisors of the seventh session of the Supervisory Committee, and their qualifications were approved by CIRC on July 17, 2012.

In October 2012, certain members of the Supervisory Committee conducted inspection and review in the Company's Life, Property & Casualty, Annuity branches, Ping An Bank Kunming Branch and the project of Real Estate in Yunnan. Opinions collected from the vast ground-level staffs were considered and constituted as the investigation report to the management of the Company. Meanwhile, feedback report by the senior management for settling relevant problems was addressed to all the Directors and Supervisors.

During the reporting period, certain members of the Supervisory Committee attended the following meetings as non-voting participants: the 2011 Annual General Meeting, the First Extraordinary General Meeting of 2012, the Second Extraordinary General Meeting of 2012 and 5 spot meetings of the Board of Directors, and had no dissents。

INDEPENDENT OPINION ON THE RELEVANT ISSUES FROM THE SUPERVISORY COMMITTEE

(1)Lawful Operation

During the reporting period, the Company operated and managed its businesses in accordance with the laws and regulations. Its operational results were objective and true. There was greater development and improvement in the depth and scope of internal control management. The internal control system is complete, reasonable and effective. Its operational decision-making processes were lawful. The Directors and other senior management were cautious, serious and diligent in the business operations and management processes. They had never breached any laws, regulations, and the Articles of Associations or harmed the interests of the shareholders.

(2)Authenticity of the Financial Statement

Ernst & Young Hua Ming LLP and Ernst & Young have issued the standard unqualified auditor's reports in accordance with the PRC and international accounting principles respectively for the Company's financial statements of the year. The financial statements truly, fairly and accurately reflected the financial condition and results of operations of the Company.

(3)Use of Proceeds From the Company's Latest Public Offering

On June 17, 2011, the Company completed the issuance of 272 million H shares to JINJUN LIMITED at a price of HK$71.50 per share, totalling HK$19,448,000,000 or RMB16,168,678,240. After deduction of RMB34,315,266 issuing fees, net proceeds being raised were RMB16,134,524,083 (including RMB161,109 after conversion of the interest accrued on the amount for the application of subscription during the freeze-up period). As at November 30, 2011, the above mentioned proceeds after netting of issuing fees were completely used to replenish the capital of the Company and all the proceeds were fully utilized.

(4)Company's Acquisition and Asset Disposal

During the reporting period, the acquisition and sale of assets by the Company are as follows:

Information on the Share Subscription relating to the Non-Public Issuance of Ping An Bank

For information on the Share Subscription relating to the Non-Public Issuance of Ping An Bank, please refer to the section headed "Significant Events".

Particulars on Issuance of A Share Subordinated Convertible Corporate Bonds

For particulars on issuance of A Share Subordinated Convertible Corporate Bonds, please refer to the section headed "Significant Events".

(5)Connected Transactions

The Supervisory Committee had approved the Report on Connected Transactions and Implementation of Management System of Connected Transactions for 2012 and considered the connected transactions of the Company were fair and reasonable, and did not find any harm against the interests of the shareholders and the Company.

(6)Internal Control System

The Supervisory Committee had heard and reviewed the Working Report on the Internal Control of the Company for the First Half of 2012 and 2012 Assessment Report on Internal Control, and considered the Company has set up a more complete, reasonable and effective internal control system.

(7)Implementation of the Resolutions Approved in the General Meetings

The members of the Supervisory Committee attended the meetings of the Board of Directors and the general meetings, and did not have any objection on the reports and proposals which were submitted to the general meetings by the Board of Directors. The Supervisory Committee has monitored the implementation of the resolutions approved in the general meetings and is of the opinion that the Board of Directors can duly implement the resolutions approved in the general meetings.

In the coming year, the Supervisory Committee will further enhance its work principles and fully implement a scientific perspective for its development. It will continue to carry out its duties in accordance with the relevant provisions of the Company Law of PRC, the Articles of Association and the listing rules. It will adhere to the principles of diligence, fairness and honesty, and maximize its supervisory efforts with the aim of protecting the interests of the Company and its shareholders as a whole and commit to performing supervisory duties honestly and diligently, so as to achieve the best results in all respects.

By order of the Supervisory Committee

GU Liji
Chairman of the Supervisory Committee

Shenzhen, PRC
March 14, 2013

GENERAL ANALYSIS OF INVESTMENT

Ping An is an integrated financial services group, investment business is one of our core businesses. The investment portfolio of insurance funds represents a majority of the equity investment assets of the Group. The investment of insurance funds is subject to relevant laws and regulations.

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 at the end of the period (%)	Profit or loss for the reporting period (RMB million)
1	Convertible bond	113001	BOC CB	433	4.5	433	53.2	3
2	Convertible bond	110015	Sinopec CB	33	0.3	33	4.0	–
3	Stock	000538	Yunnan Baiyao	5	0.3	17	2.1	4
4	Convertible bond	125089	Szairport CB	16	0.2	16	2.0	–
5	Stock	600016	CMBC	11	1.5	12	1.5	1
6	Stock	600036	CMB	10	0.8	11	1.4	1
7	Stock	601166	CIB	8	0.5	8	1.0	1
8	Stock	000002	Vanke A	8	0.8	8	1.0	–
9	Stock	601328	Bank Comm	8	1.6	8	1.0	–
10	Stock	600000	SPDB	7	0.8	8	0.9	1
Other securities investments held at the end of the period				246	–	258	31.9	62
Profit or loss upon disposal of securities investments for the reporting period				–	–	–	–	(33)
Total				785	–	812	100.0	40

Notes: (1) Securities investments listed in the table include stocks, warrants and convertible bonds.
(2) Other securities investments refer to securities investments other than the above top ten securities.
(3) Profit or loss for the reporting period includes dividend income and gain or loss from fair value change during the reporting period.

Significant Events

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	HK1288	ABC	25	28	1.6	10	4	AFS
	601288		14,224	14,729		695	854	AFS
2	HK1398	ICBC	69	73	0.9	29	12	AFS
	601398		13,643	13,038		636	(348)	AFS
3	HK0939	CCB	71	72	1.0	25	9	AFS
	601939		12,352	11,742		604	32	AFS
4	HK3328	Bank Comm	10	10	1.3	1	1	AFS
	601328		4,536	4,595		27	101	AFS
5	000538	Yunnan Baiyao	1,407	4,420	9.4	10	975	AFS
6	E0003801181	Ageas (original name: Fortis)	23,874	2,236	4.6	72	1,051	AFS
7	000656	Jinke	442	1,140	6.8	8	523	AFS
8	000562	Hysec	891	1,087	3.4	7	196	AFS
9	600000	SPDB	1,010	1,087	0.6	44	157	AFS
10	HK1929	CTF	1,264	1,039	1.0	13	(123)	AFS

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

Equity Investments in Non-listed Financial Enterprises

No.	Name	Initial Investment cost (RMB million)	Number of shares (million 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
2	Guotai Junan Securities Co., Ltd.	65	5	10.64	65	–	–	AFS	Held through the newly acquired subsidiary, Shanghai Jahwa

Particulars on Trading of Other Listed Companies' Shares

	Number of shares purchased/ disposed during the reporting period (million shares)	Amount used (in RMB million)	Investment income (in RMB million)
Purchase	12,068	99,566	–
Disposal	13,022	–	(6,788)

Being a large integrated financial group, the Company covers all financial sectors including insurance, banking, securities, trust and asset management. Therefore, capital market investment is our key business of operating activities. The Company conducted its investment stringently in compliance with relevant regulatory requirements while actively seizing any market opportunities and made timely adjustment to its investment strategies so as to bring long term and stable return for its shareholders. The above data summarizes the equity investment of the Company and its subsidiaries.

ASSET TRANSACTION

Information on the Share Subscription relating to the Non-Public Issuance of Ping An 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").

On August 15, 2012, as mentioned in the announcement of the Company, Ping An Bank proposed to extend the effective period of the resolution on the non-public offering approved at the general meeting by 12 months. Except for the effective period of resolution approved at the general meeting being extended, the other contents of the non-public offering will remain unchanged.

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

Particulars on Issuance of A Share 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 Shanghai Stock Exchange.

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, China Insurance Regulatory Commission approved the issuance of A Share Subordinated Convertible Corporate Bonds of the Company.

On December 18, 2012, as mentioned in the announcement of the Company, the Board meeting of the Company considered and passed the resolution regarding the extension of the validity period of the resolution in relation to the public issuance of A Share convertible corporate bonds (including subordinated terms) and the resolution in relation to renewal of the grant of the general mandate on issuance of new shares to the Board.

On February 5, 2013, the first extraordinary general meeting of 2013 of the Company considered and passed the resolution regarding the extension of the validity period of the resolution in relation to the public issuance of A share convertible corporate bonds (including subordinated terms) and the resolution in relation to renewal of the grant of the general mandate on issuance of new shares to the Board.

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

For further details, please refer to the related announcements published in Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily, and on the website of the Shanghai Stock Exchange (www.sse.com.cn) on August 18, 2011, December 21, 2011, February 9, 2012, May 29, 2012, August 16, 2012, December 19, 2012 and February 6, 2013.

IMPLEMENTATION OF SHARE INCENTIVE SCHEME OF THE COMPANY AND ITS EFFECTS

During the reporting period, the Company has not implemented any share incentive scheme.

MATERIAL CONNECTED TRANSACTIONS

Continuing Connected Transactions

Continuing connected transactions of deposit nature with HSBC

On December 18, 2009, resolutions were passed at the second extraordinary general meeting of the Company in 2009 to approve that the maximum deposit balance of the Group at HSBC and its subsidiaries and associates (hereinafter referred to as "HSBC Group") on any given day during the period from 2010 to 2012 shall not exceed US$1,500 million.

Since HSBC holds more than 5% of the shares in the Company, HSBC is a connected person of the Company pursuant to Rule 10.1.3 of the SSE Listing Rules. Further, HSBC Holdings[1] is a substantial shareholder of the Company, HSBC, being an indirect subsidiary of HSBC Holdings is therefore also a connected person of the Company under Rule 14A.11(4) of the HKEx Listing Rules. Therefore, the ordinary transactions of deposit nature between the Group and HSBC constitute both connected transactions in the ordinary and usual course of business as defined under the SSE Listing Rules and continuing connected transactions as defined under the HKEx Listing Rules. The Company confirms the abovementioned continuing connected transactions have met the disclosure requirements of Chapter 14A of the HKEx Listing Rules.

The Group maintains bank balances with HSBC Group on normal commercial terms in the ordinary course of business. The relevant banking documents executed by the Group with HSBC do not provide for the bank accounts with HSBC Group to be maintained for any fixed period of time. Interests are accrued on such bank balances at prevailing market rates.

The maximum deposit balance of the Group at HSBC Group on any given day during 2012 has not exceeded the annual cap of US$1,500 million. As at December 31, 2012, the aggregate bank balances maintained by the Group with HSBC Group was approximately US$121 million.

On March 15, 2012, the Board approved the renewal of continuing connected transactions of deposit nature with HSBC, approving that the maximum deposit balance which the Group could place with HSBC Group on any given day during the period from 2013 to 2015 shall not exceed US$1,500 million. As one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the HKEx Listing Rules) in respect of the annual caps for the transactions contemplated under the continuing connected transactions of deposit nature with HSBC exceed 0.1% but are less than 5%, such transactions are only subject to the reporting, annual review and announcement requirements, and are exempt from the independent shareholders' approval requirement under the HKEx Listing Rules. However, according to relevant SSE Listing Rules, the abovementioned continuing connected transactions need to be submitted for consideration at the general meeting. On June 27, 2012, the Company's annual general meeting for 2011 considered and approved the maximum deposit balance which the Group could place with HSBC Group on any given day during the period from 2013 to 2015 shall not exceed US$1,500 million.

[1] HSBC Holdings has ceased to be the substantial shareholder of the Company since February 6, 2013, therefore, HSBC Holdings and HSBC shall not constitute the connected persons of the Company under the HKEx Listing Rules since February 6, 2013.

Continuing connected transactions of non-deposit nature with HSBC

The Group has regularly engaged in various kinds of institutional market transactions in the normal course of business with the HSBC Group. To regulate these on-going transactions, the Company has entered into the Institutional Market Transactions Framework Agreement with HSBC on March 15, 2012, pursuant to which HSBC Group and the Group agree to conduct institutional market transactions in accordance with applicable normal institutional market practices and on normal commercial terms. The term of the Agreement is three (3) years from January 1, 2012 to December 31, 2014.

The transactions contemplated under the Institutional Market Transactions Framework Agreement include any of the following transactions (or transactions of a similar nature of any of the following) which are conducted between (on the one hand) the Group and (on the other hand) the HSBC Group, and in each case in the ordinary and usual course of business of the Group and on normal commercial terms:

(1) interbank money market lending and borrowing transactions;

(2) bond transactions (including outright sale and purchase of bonds, and sale and repurchase of bonds);

(3) foreign exchange transactions (including sale and purchase of foreign currencies, or squaring of any conversions between RMB and foreign currencies);

(4) financial derivatives transactions;

(5) interbank lending transactions;

(6) discounting of bank's acceptance bills, on an outright basis or a upfront discount and repurchase basis;

(7) outright transfer of loan assets;

(8) reimbursement financing in respect of letters of credit;

(9) investments in fixed income products excluding vanilla debt instruments (including investment in wealth management products); and

(10) gold lending transactions.

Given the nature of the similarity of the abovementioned transactions, such transactions will be aggregated and treated as if they were one transaction under the HKEx Listing Rules. On March 15, 2012, the Board considered and approved for each of the three years ended December 31, 2014, the revenue and cost of transactions contemplated under the Institutional Market Transactions Framework Agreement shall not exceed RMB1,000 million.

As one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the HKEx Listing Rules) in respect of the annual caps for the transactions contemplated under the Institutional Market Transactions Framework Agreement exceed 0.1% but are less than 5%, such transactions are only subject to the reporting, annual review and announcement requirements, and are exempt from the independent shareholders' approval requirement under the HKEx Listing Rules. The Company confirms the abovementioned continuing connected transactions have met the disclosure requirements of Chapter 14A of the HKEx Listing Rules.

For the year ended December 31, 2012, the revenue and cost for the continuing connected transactions of non-deposit nature under the Institutional Market Transactions Framework Agreement were approximately zero and US$4 million, respectively.

In the opinion of the Independent Non-executive Directors, after having reviewed the above continuing connected transactions, such transactions were entered into by the Group:

(1) in the ordinary and usual course of its business;

(2) on normal commercial terms or on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the terms of agreements governing them on terms that are fair and reasonable so far as the shareholders of the Company are concerned and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the HKEx Listing Rules. A copy of the auditors' letter has been provided by the Company to the HKEx.

Continuing connected transactions of deposit nature with Bank of Communications

On December 18, 2009, resolutions were passed at the second extraordinary general meeting of the Company in 2009 to approve that the maximum deposit balance of the Group at the Bank of Communications Co., Ltd. (hereinafter referred to as "Bank of Communications") on any given day during the period from 2011 to 2012 shall not exceed RMB39 billion.

Since Mr. Wong Tung Shun Peter (who resigned on December 7, 2012), 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 Rules 10.1.3 and 10.1.6 of the SSE Listing Rules. Therefore, the ordinary transactions of deposit nature between the Group and Bank of Communications constitute connected transactions in the ordinary and usual course of business as defined under the SSE Listing Rules.

The maximum deposit balance of the Group at Bank of Communications on any given day during 2012 have not exceeded the annual cap of RMB39 billion.

Continuing connected transactions of non-deposit nature with Bank of Communications

On March 15, 2012, the Board considered and approved for any given year between 2012 to 2014, the Group's revenue and cost incurred from continuing connected transactions of non-deposit nature with Bank of Communications shall not exceed RMB2,918 million respectively. The Group's continuing connected transaction of non-deposit nature with Bank of Communications includes:

(1) bonds transactions

(2) interbank lending and borrowing

(3) interbank lending

(4) bill business

(5) credit asset transfer business

(6) foreign currency transactions

(7) swaps and options transactions

(8) gold lending transactions

(9) lending type business

(10) other transactions: Continuing connected transactions of non-deposit nature which the Group entered into with Bank of Communications in the normal course of business under normal commercial terms (the cooperative business terms have been discussed directly by both parties) and are not included in the above types of businesses.

For the year ended December 31, 2012, the revenue and cost for the continuing connected transactions of non-deposit nature between the Group and Bank of Communications did not exceed the cap of RMB2,918 million.

Other Connected Transactions

The 20th Meeting of the 8th Session of the Board considered and approved the Resolution on the Connected Transaction regarding Ping An Life's Subscription of shares through the non-public issuance by Bank of Communications, and agreed the subscription of 705,385,012 non-public issuance of A shares of 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. Ping An Asset Management has deposited the subscription fees, calculated based on the above agreed price and quantity, to the designated account of Bank of Communications. The parties have also completed the registration of the subscription of 705,385,012 A shares of Bank of Communications with China Securities Depository and Clearing Corporation Limited Shanghai Branch.

Since Mr. Wong Tung Shun Peter (who resigned on December 7, 2012), 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 Rules 10.1.3 and 10.1.6 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) on March 16 and August 25, 2012.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

Guarantee

(in RMB million)	External guarantee of the Company (excluding the guarantee in favor of its subsidiaries)
Total guarantee incurred during the reporting period	–
Total guarantee balance as at the end of the reporting period	–

	Guarantee of the Company in favor of its subsidiaries
Total guarantee in favor of its subsidiaries incurred during the reporting period	814
Total guarantee balance in favor of its subsidiaries as at the end of the reporting period	6,210

	Total guarantee of the Company (including the guarantee in favor of its subsidiaries)
Total guarantee	6,210
Total guarantee as a percentage of the Company's net assets (%)	3.9

Note: The guarantee business is one of the ordinary banking businesses of Ping An Bank, a non wholly-owned subsidiary of the Company, and has been approved by the PBOC and the CBRC. SDB has conducted financial guarantee business in strict compliance with the scope approved by relevant regulatory, otherwise there is not any other major guarantee business need to be disclosed by the Group.

Independent Opinions of Independent Non-executive Directors on External Guarantee of the Company

According to the relevant requirements of the Notice Concerning the Regulation on the Flow of Funds Between Listed Companies and Their Connected Parties and the Provision of Guarantees by Listed Companies to External Parties as well as the Notice regarding the Regulation of the Provision of External Guarantee by Listed Companies set out by CSRC, the independent non-executive directors of the Company conducted a prudent review on the Company's external guarantee in 2012. Their specific illustrations and independent advice are set out as follows:

1. During the reporting period, the Company did not provide any guarantee to its controlling shareholder and other connected parties which are less than 50% share-controlled by the Company, any non-legal entities or individuals;

2. During the reporting period, the Company's total guarantee provided to its subsidiaries amounted to RMB814 million. As of December 31, 2012, the Company's total guarantee balance in favor of its subsidiaries was RMB6,210 million, representing approximately 3.9% of the Company's net asset. The sum did not exceed 50% of the net asset as stated in the consolidated financial statements of the latest fiscal year of the Company. Other than the aforementioned guarantee provided to its subsidiaries, the Company has no other external guarantee;

3. The Company has strictly observed the approval procedures and internal control policies regarding external guarantee set out in the Articles of Association of the Company, and there exists no irregular external guarantee;

4. The Company has fulfilled its obligation to disclose information on external guarantee and unequivocally provided chartered accountants with all the details about the Company's external guarantee, in strict compliance with the relevant requirements under the Rules Governing the Listing of Securities on Shanghai Stock Exchange and the Articles of Association of the Company.

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

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

MATERIAL LITIGATIONS OR ARBITRATIONS

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

UNDERTAKINGS

Shareholders' Undertakings

The Company received written notices from Linzhi New Horse Investment Development Co., Ltd., Linzhi Jingao Industrial Development Co., Ltd. and Gongbujiangda Jiangnan Industrial Development Co., Ltd. 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 of December 31, 2012, the above undertaking was still in the process of performance and there was no violation of the above undertaking.

Undertakings in Respect of Investment in Shenzhen Development Bank

Ping An Life undertakes, in respect of subscription for the 379,580,000 new shares of Shenzhen Development Bank issued through non-public issuing, that it shall not transfer the subscribed shares within 36 months from the date of listing of the above-mentioned subscribed shares, being September 17, 2010, excluding the transfer between Ping An Life and its connected parties (including its controlling shareholders, de facto controllers and the other entities under the control of its de facto controllers) to the extent permitted by the applicable laws and approved by the relevant regulatory authorities. Should Ping An Life enter into any transaction in violation of the above undertakings, 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 Shenzhen Development Bank owned by its shareholders as a whole.

As of December 31, 2012, the above undertaking was still in the process of performance and there was no violation of the above undertaking.

Undertakings in Respect of the Major Asset Restructuring with Shenzhen Development Bank

(1) 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 Shenzhen Development Bank, transfer any of the Shenzhen Development Bank shares they held, excluding 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 China Securities Regulatory Commission and Shenzhen Stock Exchange.

(2) According to the Profit Forecast Compensation Agreement entered into between the Company and Shenzhen Development Bank 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 CAS within four months after the end of each year within three years upon Shenzhen Development Bank's completion of 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 the Original 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 Shenzhen Development Bank in cash ("Compensation Amount"). The Company shall, within 20 business days after the issuance of the Special Audit Opinion for the year, transfer the amount in full into the bank account designated by Shenzhen Development Bank.

(3) 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 Title Disputes of Ping An Bank Co., Ltd.". According to the Letter of Undertaking, the Company undertakes that if titleship disputes occurred in respect of the above-mentioned 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 of the bank. If the above-mentioned branches incur additional costs or their revenue decreases due to the titleship disputes, the Company promises that it will compensate Shenzhen Development Bank 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 Co., Ltd.". According to the Letter of Undertaking, the Company undertakes that, within three years following completion of the transaction, if Shenzhen Development Bank 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.

(4) The Company undertakes that, after the completion of the major asset restructuring with Shenzhen Development Bank and during the period when the Company remains as the controlling shareholder of Shenzhen Development Bank, and in respect of the business or commercial opportunities similar to those of Shenzhen Development Bank that the Company and the enterprises under its control intend to carry out or have substantially obtained whereby the assets and businesses arising from such business or commercial opportunities may possibly form potential competition with those of Shenzhen Development Bank, the Company and the enterprises under its control shall not be engaged in the businesses identical or similar to those carried out by Shenzhen Development Bank, so as to avoid direct or indirect competition with the operations of Shenzhen Development Bank.

(5) The Company undertakes that, after the completion of the major asset restructuring with Shenzhen Development Bank and in respect of the transactions between the Company and the enterprises under its control and Shenzhen Development Bank which constitute the connected transactions of Shenzhen Development Bank, the Company and the enterprises under its control shall enter into transaction with Shenzhen Development Bank 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 Shenzhen Development Bank undertake any illicit obligations through the transactions with Shenzhen Development Bank.

(6) The Company undertakes that, after the completion of the major asset restructuring and during the period when the Company remains as the controlling shareholder of Shenzhen Development Bank, the Company shall maintain the independence of Shenzhen Development Bank and ensure that Shenzhen Development Bank is independent from the Company and the enterprises under its control in respect of personnel, assets, finance, organization and business.

As of December 31, 2012, the above undertakings were still in the process of performance and there was no violation of the above undertakings.

APPOINTMENT OF AUDITOR

Information of the Company's auditors and the remuneration paid to auditors are set out in the sections entitled "Report of the Board of Directors" and "Corporate Governance Report".

APPOINTMENT OF INTERNAL CONTROL AUDITOR

Information of the Company's internal control auditors and the remuneration paid to auditors are set out in the sections entitled "Report of the Board of Directors" and "Corporate Governance Report".

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

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

Enterprise Income Tax Withholding

Enterprise Income Tax Withholding of Overseas Non-Resident Enterprises

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China which came into effect on January 1, 2008 and its implementing rules, the Company shall be obligated to withhold 10% enterprise income tax when it distributes 2012 final dividend to non-resident enterprise holders of H shares, including Hong Kong Securities Clearing Company Nominees Limited, as listed on the Company's register of members of H shares on Tuesday, May 21, 2013 (the "Record Date"); after the legal opinion is provided by the resident enterprise shareholders within the stipulated time frame and upon the Company's confirmation of such opinion, the Company will not withhold any enterprise income tax when it distributes 2012 final dividend to resident enterprise holders of H shares listed on the Company's register of members of H shares on the Record Date.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company's register of members of H shares which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire the Company to withhold the said 10% enterprise income tax, it shall submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Wednesday, May 15, 2013 a legal opinion, issued by a PRC mainland qualified lawyer (inscribed with the seal of the applicable law firm), that verifies its resident enterprise status.

Significant Events

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, 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 made consultation with the relevant tax authorities, and pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China and its implementation regulations, the individual resident shareholders outside the PRC shall pay individual income tax upon their receipt of the distributed dividends and bonus in respect of the shares issued by domestic non-foreign investment enterprises in Hong Kong, which shall be withheld by obligors on behalf of such individual shareholders by law. Those individual resident shareholders outside the PRC may, however, enjoy relevant preferential treatments in accordance with the provisions of applicable tax agreements signed between the countries where they belong to by virtue of residential identification and the PRC as well as the tax arrangements made between the Mainland China and Hong Kong (Macau).

Pursuant to the aforesaid tax regulations and the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Fa [2011] No. 348), the Company shall generally be obligated to withhold individual income tax at the tax rate of 10% when it distributes 2012 final dividend to individual holders of H shares appear on the Company's register of members of H shares on the Record Date. However, if 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 as stipulated.

If individual holders appear on the Company's register of members of H shares, and who are citizens from the countries applying a tax rate of less than 10% under tax agreements, are not applicable to be withheld individual tax at the rate of 10% by the Company, the Company may handle applications on their behalf for preferential treatments as stipulated in relevant agreements pursuant to the Notice of the State Administration of Taxation on Issues about the Administrative Measures for Non-residents to Enjoy the Treatments of Tax Treaties (for Trial Implementation) (Guo Shui Fa [2009] No. 124). Qualified shareholders are required to submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Wednesday, May 15, 2013 a written authorization and relevant evidencing documents, which shall be handed on by the Company to the applicable tax authorities for approval, and then excess portion of the tax amounts withheld can be refunded.

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

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

OTHER SIGNIFICANT EVENTS

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

Independent Auditors' Report

To the shareholders of
Ping An Insurance (Group) Company of China, Ltd.
(Registered in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Ping An Insurance (Group) Company of China, Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 150 to 272, which comprise the consolidated and company statements of financial position as at 31 December 2012 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
14 March 2013

Consolidated Income Statement

For the year ended 31 **December** 2012

(in RMB million)	Notes	2012	2011
Gross written premiums and policy fees	7	**233,940**	207,802
Less: Premiums ceded to reinsurers		**(12,851)**	(10,970)
Net written premiums and policy fees	7	**221,089**	196,832
Change in unearned premium reserves		**(7,945)**	(10,170)
Net earned premiums		**213,144**	186,662
Reinsurance commission income		**4,529**	3,656
Interest income from banking operations	8	**74,852**	39,314
Fees and commission income from non-insurance operations	9	**10,891**	8,614
Investment income	10	**27,378**	29,265
Share of profits and losses of associates and jointly controlled entities		**(46)**	1,068
Other income	11	**8,445**	3,665
Total income		**339,193**	272,244
Claims and policyholders' benefits	12	**(165,994)**	(145,764)
Commission expenses on insurance operations		**(20,437)**	(17,767)
Interest expenses on banking operations	8	**(40,351)**	(20,432)
Fees and commission expenses on non-insurance operations	9	**(1,455)**	(1,050)
Loan loss provisions, net of reversals	13, 23	**(3,048)**	(1,704)
Foreign exchange gains/(losses)		**255**	(434)
General and administrative expenses		**(68,477)**	(50,575)
Finance costs		**(1,758)**	(1,254)
Other expenses		**(5,590)**	(3,238)
Total expenses		**(306,855)**	(242,218)
Profit before tax	13	**32,338**	30,026
Income tax	14	**(5,588)**	(7,444)
Profit for the year		**26,750**	22,582
Attributable to:			
– Owners of the parent		**20,050**	19,475
– Non-controlling interests		**6,700**	3,107
		26,750	22,582
		RMB	RMB
Earnings per share attributable to ordinary equity holders of the parent:			
– Basic	17	**2.53**	2.50
– Diluted	17	**2.53**	2.50

Details of the dividends proposed for the year are disclosed in Note 16 to the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

(in RMB million)	Note	2012	2011
Profit for the year		**26,750**	22,582
Other comprehensive income			
Available-for-sale financial assets		**19,573**	(18,638)
Shadow accounting adjustments		**(3,426)**	2,153
Exchange differences on translation of foreign operations		**(29)**	78
Share of other comprehensive income of associates and jointly controlled entities		**(39)**	103
Income tax relating to components of other comprehensive income		**(4,006)**	4,040
Other comprehensive income for the year, net of tax	15	**12,073**	(12,264)
Total comprehensive income for the year		**38,823**	10,318
Attributable to:			
– Owners of the parent		**32,389**	6,976
– Non-controlling interests		**6,434**	3,342
		38,823	10,318

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

As at 31 December 2012

(in RMB million)	Notes	31 December 2012	31 December 2011
Assets			
Balances with the Central Bank and statutory deposits	18	**227,072**	168,366
Cash and amounts due from banks and other financial institutions	19	**451,414**	261,006
Fixed maturity investments	20	**1,109,248**	772,353
Equity investments	21	**126,124**	116,985
Derivative financial assets	22	**972**	818
Loans and advances to customers	23	**709,402**	611,731
Investments in associates and jointly controlled entities	24	**9,960**	11,837
Premium receivables	25	**18,756**	12,089
Accounts receivable	26	**8,979**	170,727
Inventories		**1,119**	106
Reinsurers' share of insurance liabilities	27	**9,341**	7,892
Policyholder account assets in respect of insurance contracts		**32,417**	33,460
Policyholder account assets in respect of investment contracts		**3,824**	3,992
Investment properties	28	**14,850**	9,076
Property and equipment	29	**17,539**	16,027
Intangible assets	30	**37,536**	33,584
Deferred tax assets	41	**10,680**	13,383
Other assets	31	**55,033**	41,992
Total assets		**2,844,266**	2,285,424
Equity and liabilities			
Equity			
Share capital	32	**7,916**	7,916
Reserves	33	**91,271**	79,405
Retained profits	33	**60,430**	43,546
Including: Proposed final dividend	16	**2,375**	1,979
Equity attributable to owners of the parent		**159,617**	130,867
Non-controlling interests		**50,032**	40,475
Total equity		**209,649**	171,342
Liabilities			
Due to banks and other financial institutions	34	**420,315**	195,695
Assets sold under agreements to repurchase	35	**154,977**	99,734
Other financial liabilities held for trading		**1,722**	–
Derivative financial liabilities	22	**952**	732
Customer deposits and payables to brokerage customers	36	**986,936**	836,049
Accounts payable	37	**3,615**	70,639
Insurance payables		**38,293**	27,974
Insurance contract liabilities	38	**882,593**	758,404
Investment contract liabilities for policyholders	39	**34,669**	32,811
Policyholder dividend payable		**21,681**	17,979
Income tax payable		**2,352**	4,370
Bonds payable	40	**38,793**	26,633
Deferred tax liabilities	41	**5,599**	4,612
Other liabilities	42	**42,120**	38,450
Total liabilities		**2,634,617**	2,114,082
Total equity and liabilities		**2,844,266**	2,285,424

MA Mingzhe	**SUN Jianyi**	**YAO Jason Bo**
Director	*Director*	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

(in RMB million)					2012						
	Equity attributable to owners of the parent										
		Reserves									
	Share capital	Share premium	Available-for-sale financial assets	Shadow accounting adjustments	Other capital reserves	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Retained profits	Non-controlling interests	Total equity
As at 1 January 2012	**7,916**	**83,506**	**(14,412)**	**2,673**	**132**	**6,982**	**395**	**129**	**43,546**	**40,475**	**171,342**
Profit for the year	-	-	-	-	-	-	-	-	**20,050**	**6,700**	**26,750**
Other comprehensive income for the year	-	-	**14,945**	**(2,558)**	**(19)**	-	-	**(29)**	-	**(266)**	**12,073**
Total comprehensive income for the year	-	-	**14,945**	**(2,558)**	**(19)**	-	-	**(29)**	**20,050**	**6,434**	**38,823**
Dividend declared	-	-	-	-	-	-	-	-	**(3,166)**	-	**(3,166)**
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	**(512)**	**(512)**
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	**4,312**	**4,312**
Disposals of subsidiaries	-	-	-	-	-	-	-	-	-	**(1,006)**	**(1,006)**
Equity transactions with non-controlling interests	-	-	-	-	**(601)**	-	-	-	-	**(105)**	**(706)**
Others	-	-	-	-	**128**	-	-	-	-	**434**	**562**
As at 31 December 2012	**7,916**	**83,506**	**533**	**115**	**(360)**	**6,982**	**395**	**100**	**60,430**	**50,032**	**209,649**

(in RMB million)					2011						
	Equity attributable to owners of the parent										
		Reserves									
	Share capital	Share premium	Available-for-sale financial assets	Shadow accounting adjustments	Other capital reserves	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Retained profits	Non-controlling interests	Total equity
As at 1 January 2011	7,644	67,644	(175)	1,066	107	6,689	395	51	28,609	4,853	116,883
Profit for the year	-	-	-	-	-	-	-	-	19,475	3,107	22,582
Other comprehensive income for the year	-	-	(14,237)	1,607	53	-	-	78	-	235	(12,264)
Total comprehensive income for the year	-	-	(14,237)	1,607	53	-	-	78	19,475	3,342	10,318
Appropriations to surplus reserve funds	-	-	-	-	-	293	-	-	(293)	-	-
Dividend declared	-	-	-	-	-	-	-	-	(4,245)	-	(4,245)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(366)	(366)
Issue of capital	272	15,862	-	-	-	-	-	-	-	-	16,134
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	32,440	32,440
Others	-	-	-	-	(28)	-	-	-	-	206	178
As at 31 December 2011	7,916	83,506	(14,412)	2,673	132	6,982	395	129	43,546	40,475	171,342

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

(in RMB million)	Notes	2012	2011
Net cash flows from operating activities	47	**280,897**	75,348
Cash flows from investing activities			
Purchases of investment properties, property and equipment, and intangible assets		**(8,362)**	(5,393)
Proceeds from disposal of investment properties, property and equipment, and intangible assets		**162**	178
Purchases of investments, net		**(167,030)**	(113,853)
Term deposits placed, net		**(58,964)**	(21,819)
Acquisition of non-controlling interests in subsidiaries		**(2,575)**	–
Acquisition of subsidiaries		**(2,538)**	81,238
Disposal of subsidiaries		**1,211**	254
Interest received		**43,221**	28,017
Dividends received		**4,672**	4,428
Rentals received		**816**	687
Others		**(4,453)**	(5,846)
Net cash flows used in investing activities		**(193,840)**	(32,109)
Cash flows from financing activities			
Proceeds from shares issued		**–**	16,134
Capital injected into subsidiaries by non-controlling interests		**551**	219
Proceeds from bonds issued		**11,998**	5,991
Increase/(decrease) in assets sold under agreements to repurchase, net		**45,555**	(28,580)
Proceeds from borrowed funds		**4,051**	3,347
Repayment of borrowed funds		**(4,734)**	(2,836)
Interest paid		**(4,304)**	(3,368)
Dividends paid		**(3,596)**	(4,246)
Net cash flows from financing activities		**49,521**	(13,339)
Net increase in cash and cash equivalents		**136,578**	29,900
Net foreign exchange differences		**(173)**	(357)
Cash and cash equivalents at beginning of the year		**110,481**	80,938
Cash and cash equivalents at end of the year	46	**246,886**	110,481

Statement of Financial Position

As at 31 December 2012

(in RMB million)	Notes	31 December 2012	31 December 2011
Assets			
Cash and amounts due from banks and other financial institutions		**15,507**	13,726
Fixed maturity investments		**3,724**	2,622
Equity investments		**1,372**	766
Investments in subsidiaries	5	**109,856**	109,619
Property and equipment		**43**	71
Other assets		**1,260**	169
Total assets		**131,762**	126,973
Equity and liabilities			
Equity			
Share capital	32	**7,916**	7,916
Reserves	33	**90,807**	90,667
Retained profits	33	**26,819**	22,630
Total equity		**125,542**	121,213
Liabilities			
Due to banks and other financial institutions		**5,430**	5,230
Assets sold under agreements to repurchase		**200**	–
Other liabilities		**590**	530
Total liabilities		**6,220**	5,760
Total equity and liabilities		**131,762**	126,973

Notes to Financial Statements
As at 31 December 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. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
- Amendments to IAS 19 *Employee Benefits*[2]
- IAS 27 *Separate Financial Statements* (as revised in 2011)[2]
- IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)[2]
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
- IFRS 9 *Financial Instruments: Classification and Measurement*[4]
- IFRS 10 *Consolidated Financial Statements*[2]
- IFRS 11 *Joint Arrangements*[2]
- IFRS 12 *Disclosure of Interests in Other Entities*[2]
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*[2]
- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*[3]
- IFRS 13 *Fair Value Measurement*[2]

[1] Effective from annual periods beginning on or after 1 July 2012
[2] Effective from annual periods beginning on or after 1 January 2013
[3] Effective from annual periods beginning on or after 1 January 2014
[4] Effective from annual periods beginning on or after 1 January 2015

Apart from the above, improvements in IFRSs issued in May 2012 have also not been adopted, it sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1 are effective for annual periods beginning on or after 1 January 2013.

Further information about those changes that are relevant to the Group is as follows:

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified. The amendments affect presentation only and there is no impact on the Group's financial position or performance.

The IASB has issued a number of amendments to IAS 19 that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. It is expected that the amendments would have no significant impact on the Group's financial statements.

The amendments to IAS 32 address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The Group is currently assessing the impact that this amendment will have on the financial position and performance.

2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

Amendments to IFRS 7 Financial Instruments: *Disclosure – Offsetting Financial Assets and Financial Liabilities* amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The Group is currently assessing the impact that this amendment will have on the financial position and performance.

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group is currently assessing the impact that this standard will have on the financial position and performance.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. It is expected that this standard would have no significant impact on the Group's financial statements.

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard will affects presentation only and there is no impact on the Group's financial position or performance.

In July 2012, the IASB issued amendments to IFRS 10, IFRS 11, and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC-12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

The amendments to IFRS 10 issued in October 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidated them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities.

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. It is expected that the amendment would have no significant impact on the Group's financial statements.

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed as IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. It is expected that the amendment would have no significant impact on the Group's financial statements.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the IASB and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. The financial statements have been prepared under the historical cost convention except for certain financial instruments, which have been measured at fair value and insurance contract liabilities, which have been measured primarily based on actuarial methods.

To the extent that a topic is not covered explicitly by IFRSs, the IFRS framework permits reference to another comprehensive body of accounting principles, and therefore the Group has chosen to use the accounting practices currently adopted by insurance companies reporting under PRC Accounting Standards.

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Changes in accounting policies

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

- Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below, the adoption of the revised IFRSs has had no significant financial effect on these financial statements.

- Amendments to IFRS 7 *Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements*

The amendments require additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about the entity's continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendments affect disclosure only and have no impact on the Group's financial position or performance.

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

Changes in accounting estimates

Material judgment is required in determining insurance contract liabilities and in choosing discount rates/investment return, mortality, morbidity, lapse rates, policy dividend, and expenses assumptions relating to long term life insurance contracts. Such assumptions should be determined based on current information available at the end of the reporting period. The Group has changed the above assumptions based on current information available as at 31 December 2012 with the corresponding impact on insurance contract liabilities taken into the current year's income statement. As a result of such changes in assumptions, long term life insurance policyholders' reserves were increased by RMB54 million as at 31 December 2012 and the profit before tax for the year 2012 was reduced by RMB54 million.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or a liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognized in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2012 and for the year then ended.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends, are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

(5) SUBSIDIARIES

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

(6) JOINTLY CONTROLLED ENTITIES

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. The Group's investments in its jointly controlled entities are accounted for using the equity method of accounting, less any impairment losses. Refer to Note 3. (7) for details of the equity method of accounting.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) ASSOCIATES

An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognized in profit or loss.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

(8) FOREIGN CURRENCIES

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currency of the overseas subsidiaries is the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into RMB at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rate for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(9) CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits, current accounts with the Central Bank and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(10) INVESTMENTS AND OTHER FINANCIAL ASSETS

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets, as appropriate.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held-to-maturity categories are used when the relevant liabilities (including shareholders' funds) are relatively passively managed and/or carried at amortized cost.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date the Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial instruments at fair value through profit or loss have two sub-categories namely financial instruments held for trading and those designated at fair value through profit or loss at inception. Financial instruments typically bought with the intention to sell in the near future are classified as held for trading. For financial instruments designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial asset contains an embedded derivative that needs to be separately recorded.

These financial instruments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Fair value adjustments and realized gains and losses are recognized in the income statement.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

Financial assets at fair value through profit or loss include derivative financial instruments.

Held-to-maturity financial assets are non-derivative financial assets that comprise fixed or determinable payments and maturities of which the Group has the positive intention and ability to hold until maturity. Investments intended to be held for an undefined period are not included in this classification. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost using the effective interest method and less any provision for impairment. The amortized cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost, using the effective interest method less any provision for impairment. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the asset is derecognized, at which time, the cumulative gain or loss is recognized in investment income, or until the investment is determined to be impaired, when the cumulative loss is recognized in the income statement in investment income and removed from the available-for-sale investment revaluation reserve.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Group is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to held-to-maturity is permitted only when the Group has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification become its new amortized costs and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate ("EIR"). Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(11) FINANCIAL LIABILITIES

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, minus directly attributable transaction costs.

The Group's financial liabilities include investment contracts without discretionary participation features ("DPF"), net asset value attributable to unitholders, trade and other payables, borrowings, insurance payables and derivative financial instruments.

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. In the ordinary course of business, the Group's banking operations give financial guarantees, consisting of letters of credit, guarantees and acceptances. The Group initially measures such contracts at fair value, being the premium received. This amount is recognized ratably over the period of the contract to fees and commission income. Subsequently, the liabilities are measured at the higher of the initial fair value less cumulative amortization recognized in the income statement, and the fair value of the provision related to the Group's obligation under the contract.

Apart from the above financial guarantee contracts issued by the Group's banking operations which are accounted for under IAS 39, the Group has also regarded certain contracts it issued with financial guarantee element as insurance contracts and has used the accounting method applicable to insurance contracts, and accordingly has elected to apply IFRS 4 to account for such contracts.

(12) DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments mainly include interest rate swaps, options embedded in convertible bonds purchased by the Group, equity warrants, forward currency contracts and credit related derivatives. Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Embedded derivatives are treated as separate derivatives and are recorded at fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through the income statement. Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

Derivative financial instruments held for trading are typically entered into with the intention to settle in the near future. These instruments are initially recorded at fair value. Subsequent to initial recognition, these instruments are remeasured at fair value. Fair value adjustments and realized gains and losses are recognized in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business at the end of the reporting period. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar instruments. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the end of the reporting period.

When equity investments have no quoted price in active market and their fair value cannot be reliably measured, such investments are stated at cost less any impairment losses.

(14) OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

(15) IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of the reporting period the carrying amount of financial assets. If there is any objective evidence that a financial asset is impaired, the Group provides for such impairment losses. The objective evidence which indicates impairment of financial assets represents events actually occurring after initial recognition of financial assets which have an impact on the financial assets' estimated future cash flows, and the impact can be reliably measured.

Available-for-sale financial assets

As at the end of each reporting period, the Group evaluates each of the available-for-sale equity instruments to determine whether the investments are impaired. If objective evidence of impairment exists, the Group records an impairment loss in the income statement equal to the difference between the cost of the instrument and the current fair value, adjusted for losses recorded in previous periods. Any unrealized gains or losses previously recognized in the available-for-sale financial assets reserve is removed and recognized in the income statement as part of the calculation of impairment loss described above. The impairment analysis and amounts recorded are based on the functional currency of the respective entity within the Group holding the investment.

For equity securities, a significant or prolonged decline in the fair value of an equity instrument is objective evidence of impairment. In conducting an impairment analysis, the Group considers quantitative and qualitative evidence. More specifically, the Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. The Group generally considers a decline of 50% or more as significant and a period of 12 months or longer is considered to be prolonged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets (continued)

The Group also considers qualitative evidence that includes, but is not necessarily limited to the following:

- Significant financial difficulty of the investee, including failure to comply with contractual obligations, financial restructuring, deterioration of going concern expectations

- Adverse changes relative to the investee's technology, market, customer base, macroeconomic indicators relative to the business, significant legal or regulatory matters

Impairments do not establish a new cost basis and, accordingly, to the extent an impairment loss has been previously recorded due to the significant or prolonged criteria described above, any subsequent losses, including any portion attributable to foreign currency changes, are also recognized in profit or loss until the asset is derecognized.

If after an impairment loss has been recognized on an available-for-sale debt instrument, and the fair value of the debt instrument increases in a subsequent period whereby the increase can be objectively related to an event occurring after the impairment losses were recognized, the impairment loss is reversed which is recognized in profit or loss. Impairment losses recognized for equity instruments classified as available-for-sale are not reversed through profit or loss.

Financial assets carried at amortized cost

If financial assets carried at amortized cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognized as an impairment loss in the income statement. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognizes the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognized are not included in the collective assessment for impairment.

After the Group recognizes an impairment loss of financial assets carried at amortized cost, if there is objective evidence that the financial assets' value restores and the restoration can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed and recognized in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment was reversed.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(16) DERECOGNITION OF FINANCIAL INSTRUMENTS

A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

(a) the rights to receive cash flows from the asset have expired; or

(b) the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

If the obligation of a financial liability has been fulfilled, cancelled or expired, the financial liability is derecognized. If the present financial liability is substituted by the same debtor with another liability differing in substance, or the terms of the present liability have been substantially modified, this substitution or modification is treated as derecognition of a present liability and recognition of a new liability with any arising difference recognized in the income statement.

(17) ASSETS PURCHASED UNDER AGREEMENTS TO RESELL AND ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Assets sold under repurchase agreements continue to be recognized but a liability is established for the consideration received. The Group may be required to provide additional collateral based on the fair value of the underlying assets and such collateral assets continue to be carried on the statement of financial position at the end of the reporting period.

The Group enters into purchases of assets under agreements to resell substantially identical assets. These agreements are classified as loans and receivables. Assets purchased under agreements to resell are recorded at the cost of the amounts advanced. The amounts advanced under these agreements are reflected as assets in the statement of financial position. The Group may not take physical possession of assets purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying assets.

(18) PRECIOUS METALS

The Group's precious metals represent gold. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) INVESTMENT PROPERTIES

Investment properties are interests in land and buildings that are held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, which is the fair value of the consideration given to acquire them, including transaction costs. Subsequently, all investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis, after taking into account the estimated residual value (1% to 10% of original cost), over the estimated useful lives. The estimated useful lives of investment properties vary from 20 to 40 years.

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the individual investment properties.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Transfers to, or from, investment properties are made when, and only when, there is evidence of a change in use.

(20) PROPERTY AND EQUIPMENT

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Estimated residual values	Estimated useful lives
Leasehold improvements	–	Over the shorter of economic useful lives and terms of the leases
Buildings	1% – 10%	20 – 40 years
Equipment, furniture and fixtures	0% – 10%	3 – 15 years
Motor vehicles	1% – 10%	5 – 10 years

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) CONSTRUCTION IN PROGRESS

Construction in progress mainly represents costs incurred in the construction of building premises, as well as the cost of equipment pending installation, less any impairment losses.

No provision for depreciation is made on construction in progress until such time the relevant assets are completed and ready for use.

(22) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(a) Core deposits

Core deposits are accounts that a financial institution expects to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflects the use of the deposits at a lower cost alternative source of funding.

(b) Expressway operating rights

Expenditures on acquiring the expressway operating rights are capitalized as intangible assets and subsequently depreciated on the straight-line basis over the contract terms.

(c) Prepaid land premiums

Prepaid land premiums are prepaid under PRC law for fixed periods. Prepaid land premiums are initially stated at cost and subsequently amortized on the straight-line basis over the lease terms. All of the Group's prepaid land premiums are related to lands located in Mainland China.

(d) Trademarks

Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. They are not amortized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) INTANGIBLE ASSETS (OTHER THAN GOODWILL) (CONTINUED)

(e) Patents and know-how

Patents and know-how are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives.

The useful lives of intangible assets are set as below:

	Estimated useful lives
Core deposits	20 years
Expressway operating rights	20 – 30 years
Prepaid land premiums	40 – 50 years
Computer software	3 – 5 years
Trademarks	20 – 40 years, indefinite
Others (including customer relationships, patents and contract rights, etc.)	2 – 28 years

(23) SETTLED ASSETS

Settled assets are initially recognized at fair value. The difference between the initial fair value and the sum of the related loan principal, interest receivable and impairment provision is taken into the income statement. At the end of the reporting period, the settled assets are measured at the lower of their carrying value and net realizable value. When the carrying value of the settled assets is higher than the net realizable value, a provision for the decline in value of settled assets is recognized in the income statement in “Impairment losses on assets”.

(24) INVENTORIES

The Group’s inventories comprise raw materials, product in progress, finished goods, other supplemental materials, etc. and lands purchased that have been set to be used to build properties for sale by real estate subsidiaries. Inventory is initially measured at cost which includes purchasing cost, processing cost and other costs which made the inventory to the present place and status.

The actual cost of shipped inventory is priced based on moving weighted average method.

At the end of the reporting period, inventory is measured at the lower of its cost and net realizable value. If the net realizable value is lower than cost, inventory impairment provisions are allotted.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, also taking into consideration the purpose for which the inventory is held and the influence after the end of the reporting period.

Inventory impairment provisions should be accrued when the cost of individual inventory item is higher than its net realizable values.

After allotted inventory impairment provisions, if the influencing factors of previous inventory impairment provisions have disappeared, and hence the net realizable values of the inventories are higher than their book values, the previous written down amount should be recovered and the reversed amount which is within the amount of original allotted inventory impairment provisions should be included in current profits and losses.

Inventory system is the perpetual inventory system.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(25) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that a non-financial asset other than deferred tax assets may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For non-financial assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the income statement.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. The recoverable amount is the higher of its fair value less costs to sell and its value-in-use, determined on an individual asset (or cash-generating unit) basis, unless the individual asset (or cash-generating unit) does not generate cash flows that are largely independent from those of other assets or groups of assets (or groups of cash-generating units). Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Intangible assets with indefinite useful lives are tested for impairment annually at each year end either individually or at the cash-generating unit level, as appropriate.

(26) INSURANCE GUARANTEE FUND

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

- 0.8% of the premium income for non-investment type property insurance, 0.08% of the consideration received for investment type property insurance with guaranteed return, and 0.05% of the consideration received for investment type property insurance without guaranteed return;
- 0.15% of the consideration received for life insurance with guaranteed return, and 0.05% of the consideration received for life insurance without guaranteed return;
- 0.8% of the premium income for short term health insurance, and 0.15% of the premium income for long term health insurance; and
- 0.8% of the premium income for non-investment type accident insurance; 0.08% of the consideration received for investment type accident insurance with guaranteed return, and 0.05% of the consideration received for investment type accident insurance without guaranteed return.

No additional provision is required when the accumulated insurance guarantee fund balances of Ping An Life Insurance Company of China, Ltd. ("Ping An Life"), Ping An Annuity Insurance Company of China, Ltd. and Ping An Health Insurance Company of China, Ltd. reach 1% of their respective total assets. For Ping An Property & Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty"), no additional provision is required when the accumulated balance reaches 6% of its total assets.

The revenue and premium income used in the calculation of the insurance guarantee fund is the amount agreed in the contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(27) INSURANCE CONTRACTS

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Some insurance contracts contain both an insurance component and a deposit component. The Group chooses to unbundle those components, if the insurance component and the deposit component are distinct and separately measurable. The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for according to relevant accounting policies. If the insurance component and the deposit component are not distinct and separately measurable, the whole contract is accounted for as an insurance contract.

(28) SIGNIFICANT INSURANCE RISK TESTING

For other insurance contracts issued by the Group, tests are performed to determine if the contracts contain significant insurance risk, and contracts of similar nature are grouped together for this purpose. When performing the significant insurance risk test, the Group makes judgments in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

(29) INSURANCE CONTRACT LIABILITIES

The insurance contract liabilities of the Group include long term life insurance policyholders' reserves, unearned premium reserves and claim reserves.

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Property and casualty and short term life insurance policies are grouped into certain measurement units by lines of business. For long term life insurance policies, the Group mainly considers the characteristics of the policies, including product type, gender, age, and durations of policies, when determining the measurement units.

Insurance contract liabilities are measured based on a reasonable estimate of amount of payments when the Group fulfils the relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfill the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:
  - Guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits;
  - Non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends, etc;
  - Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses, claim expenses, etc.
- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(29) INSURANCE CONTRACT LIABILITIES (CONTINUED)

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the income statement over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty associated with the future net cash flows.
- At inception of an insurance contract, any "day-one" gain is not recognized in the income statement, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, any "day-one" loss is recognized in the income statement. Any residual margin is subsequently measured based on the assumptions of the years when the policies become effective, and will not be adjusted for future change in assumptions. For non-life insurance contracts, the Group amortizes the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss. For life insurance contracts, the Group amortizes the residual margin on the basis of the sums insured or the number of policies during the whole insurance coverage period.

When measuring insurance contract liabilities, the time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short duration contracts whose duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money is determined with reference to information currently available as at the end of the reporting period and is not locked.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to reprice the premium.

Unearned premium reserves

The unearned premium reserves are provided for unexpired insurance obligations of property and casualty and short term life insurance contracts.

Unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions made for commissions, business tax, insurance guarantee fund, regulatory charges and other incremental costs. Subsequent to initial recognition, unearned premium reserves are measured on a 1/365 basis.

Claim reserves

Claim reserves are insurance contract liabilities provided for insurance claims of the property and casualty and short term life insurance contracts. Claim reserves include incurred and reported reserves, incurred but not reported ("IBNR") reserves and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using the case-by-case estimate method and average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using the chain ladder method, the Bornhuetter-Ferguson method, the loss ratio method and the average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on a reasonable estimate of ultimate necessary claim expenses in the future by using the case-by-case estimate method and ratio allocation method as well as margins.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(29) INSURANCE CONTRACT LIABILITIES (CONTINUED)

Long term life insurance policyholders' reserves

Long term life insurance policyholders' reserves are insurance contract liabilities provided for long term life and health insurance contracts.

The Group determines risk margins of the long term life insurance policyholders' reserves using the scenario comparison method. The unfavorable scenarios are determined according to the uncertainty and impact of expected net cash outflows.

The key assumptions used in the measurement of long term life insurance policyholders' reserves include insurance accident occurrence rates, lapse and surrender rates, expense assumptions, policy dividend assumptions, discount rate, etc. In deriving these assumptions, the Group uses information currently available as at the end of the reporting period.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed on the unearned premium reserves, claim reserves and long term life insurance policyholders' reserves. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceeds their carrying amounts on date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made for the respective insurance contract liabilities.

(30) DPF IN LONG TERM LIFE INSURANCE CONTRACTS

DPF are contained in certain long term life insurance contracts. These contracts are collectively called participating insurance contracts. Under the current PRC insurance regulations, the Group is obligated to pay to the policyholders of participating insurance contracts at least 70% of the distributable surplus, which includes mainly net investment spread and other gains or losses arising from the assets supporting these contracts. If this eligible surplus has not been declared and paid, it is included in the long term life insurance policyholders' reserves if a legal or constructive obligation exists. To the extent that there is a subsequent change in the expected future eligible surplus due to realized and unrealized gains, which may be paid to policyholders of participating insurance contracts in the future under the policy terms, such a change in surplus is included in long term life insurance policyholders' reserves, and shadow accounting will apply if part of the unrealized gain is captured directly in other comprehensive income.

(31) INVESTMENT CONTRACTS

Insurance policies that are not considered insurance contracts under IFRS 4 are classified as investment contracts. These policies do not contain significant insurance risk.

- Premium receipts are recognized not as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the income statement. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Charges including policy administration fees are recognized as other income during the period of service provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(32) INVESTMENT-LINKED BUSINESS

The individual investment-linked contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. The group investment-linked contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

The assets and liabilities related to investment-linked contracts which are regarded as insurance contracts are presented as policyholder account assets and liabilities in respect of insurance contracts. The assets and liabilities related to investment-linked contracts which are regarded as investment contracts are presented as policyholder account assets and liabilities in respect of investment contracts. The assets and liabilities of each investment-linked fund are segregated from each other and from the rest of the Group's invested assets for recording purposes. As the investment risks of investment-linked contracts were fully undertaken by policyholders, the assets and liabilities related to investment-linked contracts were not included in the analysis of risk management in Note 44.

The group investment-linked contracts and the deposit component unbundled from the above individual investment-linked insurance contracts are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented in policyholder account liabilities. These liabilities are initially measured and subsequently carried at fair value. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the income statement.

- The investment income arising from the policyholder account assets and the benefits and surrender paid to the policyholders, to the extent of the account balances, are directly adjusted to the relevant liabilities rather than recognized in the income statement.

- Charges including account management fees and surrender charges are calculated at a fixed amount or certain percentage of policy account liabilities and recognized as other income during the period of service provided.

- Assets of investment-linked contracts are initially measured and subsequently carried at fair value, presented as policyholder account assets.

(33) UNIVERSAL LIFE BUSINESS

The individual universal life contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. The group universal life contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

The group universal life contracts and the deposit component unbundled from the above individual universal life insurance contracts are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented in policyholder contract deposits. These liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Unrealized gains or losses, based on the changes in fair value of available-for-sale financial assets of the universal life insurance portfolio, are recognized on a reasonable basis as liabilities to policyholders for those attributable to the policyholders and are recognized in other comprehensive income for those attributable to equity holders.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(34) PROVISIONS

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognized is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation.

Except contingent considerations deriving from or contingent liabilities assumed in business combinations, contingent liabilities are recognized as provisions if the following conditions are met:

- An entity has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period with the consideration of risks, uncertainties and the present value. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

(35) REVENUE RECOGNITION

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The Group's main revenue is recognized on the following bases:

(a) Gross premium

Premium income and reinsurance premium income is recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

Premiums from long term life insurance contracts with instalment or single payments are recognized as revenue when due. Premiums from property and casualty and short term life insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts.

(b) Income from investment contracts

Investment contracts issued by the Group are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. The fees are recognized as revenue in the period in which they are due unless they relate to services to be provided in future periods which would be deferred and recognized as the service is provided. Initiation and other front-end fees are charged for certain investment contracts recorded at amortized cost and are recognized through an adjustment to the effective yield.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(35) REVENUE RECOGNITION (CONTINUED)

(c) Interest income

Interest income for interest bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognized in the income statement using the effective interest rate method. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Fees and commission income of non-insurance operations

The Group earns fees and commission income of non-insurance operations from a diverse range of services it provides to its customers. Fee income can be divided into the following main categories:

Fee income earned from services that are provided over a certain period of time

Fees earned from the provision of services over a period of time are accrued over that period. These fees include investment fund administration fees, custodian fees, fiduciary fees, credit related fees, asset management fees, portfolio and other management fees, advisory fees, etc. However, loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on the completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees may include underwriting fees, corporate finance fees, brokerage fees, etc. Loan syndication fees are recognized in the income statement when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same effective interest rate as for the other participants.

(e) Dividend income

Dividend income is recognized when the right to receive dividend payment is established.

(f) Expressway toll fee income

Expressway toll fee income is recognized upon the completion of services.

(g) Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(36) REINSURANCE

The Group undertakes inward and outward reinsurance in the normal course of operations. All of the reinsurance business of the Group has significant insurance risk transfer.

Outward reinsurance business

Outward reinsurance arrangements do not relieve the Group from its obligations to policyholders. When recognizing premium income from insurance contracts, the Group calculates to determine the amount of premium ceded and reinsurers' share of expenses and recognize them through profit or loss according to reinsurance contracts. When calculating unearned premium reserves, claim reserves and long term life policyholders' reserves of insurance contracts, the Group estimates the reinsurance related cash flows according to the reinsurance contracts, considers the risk margin when determining the amount of insurance contract reserves to be recovered from reinsurers, and recognizes reinsurers' share of insurance contract liabilities. When insurance contract liabilities are reduced for actual payment of claims and claim expenses, reinsurers' share of insurance contract liabilities are reduced accordingly. In the meantime, the Group calculates to determine the amount of claim expenses to be recovered from the reinsurers according to the reinsurance contracts and recognizes the amount through profit or loss. When there is an early termination of an insurance contract, the Group calculates to determine the adjustment amount of premium ceded and reinsurers' share of expenses according to the reinsurance contracts and recognizes the amount through profit or loss, and the balance of reinsurers' share of insurance contract liabilities is reversed accordingly.

As a cedent, the Group presents in the statement of financial position the assets arising from reinsurance contracts and the liabilities arising from insurance contracts separately instead of offsetting the assets and liabilities. The Group also presents in the income statement the income derived from reinsurance contracts and the expenses incurred for insurance contracts separately instead of offsetting the income and expenses.

Inward reinsurance business

During the period of recognizing reinsurance premium income, the Group determines reinsurance expenses according to the reinsurance contracts and recognizes the expenses through profit or loss. As for profit commission, the Group recognizes it as a reinsurance expense through profit or loss according to the reinsurance contracts when it is feasible to determine the amount of profit commission to be paid to the reinsurers.

Upon receipt of the statement of the reinsurance business, the Group adjusts the reinsurance premium income and reinsurance expenses, and then recognizes the adjusted amounts through profit or loss according to the reckoning statement.

(37) POLICYHOLDER DIVIDENDS

Policyholder dividends represent dividends paid by the Group to policyholders in accordance with the terms of direct insurance contracts. The dividends are calculated and provided based on the dividend allocation method and the results of actuarial valuation.

(38) OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

Where the Group is the lessor, assets leased by the Group under operating leases are included in investment properties and rentals receivable under such operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms.

Where the Group is the lessee, rentals payable under operating leases are charged to the consolidated income statement on the straight-line basis over the lease terms. The aggregate benefit of incentives provided by the lessor is recognized as a reduction in rental expenses over the lease terms on the straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(39) EMPLOYEE BENEFITS

(a) Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

(b) Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes contributions for medical benefits to the local authorities in accordance with the relevant local regulations.

(40) SHARE-BASED PAYMENTS

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

(41) TAX

Income tax comprises current and deferred tax. Income tax is recognized in the income statement, or in other comprehensive income or in equity if it relates to items that are recognized in the same or a different period directly in other comprehensive income or in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(41) TAX (CONTINUED)

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed by the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(42) DIVIDENDS

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

(43) FIDUCIARY ACTIVITIES

Where the Group acts in a fiduciary capacity, such as nominee, trustee or agent, assets held for fiduciary activities together with related undertakings to return such assets to customers, are recorded off-balance sheet, as risks and gains of such assets are assumed by customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(44) RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(45) SEGMENT REPORTING

For management purposes, the Group is organized into operating segments based on the internal organization structure, management requirements and internal reporting. The reportable segments are determined and disclosed based on operating segments.

Operating segments refer to the Group's component that satisfies the following conditions:

(1) The component produces income and expenses in its daily operation.

(2) The management of the Company regularly assesses the operating results of its business units for the purpose of making decisions about resources allocations and performance assessment.

(3) The Group is able to obtain the accounting information such as the financial position, operating results and cash flows of the component.

Two or more operating segments can be merged as one if they have similar characteristics and satisfy certain conditions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities in these financial statements. Estimates and judgments are continually assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgments and accounting estimation, which have the most significant effect on the amounts recognized in the financial statements.

(1) CLASSIFICATION OF FINANCIAL ASSETS

Management makes significant judgments on the classification of financial assets. Different classifications would affect the accounting treatment and the Group's financial position and operating results.

(2) CLASSIFICATION AND UNBUNDLING OF INSURANCE CONTRACTS AND SIGNIFICANT INSURANCE RISK TESTS

The Group makes significant judgments on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. Such judgment affects the unbundling of insurance contracts.

The Group makes significant judgments on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. Such judgment affects the classification of insurance contracts.

When determining whether the policies transfer a significant insurance risk, the Group makes the following judgments for different policies:

- If the insurance risk ratio of a non-annuity policy is equal or greater than 5% at one or more points in time during the policy coverage period, the Group classifies it as an insurance contract. The insurance risk ratio of a direct insurance policy is the percentage of the benefits to be paid when the insured event occurs divided by the amounts to be paid when the insured event does not occur minus 100%.

- Annuity policies where the longevity risk is transferred are classified as insurance contracts.

- If a property and casualty insurance or a short term life insurance policy obviously meets the criteria for significant insurance risk transfer, the Group directly classifies it as an insurance contract.

When determining whether a reinsurance policy transfers significant insurance risks, judgment is made on a comprehensive understanding of the commercial substance of the reinsurance policy and other relevant contracts and agreements. If the reinsurance risk ratio of the reinsurance policy is greater than 1%, the Group classifies it as a reinsurance contract. The reinsurance risk ratio of a reinsurance policy is derived from the present value of probability-weighted average net losses where the reinsurer incurs a net loss divided by expected premium income of the reinsurer. If a reinsurance policy obviously transfers a significant insurance risk, the Group directly classifies it as a reinsurance contract without calculating the reinsurance risk ratio.

When performing significant insurance risk testing, the Group would group all policies of the same product with similar risk characteristics into the same portfolio. The Group would then select representative policy samples from each policy portfolio to perform individual testing. If over 50% of the selected policy samples transfer significant insurance risk, all the policies in that portfolio are classified as insurance contracts.

The unbundling and classification of insurance contracts would affect the Group's revenue recognition, liability measurement and financial statement presentation.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(3) MEASUREMENT UNIT FOR INSURANCE CONTRACTS

The Group makes significant judgments on whether a group of insurance contracts' insurance risks are of the same nature. Different measurement units would affect the measurement of insurance contract liabilities.

(4) IMPAIRMENT OF AVAILABLE-FOR-SALE EQUITY INVESTMENTS

The Group considers that impairment provision is needed for an available-for-sale equity investment when there is a significant or prolonged decline in fair value of that security below its cost. Management exercises judgment when determining conditions that are considered "significant or prolonged". Refer to Note 3. (15) for the factors which the Group considers when making such judgment.

(5) VALUATION OF INSURANCE CONTRACT LIABILITIES

At the end of the reporting period, when measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of amounts of the payments which the Group is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period.

At the end of the reporting period, the Group shall make an estimate of the assumptions used in the measurement of insurance contract liabilities. Such assumptions shall be determined based on information currently available at the end of the reporting period. To determine these assumptions, the Group selects proper risk margins according to both uncertainties and degree of impact of expected future cash outflows.

The main assumptions used in the measurement of policyholders' reserves and unearned premium reserves are as follows:

- For long term life insurance contracts where the future insurance benefits are not affected by investment income of the underlying asset portfolio, the discount rate assumption is based on the benchmarking yield curve for the measurement of insurance contract liabilities published by China Central Depository and Clearing Co., Ltd., with consideration of the impact of the tax and liquidity premium. The current discount rate assumption for the measurement as at 31 December of 2012 ranged from 3.16% – 5.43% (31 December 2011: 2.70% – 5.38%).

  For long term non-life insurance contracts where the future insurance benefits are not affected by investment income of the underlying asset portfolio, as the risk margin has no material impact on the reserve measurement, the discount rate assumption used is the benchmarking yield curve for the measurement of insurance contract liabilities published by China Central Depository and Clearing Co., Ltd.

  For long term life insurance contracts where the future insurance benefits are affected by investment income of the underlying asset portfolio, the discount rates are determined based on expected future investment returns of the asset portfolio backing those liabilities. The future investment returns assumption for the measurement as at 31 December 2012 ranged from 4.75% – 5.5% (31 December 2011: 5.0% – 5.5%).

  For short term insurance contracts liabilities whose duration is within one year, the future cash flows are not discounted.

  The discount rate and investment return assumptions are affected by the future macro-economy, capital market, investment channels of insurance funds, investment strategy, etc., and therefore subject to uncertainty.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(5) VALUATION OF INSURANCE CONTRACT LIABILITIES (CONTINUED)

- The Group uses reasonable estimates, based on market and actual experience and expected future development trends, in deriving assumptions of mortality rates, morbidity rates, disability rates, etc.

  The assumption of mortality rates is based on the Group's prior experience data on mortality rates, estimates of current and future expectations, the understanding of the China insurance market as well as a risk margin. The assumption of mortality rates is presented as a percentage of "China Life Insurance Mortality Table (2000-2003)", which is the industry standard for life insurance in China.

  The assumption of morbidity rates is determined based on the Group's assumptions used in product pricing, experience data of morbidity rates, and estimates of current and future expectation as well as a risk margin.

  The assumptions of mortality and morbidity rates are affected by factors such as changes in lifestyles of national citizens, social development, and improvement of medical treatment, and hence subject to uncertainty.

- The Group uses reasonable estimates, based on actual experience and future development trends, in deriving lapse rate assumptions.

  The assumptions of lapse rates are determined by reference to different pricing interest rates, product categories and sales channels separately.

  The assumptions of lapse rates are affected by factors such as future macro-economy and market competition, and hence subject to uncertainty.

- The Group uses reasonable estimates, based on an expense study and future development trends, in deriving expense assumptions. If the future expense level becomes sensitive to inflation, the Group will consider the inflation factor as well in determining expense assumptions.

  The expense assumptions include assumptions of acquisition costs and maintenance costs. The assumption of maintenance costs also has a risk margin.

- The Group uses reasonable estimates, based on expected investment returns of participating insurance accounts, participating dividend policy, policyholders' reasonable expectations, etc. in deriving policy dividend assumptions.

  The assumption of participating insurance accounts is affected by the above factors, and hence bears uncertainty. The future assumption of life and bancassurance participating insurance with a risk margin is calculated at 85% of the spread.

- In the measurement of unearned premium reserves for the property and casualty insurance and short term life insurance business, the Group applies the cost of capital approach and the insurance industry guideline ranged from 3% to 6%.

The major assumptions needed in measuring claim reserves include the claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The loss development factors and expected loss ratio of each measurement unit are based on the Group's historical claim development experiences and claims paid, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environments such as macroeconomic regulations, and legislation. In the measurement of claim reserves, the Group applies the cost of capital approach and insurance industry guideline ranged from 2.5% to 5.5%.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS DETERMINED USING VALUATION TECHNIQUES

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, and by using the discounted cash flow analysis and/or option pricing models.

When using valuation techniques to determine the fair value of financial instruments, the Group uses to the extent all practicable market parameters that market participants would consider in pricing, including risk-free rate, credit risk, foreign exchange rate, prices of commodity, share price and index, future volatility of financial instrument prices, risk of repayment in advance, etc. In addition, the management of the Group also estimates credit risk and market volatility for both parties of the transaction when references are lacking.

Using different valuation techniques and parameter assumptions may lead to significant differences of fair value estimations.

(7) IMPAIRMENT LOSSES OF LOANS AND ADVANCES

The Group reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

(8) DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Significant management judgment is required to estimate the amount and timing of future taxable profit as well as the applicable tax rates so as to determine, together with the tax planning strategies, the amounts of deferred income tax assets and liabilities to be recognized. In this regard, the Group has formulated feasible tax planning strategies to facilitate recognition of deferred tax assets of approximately RMB5,410 million as at 31 December 2012 (31 December 2011: RMB5,672 million).

(9) CORPORATE INCOME TAX

Since 1 January 2009, the Group has implemented the "*Interpretation No. 2 to China Accounting Standards*" and the "*Regulation on Accounting for Insurance Contracts*" (Cai kuai [2009] No. 15) issued by the Ministry of Finance. As the relevant tax laws and regulations have not clearly clarified how the implementation of the above accounting regulations would affect the manner in which corporate income tax would be imposed, the Group accrued the corporate income tax based on its understanding and judgment of the current prevailing tax laws and regulations when preparing the financial statements.

5. SCOPE OF CONSOLIDATION

(1) Particulars of the Company's principal subsidiaries as at 31 December 2012 are set out below:

Name	Place of incorporation	Attributable equity interest	Registered/ authorized capital (RMB unless otherwise stated)	Paid-in capital (RMB unless otherwise stated)	Principal activities
Ping An Life Insurance Company of China, Ltd.	The PRC	99.51%	33,800,000,000	33,800,000,000	Life insurance
Ping An Property & Casualty Insurance Company of China, Ltd.	The PRC	99.51%	17,000,000,000	17,000,000,000	Property and casualty insurance
Ping An Bank Co., Ltd. (i)	The PRC	52.38%	5,123,350,416	5,123,350,416	Banking
China Ping An Trust Co., Ltd.	The PRC	99.88%	6,988,000,000	6,988,000,000	Investment and trust
Ping An Securities Company, Ltd.	The PRC	86.66%	3,000,000,000	3,000,000,000	Security investment and brokerage
Ping An Annuity Insurance Company of China, Ltd.	The PRC	99.90%	3,360,000,000	3,360,000,000	Annuity insurance
Ping An Asset Management Co., Ltd.	The PRC	99.98%	500,000,000	500,000,000	Asset management
Ping An Health Insurance Company of China, Ltd.	The PRC	79.98%	625,000,000	625,000,000	Health insurance
China Ping An Insurance Overseas (Holdings) Limited	Hong Kong	100.00%	HKD4,000,000,000	HKD935,000,000	Investment holding
China Ping An Insurance (Hong Kong) Company Limited	Hong Kong	100.00%	HKD490,000,000	HKD490,000,000	Property and casualty insurance
Ping An Futures Co., Ltd.	The PRC	89.47%	120,000,000	120,000,000	Futures brokerage
Shenzhen Ping An New Capital Investment Co., Ltd.	The PRC	99.88%	4,000,000,000	4,000,000,000	Investment holding
Shenzhen Ping An Real Estate Co., Ltd.	The PRC	99.88%	1,000,000,000	1,000,000,000	Investment management
Shenzhen Ping An Real Estate Investment Co., Ltd.	The PRC	99.88%	1,800,000,000	1,800,000,000	Real estate investment
Shenzhen Xin An Investment Consultant Co., Ltd.	The PRC	99.88%	100,000,000	100,000,000	Investment consulting
Ping An of China Asset Management (Hong Kong) Company Limited	Hong Kong	100.00%	HKD80,000,000	HKD65,000,000	Asset management
Yuxi Ping An Real Estate Co., Ltd.	The PRC	79.90%	38,500,000	38,500,000	Property leasing
Yuxi Meijiahua Business Management Co., Ltd.	The PRC	79.90%	500,000	500,000	Property management

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2012 are set out below: (continued)

Name	Place of incorporation	Attributable equity interest	Registered/ authorized capital (RMB unless otherwise stated)	Paid-in capital (RMB unless otherwise stated)	Principal activities
Ping An Meijiahua (Jingzhou) Business Management Co., Ltd. (ii)	The PRC	99.88%	139,419,002	139,419,002	Real estate investment
Shenzhen Ping An Commercial Property Investment Co., Ltd. (ii)	The PRC	98.52%	170,000,000	170,000,000	Real estate investment
Anseng Investment Company Limited	British Virgin Islands	100.00%	USD50,000	USD2	Project investment
Profaith International Investment Limited	British Virgin Islands	100.00%	USD50,000	USD1	Project investment
Portfield Limited	Hong Kong	100.00%	HKD10,000	HKD10	Project investment
Shanxi Changjin Expressway Co., Ltd.	The PRC	59.71%	750,000,000	750,000,000	Expressway operation
Shanxi Jinjiao Expressway Co., Ltd.	The PRC	59.71%	504,000,000	504,000,000	Expressway operation
Shenzhen Ping An Financial Technology Consulting Co., Ltd. (ii)	The PRC	99.88%	430,000,000	355,000,000	Financial advisory services
Shenzhen Ping An Decheng Investment Co., Ltd.	The PRC	99.88%	300,000,000	300,000,000	Investment consulting
Ping An Tradition International Money Broking Company Ltd.	The PRC	66.92%	50,000,000	50,000,000	Money brokerage
Ping An Caizhi Investment Management Company Limited	The PRC	86.66%	600,000,000	600,000,000	Equity investment
Ping An Technology (Shenzhen) Co., Ltd.	The PRC	100.00%	USD30,000,000	USD30,000,000	IT services
Ping An Processing & Technology (Shenzhen) Co., Ltd.	The PRC	100.00%	USD30,000,000	USD30,000,000	IT and business process outsourcing services
Ping An Channel Development Consultation Service Company of Shenzhen, Ltd. (ii)	The PRC	99.88%	25,000,000	25,000,000	Consulting services
Ping An of China Securities (Hong Kong) Company Limited	Hong Kong	86.66%	HKD200,000,000	HKD200,000,000	Security investment and brokerage
Shanghai Huping Investment Management Co., Ltd.	The PRC	99.88%	1,000,000	1,000,000	Investment holding
Beijing Huian Investment Management Co., Ltd.	The PRC	99.88%	3,000,000	3,000,000	Investment consulting
Shenzhen Xin An Small Loan Co., Ltd.	The PRC	99.88%	280,000,000	280,000,000	Small loans investment

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2012 are set out below: (continued)

Name	Place of incorporation	Attributable equity interest	Registered/ authorized capital (RMB unless otherwise stated)	Paid-in capital (RMB unless otherwise stated)	Principal activities
Suzhou Suping Investment Management Co., Ltd.	The PRC	99.88%	2,000,000	2,000,000	Investment management
Chengdu Xinping Investment Management Co., Ltd.	The PRC	99.88%	1,000,000	1,000,000	Investment management
Xuchang XJ Investment Holding Co., Ltd.	The PRC	99.88%	5,000,000	5,000,000	Investment management
Ping An UOB Fund Management Company Limited	The PRC	60.63%	300,000,000	300,000,000	Fund raising and trading
Beijing Fu'an Management Consultation Limited Company	The PRC	99.88%	100,000	100,000	Business consulting and property management
Shenzhen Stock Investment Co., Ltd. (ii)	The PRC	99.88%	7,000,000	7,000,000	Investment management consulting
Ping An Wealth Management Co., Ltd.	The PRC	100.00%	50,000,000	50,000,000	Consultation
Shenzhen Ping An Financial Center Development Company Ltd.	The PRC	99.51%	100,000,000	100,000,000	Real estate development
Wuhan Pingrui Anxin Investment Co., Ltd.	The PRC	99.88%	500,000	500,000	Investment management
Yunnan Ping An Investment Co., Ltd.	The PRC	99.88%	130,000,000	130,000,000	Project investment
Tianjin Ping An Equity Investment Management Co., Ltd.	The PRC	99.88%	20,000,000	20,000,000	Entrusted management equity investment
Shanghai Pingpu Investment Co., Ltd. (iii)	The PRC	99.88%	2,826,000,000	2,826,000,000	Investment management
Ping An of China Futures (Hong Kong) Company Limited	Hong Kong	86.66%	HKD10,000,000	HKD10,000,000	Futures brokerage
Xishuangbanna Financial Assets Commodity Exchange Co., Ltd. (ii)	The PRC	74.91%	200,000,000	70,000,000	Financial products exchange
Yunnan Jinghe Real Estate Investment Co., Ltd.	The PRC	64.92%	200,000,000	200,000,000	Real estate development
Tongxiang Ping An Investment Co., Ltd.	The PRC	99.88%	500,000,000	150,000,000	Investment management
Tongxiang Anyi Property Investment Co., Ltd.	The PRC	99.88%	10,000,000	10,000,000	Real estate development

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2012 are set out below: (continued)

Name	Place of incorporation	Attributable equity interest	Registered/ authorized capital (RMB unless otherwise stated)	Paid-in capital (RMB unless otherwise stated)	Principal activities
Kunshan Liancheng Equity Investment Management Co., Ltd.	The PRC	99.88%	6,000,000	6,000,000	Investment management
Kunshan Pingan Property Equity Investment Management Co., Ltd.	The PRC	99.88%	2,000,000	2,000,000	Investment management
Shenzhen Jiaxin Investment and Development Co., Ltd.	The PRC	99.88%	500,000	500,000	Investment management
Chongqing Jiaping Investment Management Co., Ltd.	The PRC	99.88%	1,000,000	1,000,000	Investment management
Shanghai Lujiazui International Financial Assets Commodity Exchange Co., Ltd. (ii)	The PRC	74.91%	400,000,000	230,000,000	Financial products exchange
Shanghai Jahwa (Group) Company Ltd. (iv)	The PRC	99.88%	268,261,000	268,261,000	Production and sale of daily chemicals
Shanghai Jahwa United Co., Ltd. (iv)	The PRC	27.48%	448,360,000	448,360,000	Production and sale of daily chemicals
Shanghai Jahwa Investment Co., Ltd. (iv)	The PRC	99.88%	50,000,000	50,000,000	Investment management
Sanya Jahwa Tourism Development Co., Ltd. (iv)	The PRC	56.81%	240,000,000	240,000,000	Hotel operation
Shanghai Jahwa Training Center (iv)	The PRC	99.88%	60,000,000	60,000,000	Coaching and training
Shanghai Jahwa Sales Co., Ltd. (iv)	The PRC	27.48%	220,000,000	220,000,000	Sale of daily chemicals
Shanghai Herborist Cosmetics Co., Ltd. (iv)	The PRC	27.48%	200,160,000	200,160,000	Sale of cosmetics
Shanghai Jahwa Commodity Sales Co., Ltd. (iv)	The PRC	27.48%	65,000,000	65,000,000	Sale of daily chemicals
Shanghai Hanxin Industrial Co., Ltd. (iv)	The PRC	27.48%	38,190,000	38,190,000	Production and sale of cosmetics
Shanghai Jahwa Medicine Science & Technology Co., Ltd. (iv)	The PRC	27.48%	64,000,000	64,000,000	Research and development of medicines
Shanghai Jahwa Industrial Management Co., Ltd. (iv)	The PRC	27.48%	80,000,000	80,000,000	Investment management

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2012 are set out below: (continued)

Name	Place of incorporation	Attributable equity interest	Registered/ authorized capital (RMB unless otherwise stated)	Paid-in capital (RMB unless otherwise stated)	Principal activities
Shanghai Herborist Beauty Care Investment Management Co., Ltd. (iv)	The PRC	25.53%	49,200,000	49,200,000	Beauty care and investment management
Beijing Shuangronghui Investment Co., Ltd. (iv)	The PRC	99.51%	256,323,143	256,323,143	Real estate investment
Ping An Zhihui Investment Management (Shenzhen) Company Limited (v)	The PRC	86.66%	20,000,000	20,000,000	Investment management
Ping An Financing (Tianjin) Guarantee Co., Ltd. (v)	The PRC	100.00%	100,000,000	100,000,000	Financing guarantee
Ping Jin Factoring (Tianjin) Co., Ltd. (v)	The PRC	74.91%	30,000,000	30,000,000	Factoring
Ping An Insurance Sales Services Co., Ltd. (v)	The PRC	99.88%	50,000,000	50,000,000	Sale agency of insurance
Pingan Shenzhen Investment Guarantee Co., Ltd. (v)	The PRC	74.91%	10,000,000	10,000,000	Non-financing guarantee
Hangzhou Hongping Equity Investment Management Co., Ltd. (v)	The PRC	99.88%	1,000,000	1,000,000	Fund management
Hangzhou Yannian Equity Investment Management Co., Ltd. (v)	The PRC	99.88%	1,000,000	1,000,000	Fund management
Chengdu Ping An Property Investment Company Co., Ltd. (v)	The PRC	99.51%	840,000,000	485,000,000	Real estate investment
Hangzhou Pingan Pension Industry Equity Investment Partnership Enterprise (Limited Partnership) (v)	The PRC	99.88%	500,000,000	100,000,000	Investment management
Hangzhou Pingjiang Investment Co., Ltd. (v)	The PRC	99.51%	700,000,000	700,000,000	Real estate development
Tongxiang Anda Real Estate Co., Ltd. (v)	The PRC	99.88%	10,000,000	10,000,000	Real estate development
Pingan Panhai Capital Co., Ltd. (v)	The PRC	86.66%	300,000,000	300,000,000	Asset management
Tongxiang Antai Real Estate Co., Ltd. (v)	The PRC	99.88%	10,000,000	10,000,000	Real estate development
Tongxiang Anxin Real Estate Co., Ltd. (v)	The PRC	99.88%	10,000,000	10,000,000	Real estate development
Ping An of China Capital (Hong Kong) Co., Ltd. (v)	Hong Kong	86.66%	HKD10,000,000	HKD10,000,000	Investment banking

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2012 are set out below: (continued)

Name	Place of incorporation	Attributable equity interest	Registered/ authorized capital (RMB unless otherwise stated)	Paid-in capital (RMB unless otherwise stated)	Principal activities
Hangzhou Lvjingyuan Property Investment Co., Ltd. (v)	The PRC	99.88%	20,000,000	20,000,000	Property management
Hangzhou Anfeng Property Investment Co., Ltd. (v)	The PRC	99.88%	20,000,000	20,000,000	Property management
Ping An International Financial Leasing Co., Ltd. (v)	The PRC	100.00%	315,000,000	315,000,000	Financial leasing
Beijing Jingxinlize Investment Co., Ltd. (v)	The PRC	99.51%	1,160,000,000	1,160,000,000	Real estate investment
Shenzhen Pingke Information Consulting Co., Ltd. (v)	The PRC	100.00%	500,000,000	500,000,000	Management consulting
Beijing Jingping Shangbei Investment Co., Ltd. (v)	The PRC	99.88%	10,000,000	10,000,000	Commercial real estate leasing
Beijing Jingping Shangdi Investment Co., Ltd. (v)	The PRC	99.88%	10,000,000	10,000,000	Commercial real estate leasing
Guangzhou Xinping Property Investment Co., Ltd. (v)	The PRC	99.88%	15,000,000	15,000,000	Rental of property
Shantou Xinping Investment & Consulting Co., Ltd. (v)	The PRC	99.88%	5,500,000	5,500,000	Rental of property
Shenzhen Ping An Zhihui Equity Investment Fund(LP) (v)	The PRC	86.66%	N/A	50,000,000	Investment management
Pingan-UOB Wealthtone Asset Management Co., Ltd. (v)	The PRC	60.63%	20,000,000	20,000,000	Asset management
Shenzhen Ping An Huifu Asset Management Co., Ltd. (v)	The PRC	74.91%	10,000,000	10,000,000	Asset management

Notes:

(i) Shenzhen Development Bank ("SDB"), a subsidiary of the Group, has completed the merger with its subsidiary, the former Ping An Bank Co., Ltd. ("the former Ping An Bank"), in June 2012. The deregistration of the former Ping An Bank was completed on 12 June 2012. Subsequently, SDB was renamed as Ping An Bank Co., Ltd. ("Ping An Bank") on 27 July 2012.

(ii) The paid-in capital of these subsidiaries was increased in 2012.

(iii) In 2012, the parent of this company, Shenzhen Ping An New Capital Investment Co., Ltd., signed a forward contract transferring beneficial rights associated with part of the equity interests in this company to a third party when certain conditions are met in future, while retaining full rights of control, such as voting rights.

(iv) These entities were acquired through business combinations that were not under common control in 2012.

(v) These entities were newly set up in 2012.

(vi) Xuchang Central China Securities Investment Co., Ltd. ("Central China Securities") and Ningbo Beilun Port Expressway Co., Ltd. ("Beilun Port Expressway") were disposed of in 2012 and they are no longer subsidiaries of the Group.

Other than the changes above, there are no significant changes to the scope of consolidation as at 31 December 2012 from that of 31 December 2011.

5. SCOPE OF CONSOLIDATION (CONTINUED)

(2) As at 31 December 2012, the Company had the following major special purpose entities:

Name	Attributable equity interest	Paid-in capital (RMB)	Principal activities
Shanxi Taijiao Expressway Single Fund Trust Scheme	99.51%	2,345,699,500	Investment in expressways
Hubei Jindong Expressway Single Fund Trust Scheme	99.51%	637,666,838	Investment in expressways
Bofu Real Estate Single Fund Trust Scheme	99.88%	800,000,000	Loans
Ping An Caifu Chuanghui Aggregated Fund Trust Scheme	99.88%	970,000,000	Investment in trust schemes
Chuangsheng Single Fund Trust Scheme	99.88%	116,000,000	Investment in trust schemes
Chuangsheng No.3 Single Fund Trust Scheme	99.88%	834,500,000	Investment in trust schemes
New Capital Risk Investment Single Fund Trust Scheme No.1	99.88%	19,116,300	Investment in trust schemes
New Capital Risk Investment Single Fund Trust Scheme No.2	99.88%	5,737,900	Investment in trust schemes
Chongqing Tiandi Single Fund Trust Scheme	99.88%	1,000,000	Investment in real estate
Zhaohang Furui Yisheng Participating Single Fund Trust Scheme	99.88%	1,092,360,000	Investment in securities and trust schemes
Jiaohang Furui Yisheng Single Fund Trust Scheme	99.88%	613,879,739	Investment in securities and trust schemes
Zhaohang Furui Yisheng Participating Single Fund Trust Scheme No.2	99.88%	327,880,000	Investment in securities and trust schemes
Zhongxin Furui Yisheng Participating Single Fund Trust Scheme	99.88%	114,092,800	Investment in securities and trust schemes
Fengtai No.13 Yuxi Single Fund Trust Scheme	99.88%	155,000,000	Loans
Fuxin Wenjian Participating Aggregated Fund Trust Scheme	99.88%	91,931,450	Investment in securities and trust schemes

5. SCOPE OF CONSOLIDATION (CONTINUED)

(2) As at 31 December 2012, the Company had the following major special purpose entities: (continued)

Name	Attributable equity interest	Paid-in capital (RMB)	Principal activities
Ping An Caifu Anping Single Fund Trust Scheme	99.88%	500,000,000	Investment in trust schemes
Ping An Caifu Ansheng Single Fund Trust Scheme	99.88%	500,000,000	Investment in trust schemes
Hualian Huilongguan Property Investment Fund Trust Scheme No.1	99.88%	155,000,000	Investment in property
Hualian Huilongguan Property Investment Fund Trust Scheme No.2	99.88%	105,000,000	Investment in property
Hualian Huilongguan Property Investment Fund Trust Scheme No.3	99.88%	85,000,000	Investment in property
Shangdi Hualian Property Investment Single Fund Trust Scheme No.1	99.88%	132,049,574	Investment in property
Shangdi Hualian Property Investment Single Fund Trust Scheme No.2	99.88%	109,563,122	Investment in property
Shangdi Hualian Property Investment Single Fund Trust Scheme No.3	99.88%	94,270,815	Investment in property
Shangdi Hualian Property Investment Single Fund Trust Scheme No.4	99.88%	96,676,441	Investment in property
Shangdi Hualian Property Investment Single Fund Trust Scheme No.5	99.88%	109,341,343	Investment in property
Ek Chor Lotus Property Investment Single Fund Trust Scheme	99.88%	266,000,000	Investment in property
Property Investment 8081 Single Fund Trust Scheme	99.88%	160,000,000	Investment in property
Ping An Caifu Bixi Single Fund Trust Scheme	99.88%	137,800,000	Investment in property

5. SCOPE OF CONSOLIDATION (CONTINUED)

(3) ACQUISITIONS OF SUBSIDIARIES NOT UNDER COMMON CONTROL

(a) Acquisition of Shanghai Jahwa (Group) Company Ltd. ("Shanghai Jahwa")

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 the 100% equity share of Shanghai Jahwa held by the Shanghai SASAC to Shanghai Pingpu at a consideration of RMB5,109 million. The equity share 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 values and book values of identifiable assets and liabilities of Shanghai Jahwa as at the date of acquisition are as follows:

(in RMB million)	Fair value (Note)	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	1,394	552
Intangible assets	4,558	319
Other assets	790	603
Due to banks	(339)	(339)
Accounts payable	(351)	(351)
Deferred tax liabilities	(983)	–
Other liabilities	(563)	(563)
	6,829	2,204
Non-controlling interests	(4,222)	
Fair value of net assets acquired attributable to Shanghai Pingpu	2,607	
Goodwill on acquisition	2,502	
Satisfied by cash	5,109	

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

5. SCOPE OF CONSOLIDATION (CONTINUED)

(3) ACQUISITIONS OF SUBSIDIARIES NOT UNDER COMMON CONTROL (CONTINUED)

(a) Acquisition of Shanghai Jahwa (Group) Company Ltd. (continued)

An analysis of the cash flows in respect of the acquisition of Shanghai Jahwa is as follows:

	(in RMB million)
Total cash consideration	5,109
Less: Cash consideration paid in 2011	(2,555)
Cash consideration paid in 2012	2,554
Cash and bank balances acquired	(1,079)
Net outflow of cash and cash equivalents in respect of the acquisition of Shanghai Jahwa	1,475

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

	(in RMB million)
Revenue	4,566
Net profit	317
Net cash inflow	505

Had the combination taken place at the beginning of the year, the net profit from continuing operations of the Group for the year ended 31 December 2012 would have been RMB26,784 million.

(b) Acquisition of Beijing Shuangronghui Investment Co., Ltd. ("Beijing Shuangronghui")

During 2012, Ping An Life, a subsidiary of the Company, acquired 100% equity interest in Beijing Shuangronghui at a consideration of RMB1,092 million. The Group is deemed to have gained control of Beijing Shuangronghui on 17 September 2012, which was regarded as the acquisition date.

The fair values and book values of identifiable assets and liabilities of Beijing Shuangronghui as at the date of acquisition are as follows:

(in RMB million)	Fair value (Note)	Book value
Cash and amounts due from banks	29	29
Investment properties	1,735	738
Due to banks	(500)	(500)
Deferred tax liabilities	(249)	–
Other liabilities	(35)	(35)
	980	232
Goodwill on acquisition	112	
Satisfied by cash	1,092	

Note: The fair values 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.

FINANCIAL STATEMENTS

5. SCOPE OF CONSOLIDATION (CONTINUED)

(3) ACQUISITIONS OF SUBSIDIARIES NOT UNDER COMMON CONTROL (CONTINUED)

(b) Acquisition of Beijing Shuangronghui Investment Co., Ltd. ("Beijing Shuangronghui") (continued)

An analysis of the cash flows in respect of the acquisition of Beijing Shuangronghui is as follows:

	(in RMB million)
Cash consideration	1,092
Cash and bank balances acquired	(29)
Net outflow of cash and cash equivalents in respect of the acquisition of Beijing Shuangronghui	1,063

From the date of acquisition to the end of this year, the operating results and cash flow that Beijing Shuangronghui has contributed to the Group are as follows:

	(in RMB million)
Revenue	31
Net Losses	–
Net cash inflow	2

Had the combination taken place at the beginning of the year, the net profit from continuing operations of the Group for the year ended 31 December 2012 would have been RMB26,724 million.

(4) DISPOSALS OF SUBSIDIARIES

(a) Disposals of Central China Securities

On 8 June 2012, Ping An Trust, a subsidiary of the Group, entered into a contract with a third party to transfer its 100% equity interest in its subsidiary, Central China Securities. The disposal date is 11 June 2012.

Key financial information of Central China Securities is as follows:

(in RMB million)	Book value as at 11 June 2012
Net assets disposed of:	
Investments in associates	1,695
Other assets	994
Total liabilities	(677)
Non-controlling interests	(1,006)
	1,006
Loss on disposal	(6)
Satisfied by cash	1,000

An analysis of the cash flow in respect of the disposal of Central China Securities is as follows:

	(in RMB million)
Cash consideration	1,000
Cash and bank balances disposed of	(642)
Net inflow of cash and cash equivalents in respect of the disposal of Central China Securities	358

Net profit of Central China Securities from 1 January 2012 to 11 June 2012 amounted to RMB3 million.

5. SCOPE OF CONSOLIDATION (CONTINUED)

(4) DISPOSALS OF SUBSIDIARIES (CONTINUED)

(b) Disposal of Beilun Port Expressway

China Ping An Insurance Overseas (Holdings) Limited ("Ping An Overseas Holdings"), a subsidiary of the Group, disposed its 100% equity interest in its subsidiary, Beilun Port Expressway, in 2012. The disposal date is 14 November 2012.

Key financial information of Beilun Port Expressway is as follows:

(in RMB million)	Book value as at 14 November 2012
Net assets disposed of:	
Intangible assets	2,014
Other assets	169
Due to banks	(1,066)
Other liabilities	(260)
	857
Gains on disposal	33
Satisfied by cash	890

An analysis of the cash flows in respect of disposal of Beilun Port Expressway is as follows:

	(in RMB million)
Cash consideration	890
Cash and bank balances disposed of	(37)
Net inflow of cash and cash equivalents in respect of the disposal of Beilun Port Expressway	853

Net profit of Beilun Port Expressway from 1 January 2012 to 14 November 2012 amounted to RMB9 million.

6. SEGMENT REPORTING

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

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

Management monitors the operating results of the Group's business units separately for the purpose of making decisions with regard to resources allocation and performance assessment. Segment performance is assessed based on indicators such as net profit.

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

More than 99% of the Group's revenue is derived from its operations in Mainland China. More than 99% of the Group's non-current assets are located in Mainland China.

During 2012, the Group's top five customers in respect of total income are as follows:

(in RMB million)	**2012**	2011
Total income from top five customers	**523**	287
Percentage of total income	**0.2%**	0.1%

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2012 and for the year then ended is as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Eliminations	Total
Gross written premiums and policy fees	134,851	99,089	-	-	-	-	-	233,940
Less: Premiums ceded to reinsurers	(627)	(12,224)	-	-	-	-	-	(12,851)
Change in unearned premium reserves	(196)	(7,749)	-	-	-	-	-	(7,945)
Net earned premiums	134,028	79,116	-	-	-	-	-	213,144
Reinsurance commission income	192	4,337	-	-	-	-	-	4,529
Interest income from banking operations	-	-	74,852	-	-	-	-	74,852
Fees and commission income from non-insurance operations	-	-	6,450	1,734	-	2,833	(126)	10,891
Including: Inter-segment fees and commission income from non-insurance operations	-	-	62	-	-	64	(126)	-
Investment income	22,084	2,968	654	1,128	522	1,768	(1,746)	27,378
Including: Inter-segment investment income	1,530	77	-	7	29	103	(1,746)	-
Share of profits and losses of associates and jointly controlled entities	(8)	-	43	-	-	(81)	-	(46)
Other income	4,716	442	244	35	201	9,672	(6,865)	8,445
Including: Inter-segment other income	3,007	15	-	-	195	3,648	(6,865)	-
Total income	161,012	86,863	82,243	2,897	723	14,192	(8,737)	339,193
Claims and policyholders' benefits	(118,985)	(47,009)	-	-	-	-	-	(165,994)
Commission expenses on insurance operations	(12,680)	(8,758)	-	-	-	-	1,001	(20,437)
Interest expenses on banking operations	-	-	(41,609)	-	-	-	1,258	(40,351)
Fees and commission expenses on non-insurance operations	-	-	(728)	(203)	-	(689)	165	(1,455)
Loan loss provisions, net of reversals	-	-	(3,038)	-	-	(10)	-	(3,048)
Foreign exchange gains/(losses)	(24)	(4)	249	-	(5)	39	-	255
General and administrative expenses	(18,263)	(24,065)	(19,716)	(1,601)	(445)	(7,667)	3,280	(68,477)
Finance costs	(763)	(256)	-	-	(290)	(449)	-	(1,758)
Other expenses	(5,218)	(164)	(194)	(12)	(26)	(2,958)	2,982	(5,590)
Total expenses	(155,933)	(80,256)	(65,036)	(1,816)	(766)	(11,734)	8,686	(306,855)
Profit/(loss) before tax	5,079	6,607	17,207	1,081	(43)	2,458	(51)	32,338
Income tax	1,378	(1,959)	(3,975)	(236)	(2)	(794)	-	(5,588)
Profit/(loss) for the year	6,457	4,648	13,232	845	(45)	1,664	(51)	26,750

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2012 and for the year then ended is as follows: (continued)

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Eliminations	Total
Balances with the Central Bank and statutory deposits	7,558	3,400	216,114	-	-	-	-	227,072
Cash and amounts due from banks and other financial institutions	247,841	48,269	162,954	11,144	15,507	10,015	(44,316)	451,414
Fixed maturity investments	572,660	43,249	474,179	16,585	3,724	1,116	(2,265)	1,109,248
Equity investments	102,089	5,830	148	2,505	1,372	15,409	(1,229)	126,124
Loans and advances to customers	-	-	708,262	-	-	1,322	(182)	709,402
Investments in associates and jointly controlled entities	7,377	-	411	-	-	2,213	(41)	9,960
Accounts receivable	-	-	8,364	-	-	615	-	8,979
Others	103,134	34,740	38,928	2,095	9,927	18,944	(5,701)	202,067
Segment assets	**1,040,659**	**135,488**	**1,609,360**	**32,329**	**30,530**	**49,634**	**(53,734)**	**2,844,266**
Due to banks and other financial institutions	3,296	-	409,459	419	5,430	4,537	(2,826)	420,315
Assets sold under agreements to repurchase	89,423	2,600	46,148	13,823	200	5,048	(2,265)	154,977
Customer deposits and payables to brokerage customers	-	-	1,021,108	8,796	-	(74)	(42,894)	986,936
Accounts payable	-	-	3,052	-	-	563	-	3,615
Insurance payables	26,440	12,228	-	-	-	-	(375)	38,293
Insurance contract liabilities	804,403	78,190	-	-	-	-	-	882,593
Investment contract liabilities for policyholders	34,242	427	-	-	-	-	-	34,669
Policyholder dividend payable	21,681	-	-	-	-	-	-	21,681
Bonds payable	13,051	7,643	16,101	-	-	1,998	-	38,793
Others	7,810	7,294	28,446	741	590	12,973	(5,109)	52,745
Segment liabilities	**1,000,346**	**108,382**	**1,524,314**	**23,779**	**6,220**	**25,045**	**(53,469)**	**2,634,617**
Other segment information:								
Capital expenditure	5,863	471	1,497	75	9	1,585	(46)	9,454
Depreciation and amortization	1,258	400	1,782	85	20	848	-	4,393
Total other non-cash expenses charged to consolidated results	6,171	270	3,131	26	-	419	-	10,017

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2011 and for the year then ended is as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Eliminations	Total
Gross written premiums and policy fees	124,094	83,708	–	–	–	–	–	207,802
Less: Premiums ceded to reinsurers	(459)	(10,511)	–	–	–	–	–	(10,970)
Change in unearned premium reserves	(438)	(9,732)	–	–	–	–	–	(10,170)
Net earned premiums	123,197	63,465	–	–	–	–	–	186,662
Reinsurance commission income	(205)	3,861	–	–	–	–	–	3,656
Interest income from banking operations	–	–	39,314	–	–	–	–	39,314
Fees and commission income from non-insurance operations	–	–	3,687	2,959	–	2,030	(62)	8,614
Including: Inter-segment fees and commission income from non-insurance operations	–	–	39	–	–	23	(62)	–
Investment income	26,674	2,854	(80)	397	23	2,218	(2,821)	29,265
Including: Inter-segment investment income	540	50	–	18	49	2,164	(2,821)	–
Share of profits and losses of associates and jointly controlled entities	(117)	–	1,200	–	–	(15)	–	1,068
Other income	3,876	305	212	38	189	3,561	(4,516)	3,665
Including: Inter-segment other income	2,269	17	–	–	185	2,045	(4,516)	–
Total income	153,425	70,485	44,333	3,394	212	7,794	(7,399)	272,244
Claims and policyholders' benefits	(109,058)	(36,706)	–	–	–	–	–	(145,764)
Commission expenses on insurance operations	(11,351)	(6,843)	–	–	–	–	427	(17,767)
Interest expenses on banking operations	–	–	(20,943)	–	–	–	511	(20,432)
Fees and commission expenses on non-insurance operations	–	–	(416)	(314)	–	(396)	76	(1,050)
Loan loss provisions, net of reversals	4	–	(1,718)	–	–	10	–	(1,704)
Foreign exchange gains/(losses)	(241)	(32)	129	(8)	(248)	(34)	–	(434)
General and administrative expenses	(15,642)	(19,689)	(11,389)	(1,845)	(414)	(3,581)	1,985	(50,575)
Finance costs	(172)	(247)	–	–	(278)	(557)	–	(1,254)
Other expenses	(4,009)	(208)	(196)	(1)	(3)	(1,199)	2,378	(3,238)
Total expenses	(140,469)	(63,725)	(34,533)	(2,168)	(943)	(5,757)	5,377	(242,218)
Profit/(loss) before tax	12,956	6,760	9,800	1,226	(731)	2,037	(2,022)	30,026
Income tax	(2,982)	(1,781)	(1,823)	(263)	–	(595)	–	(7,444)
Profit/(loss) for the year	9,974	4,979	7,977	963	(731)	1,442	(2,022)	22,582

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2011 and for the year then ended is as follows: (continued)

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Eliminations	Total
Balances with the Central Bank and statutory deposits	6,566	3,400	158,400	–	–	–	–	168,366
Cash and amounts due from banks and other financial institutions	162,530	39,929	50,567	10,617	13,726	7,304	(23,667)	261,006
Fixed maturity investments	487,557	31,448	235,935	14,001	2,622	1,791	(1,001)	772,353
Equity investments	94,171	8,903	136	2,037	766	11,962	(990)	116,985
Loans and advances to customers	800	–	610,075	–	–	1,099	(243)	611,731
Investments in associates and jointly controlled entities	7,459	–	429	–	–	4,020	(71)	11,837
Accounts receivable	–	–	170,589	–	–	138	–	170,727
Others	92,024	25,488	35,193	1,702	8,864	10,942	(1,794)	172,419
Segment assets	851,107	109,168	1,261,324	28,357	25,978	37,256	(27,766)	2,285,424
Due to banks and other financial institutions	1,665	–	181,820	243	5,230	8,233	(1,496)	195,695
Assets sold under agreements to repurchase	46,367	1,722	39,197	11,083	–	2,366	(1,001)	99,734
Customer deposits and payables to brokerage customers	–	–	850,846	8,654	–	(46)	(23,405)	836,049
Accounts payable	–	–	70,561	–	–	78	–	70,639
Insurance payables	18,230	9,946	–	–	–	–	(202)	27,974
Insurance contract liabilities	693,974	64,430	–	–	–	–	–	758,404
Investment contract liabilities for policyholders	32,378	433	–	–	–	–	–	32,811
Policyholder dividend payable	17,979	–	–	–	–	–	–	17,979
Bonds payable	3,997	4,595	16,046	–	–	1,995	–	26,633
Others	6,509	5,768	27,033	935	530	8,811	(1,422)	48,164
Segment liabilities	821,099	86,894	1,185,503	20,915	5,760	21,437	(27,526)	2,114,082
Other segment information:								
Capital expenditure	3,001	1,140	810	91	44	347	(40)	5,393
Depreciation and amortization	1,126	400	1,142	80	38	358	(17)	3,127
Total other non-cash expenses charged to consolidated results	2,295	278	1,717	–	40	(11)	–	4,319

7. GROSS AND NET WRITTEN PREMIUMS AND POLICY FEES

(in RMB million)	2012	2011
Gross written premiums, policy fees and premium deposits	**298,572**	270,964
Less: Premium deposits of policies without significant insurance risk transfer	**(4,197)**	(3,568)
Premium deposits unbundled from universal life and investment-linked products	**(60,435)**	(59,594)
Gross written premiums and policy fees	**233,940**	207,802

(in RMB million)	2012	2011
Long term life business gross written premiums and policy fees	**126,154**	116,566
Short term life business gross written premiums	**8,697**	7,528
Property and casualty business gross written premiums	**99,089**	83,708
Gross written premiums and policy fees	**233,940**	207,802

(in RMB million)	2012	2011
Gross written premiums and policy fees		
Life insurance		
Individual life insurance	**114,595**	102,883
Bancassurance	**13,609**	15,534
Group life insurance	**6,647**	5,677
	134,851	124,094
Property and casualty insurance		
Automobile insurance	**76,334**	65,292
Non-automobile insurance	**20,354**	16,249
Accident and health insurance	**2,401**	2,167
	99,089	83,708
Gross written premiums and policy fees	**233,940**	207,802

(in RMB million)	2012	2011
Net of reinsurance premiums ceded		
Life insurance		
Individual life insurance	**114,101**	102,591
Bancassurance	**13,584**	15,526
Group life insurance	**6,539**	5,518
	134,224	123,635
Property and casualty insurance		
Automobile insurance	**69,162**	59,206
Non-automobile insurance	**15,327**	11,841
Accident and health insurance	**2,376**	2,150
	86,865	73,197
Net written premiums and policy fees	**221,089**	196,832

8. NET INTEREST INCOME FROM BANKING OPERATIONS

(in RMB million)	2012	2011
Interest income from banking operations		
Due from the Central Bank	**2,691**	1,308
Due from financial institutions	**9,703**	4,680
Loans and advances to customers		
Corporate loans and advances to customers	**29,803**	16,764
Individual loans and advances to customers	**14,483**	7,452
Discounted bills	**594**	493
Bonds	**10,226**	5,483
Others	**7,352**	3,134
Subtotal	**74,852**	39,314
Interest expenses on banking operations		
Due to the Central Bank	**27**	21
Due to financial institutions	**15,135**	7,331
Customer deposits	**21,923**	11,086
Bonds payable	**971**	561
Others	**2,295**	1,433
Subtotal	**40,351**	20,432
Net interest income from banking operations	**34,501**	18,882

The interest income accrued on impaired financial assets during the year 2012 amounted to RMB219 million (2011: RMB80 million).

9. NET FEES AND COMMISSION INCOME FROM NON-INSURANCE OPERATIONS

(in RMB million)	2012	2011
Fees and commission income from non-insurance operations		
Brokerage fees	**616**	867
Underwriting commission income	**1,108**	2,083
Trust service fees income	**2,498**	1,802
Fees and commission income from the banking business	**6,385**	3,657
Others	**284**	205
	10,891	8,614
Fees and commission expenses on non-insurance operations		
Brokerage fees paid	**98**	162
Fees and commission expenses on the banking business	**704**	416
Others	**653**	472
	1,455	1,050
Net fees and commission income from non-insurance operations	**9,436**	7,564

10. INVESTMENT INCOME

(in RMB million)	2012	2011
Net investment income	**41,598**	34,285
Realized losses	**(7,740)**	(2,094)
Unrealized gains/(losses)	**105**	(320)
Impairment losses	**(6,585)**	(2,606)
Total investment income	**27,378**	29,265

(1) NET INVESTMENT INCOME

(in RMB million)	2012	2011
Interest income from non-banking operations on fixed maturity investments		
Bonds and debt schemes		
– Held-to-maturity	**18,149**	15,340
– Available-for-sale	**4,949**	5,565
– Carried at fair value through profit or loss	**409**	726
– Loans and receivables	**1,644**	609
Term deposits		
– Loans and receivables	**11,194**	7,575
Current accounts		
– Loans and receivables	**524**	420
Others		
– Loans and receivables	**1,279**	1,003
– Carried at fair value through profit or loss	**18**	43
Dividend income on equity investments		
Equity investment funds		
– Available-for-sale	**859**	2,276
– Carried at fair value through profit or loss	**358**	280
Equity securities		
– Available-for-sale	**3,404**	1,693
– Carried at fair value through profit or loss	**40**	9
Operating lease income from investment properties	**816**	687
Interest expenses on assets sold under agreements to repurchase and replacements from banks and other financial institutions	**(2,045)**	(1,941)
	41,598	34,285

10. INVESTMENT INCOME (CONTINUED)

(2) REALIZED GAINS/(LOSSES)

(in RMB million)	2012	2011
Fixed maturity investments		
– Available-for-sale	**559**	(231)
– Carried at fair value through profit or loss	**12**	(174)
– Loans and receivables	**760**	–
Equity investments		
– Available-for-sale	**(9,584)**	(382)
– Carried at fair value through profit or loss	**(204)**	(166)
– Subsidiaries, associates and jointly controlled entities	**712**	(1,179)
Derivative financial instruments		
– Carried at fair value through profit or loss	**5**	22
Others	**–**	16
	(7,740)	(2,094)

(3) UNREALIZED GAINS/(LOSSES)

(in RMB million)	2012	2011
Fixed maturity investments		
– Carried at fair value through profit or loss	**40**	126
Equity investments		
– Carried at fair value through profit or loss	**78**	(452)
Derivative financial instruments		
– Carried at fair value through profit or loss	**(13)**	6
	105	(320)

(4) IMPAIRMENT LOSSES

(in RMB million)	2012	2011
Equity investments		
– Available-for-sale	**(6,585)**	(2,606)

11. OTHER INCOME

(in RMB million)	2012	2011
Revenue of Jahwa Group	**4,566**	–
Expressway toll fee income	**905**	1,077
Management income from investment-linked products and income from investment contracts	**1,201**	1,105
Consulting fee income from trust business	**488**	456
Others	**1,285**	1,027
	8,445	3,665

12. CLAIMS AND POLICYHOLDERS' BENEFITS

(1)

	2012		
(in RMB million)	Gross	Reinsurers' share	Net
Claims and claim adjustment expenses	**63,258**	**(6,739)**	**56,519**
Surrenders	**5,341**	**–**	**5,341**
Annuities	**5,333**	**–**	**5,333**
Maturities and survival benefits	**17,653**	**–**	**17,653**
Policyholder dividends	**5,769**	**–**	**5,769**
Increase in policyholders' reserves	**67,078**	**–**	**67,078**
Interest credited to policyholder contract deposits	**8,301**	**–**	**8,301**
	172,733	**(6,739)**	**165,994**

	2011		
(in RMB million)	Gross	Reinsurers' share	Net
Claims and claim adjustment expenses	48,631	(4,371)	44,260
Surrenders	4,407	–	4,407
Annuities	4,721	–	4,721
Maturities and survival benefits	12,598	–	12,598
Policyholder dividends	5,000	–	5,000
Increase in policyholders' reserves	68,730	(27)	68,703
Interest credited to policyholder contract deposits	6,075	–	6,075
	150,162	(4,398)	145,764

12. CLAIMS AND POLICYHOLDERS' BENEFITS (CONTINUED)

(2)

(in RMB million)	2012 Gross	2012 Reinsurers' share	2012 Net
Long term life insurance contract benefits	**115,063**	**(278)**	**114,785**
Short term life insurance claims	**4,251**	**(51)**	**4,200**
Property and casualty insurance claims	**53,419**	**(6,410)**	**47,009**
	172,733	**(6,739)**	**165,994**

(in RMB million)	2011 Gross	2011 Reinsurers' share	2011 Net
Long term life insurance contract benefits	105,743	(247)	105,496
Short term life insurance claims	3,826	(264)	3,562
Property and casualty insurance claims	40,593	(3,887)	36,706
	150,162	(4,398)	145,764

13. PROFIT BEFORE TAX

(1) PROFIT BEFORE TAX IS ARRIVED AT AFTER CHARGING/(CREDITING) THE FOLLOWING ITEMS:

(in RMB million)	2012	2011
Employee costs (Note 13. (2))	**27,235**	19,975
Interest expenses on investment contract reserves	**695**	785
Provision for insurance guarantee fund	**1,146**	997
Regulatory supervisory fee	**311**	338
Depreciation of investment properties	**395**	351
Depreciation of property and equipment	**2,286**	1,673
Amortization of intangible assets	**1,633**	1,101
Rental expenses	**3,545**	2,592
Advertising expenses	**5,362**	3,387
Traveling expenses	**871**	830
Office miscellaneous expenses	**1,491**	1,236
Other taxes	**330**	277
Postage and telecommunication expenses	**1,471**	1,196
Vehicle and vessel fuel expenses	**717**	508
Gains on disposal of investment properties, property and equipment, and intangible assets	**(1)**	(6)
Provision/(reversal of provision) for doubtful debts, net	**100**	(25)
Provision for loans, net	**3,048**	1,704
Cost of sales from Jahwa Group	**2,172**	–
Auditors' remuneration – annual audit, half-year review and quarterly agreed-upon procedures	**57**	54

13. PROFIT BEFORE TAX(CONTINUED)

(2) EMPLOYEE COSTS

(in RMB million)	2012	2011
Wages, salaries and bonuses	**21,659**	16,098
Retirement benefits, social security contributions and welfare benefits	**5,576**	3,877
	27,235	19,975

14. INCOME TAX

(in RMB million)	2012	2011
Current income tax		
– Change for the year	**8,332**	8,449
– Adjustments in respect of current income tax of previous years (Note)	**(1,373)**	92
Deferred income tax	**(1,371)**	(1,097)
	5,588	7,444

On 16 March 2007, the National People's Congress approved the *Corporate Income Tax Law of the People's Republic of China* (the new "CIT Law"). The new CIT Law unified the domestic corporate income tax rate at 25% with effect from 1 January 2008. For subsidiaries and branches of the Group located in the Special Economic Zones that were entitled to preferential income tax rates, the applicable CIT rate would be transited to 25% over five years. During the transition period, the applicable CIT rate for relevant subsidiaries and branches would be 18%, 20%, 22%, 24% and 25% for years 2008, 2009, 2010, 2011 and 2012, respectively. Except for those subsidiaries enjoying tax preferences, the applicable CIT rate for 2012 for the Group was 25%.

Subsidiaries of the Group located in the Hong Kong Special Administrative Region are subject to Hong Kong profits tax. The tax rate of Hong Kong profits tax was 16.5% for 2012 (2011: 16.5%).

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate of 25% (2011: 24%) is as follows:

(in RMB million)	2012	2011
Profit before tax	**32,338**	30,026
Tax at the applicable tax rate of 25% (2011: 24%)	**8,085**	7,206
Expenses not deductible for tax	**691**	1,839
Income not subject to tax	**(1,815)**	(1,787)
Deferred tax effect of different tax rates between current year and future years	**-**	(5)
Tax effect of higher tax rate on branches and entities (in Mainland China) located outside the Special Economic Zones	**-**	99
Adjustments in respect of current income tax of previous years	**(1,373)**	92
Income tax per consolidated income statement	**5,588**	7,444

The Group's tax position is subject to assessment and inspection of the tax authorities before finalization.

Note: When preparing its financial statements for the year ended 31 December 2011, the Group assessed and provided for income tax based on prevailing tax regulations at that time. Accordingly, it treated certain commission expenses, relating to deposits from policyholders, exceeding allowed threshold as being non tax deductible; the tax impact of which was RMB1,291 million. Subsequently, when the Group filed tax returns for the year ended 31 December 2011 in May 2012, it was able to treat all commission expenses related to deposits from policyholders as being tax deductible based on a tax notice Cai Shui [2012] No. 15 issued in April 2012, after the Group's financial statements for the year ended 31 December 2011 had been finalized. As a result of this change in tax law subsequent to the previous financial year end, the adjustment to 2011 income tax had been recognized in the income statement for the year ended 31 December 2012.

15. OTHER COMPREHENSIVE INCOME

(in RMB million)	2012	2011
Available-for-sale financial assets:		
Changes in fair value	**3,914**	(21,886)
Reclassification adjustments for losses included in the income statement		
– Losses on disposal	**9,074**	642
– Impairment losses	**6,585**	2,606
Income tax effect	**(4,861)**	4,578
	14,712	(14,060)
Shadow accounting adjustments	**(3,426)**	2,153
Income tax effect	**855**	(538)
	(2,571)	1,615
Exchange differences on translation of foreign operations	**(29)**	78
Share of other comprehensive income of associates and jointly controlled entities	**(39)**	103
	12,073	(12,264)

16. DIVIDENDS

(in RMB million)	2012	2011
Interim dividend – RMB0.15 (2011: RMB0.15) per ordinary share	**1,187**	1,187
Proposed final dividend – RMB0.30 (2011: RMB0.25) per ordinary share (not recognized as a liability as at 31 December)	**2,375**	1,979

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

On 15 March 2012, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2011, agreeing to declare a final cash dividend of RMB0.25 per share for 2011 which amounted to RMB1,979 million based on the total shares of 7,916 million outstanding at that point in time. On 27 June 2012, the above Profit Appropriation Plan was approved by the shareholders' general meeting of the Company.

17. EARNINGS PER SHARE

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

	2012	2011
Net profit attributable to ordinary shareholders (in RMB million)	**20,050**	19,475
Weighted average number of outstanding shares of the Company (million shares)	**7,916**	7,780
Basic earnings per share (in RMB)	**2.53**	2.50
Diluted earnings per share (in RMB)	**2.53**	2.50

18. BALANCES WITH THE CENTRAL BANK AND STATUTORY DEPOSITS

(in RMB million)	**31 December 2012**	31 December 2011
Statutory reserve deposits with the Central Bank for banking operations	**160,375**	136,877
Unrestricted deposits with the Central Bank	**55,152**	21,336
Other deposits with the Central Bank	**587**	187
Statutory deposits for insurance operations	**10,958**	9,966
	227,072	168,366

In accordance with relevant regulations, bank operations are required to place mandatory reserve deposits with the People's Bank of China (the "PBOC") for customer deposits in both RMB and foreign currencies. As at 31 December 2012, the mandatory deposits are calculated at 18% (31 December 2011: 19%) of customer deposits denominated in RMB and 5% (31 December 2011: 5%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its day to day operations.

Statutory deposits for insurance operations are placed with PRC banks in accordance with the PRC Insurance Law and relevant regulations based on not less than 20% of the respective registered capital of the subsidiaries engaged in the insurance business within the Group.

19. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2012	31 December 2011
Cash on hand	**3,239**	2,242
Term deposits	**216,941**	157,977
Due from banks and other financial institutions	**165,808**	92,340
Placements with banks and other financial institutions	**65,426**	8,447
	451,414	261,006

As at 31 December 2012, amounts due from banks of RMB5,649 million (31 December 2011: due from banks of RMB13,267 million) were designated at fair value through profit or loss.

As at 31 December 2012, cash and amounts due from banks and other financial institutions of RMB97 million (31 December 2011: RMB278 million) were restricted from use.

As at 31 December 2012, cash and amounts due from overseas banks and other financial institutions amounted to RMB9,150 million (31 December 2011: RMB4,804 million).

20. FIXED MATURITY INVESTMENTS

(in RMB million)	31 December 2012	31 December 2011
Bonds	**772,136**	697,344
Debt schemes	**37,428**	10,360
Policy loans	**18,558**	14,105
Assets purchased under agreements to resell	**190,788**	37,312
Banking wealth management products	**90,338**	13,232
	1,109,248	772,353

(1) BONDS

(in RMB million)	31 December 2012	31 December 2011
Held-to-maturity, at amortized cost	**566,009**	480,005
Available-for-sale, at fair value	**187,495**	199,373
Held for trading	**10,398**	9,732
Loans and receivables	**8,234**	8,234
	772,136	697,344

20. FIXED MATURITY INVESTMENTS (CONTINUED)

(1) BONDS (CONTINUED)

(in RMB million)	31 December 2012	31 December 2011
Government bonds	**127,756**	139,110
Central Bank bills	**8,964**	11,084
Finance bonds	**430,564**	363,793
Corporate bonds	**204,852**	183,357
	772,136	697,344
Listed	**52,167**	56,673
Unlisted	**719,969**	640,671
	772,136	697,344

As at 31 December 2012, bonds with a carrying amount of RMB153,568 million (31 December 2011: RMB98,441 million) were pledged as assets sold under agreements to repurchase.

As at 31 December 2012, bonds with a carrying amount of RMB15,675 million (31 December 2011: RMB6,970 million) were pledged for agreements of time deposits from the Central Bank.

As at 31 December 2012, bonds with a carrying amount of RMB15,014 million (31 December 2011: Nil) were pledged for amounts due to the Central Bank.

(2) ASSETS PURCHASED UNDER AGREEMENTS TO RESELL

(in RMB million)	31 December 2012	31 December 2011
Bonds	**28,211**	8,239
Bills	**64,649**	27,963
Beneficial right of trust schemes	**96,968**	–
Receivable under finance leases	**939**	1,145
Others	**56**	–
Gross	**190,823**	37,347
Less: Provision for impairment losses	**(35)**	(35)
Net	**190,788**	37,312

As at 31 December 2012, bonds held as collateral for assets purchased under agreements to resell with a carrying amount of RMB2,156 million (31 December 2011: RMB420 million) and bills held as collateral for assets purchased under agreements to resell with a carrying amount of RMB3,676 million (31 December 2011: Nil) were pledged as assets sold under agreements to repurchase.

As at 31 December 2012, bills held as collateral for assets purchased under agreements to resell with a carrying amount of RMB179 million (31 December 2011: RMB400 million) were pledged for amounts due to the Central Bank.

21. EQUITY INVESTMENTS

(in RMB million)	31 December 2012	31 December 2011
Equity investment funds	**35,440**	30,390
Equity securities	**79,997**	77,485
Other equity investments	**10,687**	9,110
	126,124	116,985

(1) EQUITY INVESTMENT FUNDS

(in RMB million)	31 December 2012	31 December 2011
Available-for-sale, at fair value	**25,769**	25,461
Held for trading	**9,671**	4,929
	35,440	30,390
Listed	**6,540**	6,394
Unlisted	**28,900**	23,996
	35,440	30,390

(2) EQUITY SECURITIES

(in RMB million)	31 December 2012	31 December 2011
Available-for-sale, at fair value	**79,444**	77,313
Held for trading	**553**	172
	79,997	77,485
Listed	**79,963**	77,315
Unlisted	**34**	170
	79,997	77,485

(3) OTHER EQUITY INVESTMENTS

(in RMB million)	31 December 2012	31 December 2011
Available-for-sale, at fair value	**32**	44
Available-for-sale, at cost	**9,171**	7,286
Designated at fair value through profit or loss	**1,484**	1,780
	10,687	9,110
Unlisted	**10,687**	9,110

22. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2012			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	**12,879**	**99**	**13,603**	**103**
Currency forwards and swaps	**76,656**	**873**	**76,994**	**849**
	89,535	**972**	**90,597**	**952**

	31 December 2011			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	6,753	150	6,503	150
Currency forwards and swaps	57,763	668	52,151	582
	64,516	818	58,654	732

None of the above derivatives has been designated as a hedging instrument.

23. LOANS AND ADVANCES TO CUSTOMERS

(1) ANALYZED BY CORPORATE AND INDIVIDUAL

(in RMB million)	31 December 2012	31 December 2011
Corporate customers		
Loans	**485,834**	414,478
Discounted bills	**10,410**	17,683
Individual customers		
Credit card	**49,724**	24,710
Property mortgages	**131,308**	140,786
Others	**44,970**	24,982
Gross	**722,246**	622,639
Less: Loan loss provisions	**(12,844)**	(10,908)
Net	**709,402**	611,731

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) ANALYZED BY INDUSTRY

(in RMB million)	31 December 2012	31 December 2011
Corporate customers		
Agriculture, husbandry and fishery	**1,792**	1,695
Extraction (heavy industry)	**11,620**	6,619
Manufacturing (light industry)	**159,664**	134,197
Energy	**13,561**	14,829
Transportation, storage and communication	**31,110**	30,059
Commercial	**138,975**	107,241
Real estate	**42,276**	36,635
Service, technology, culture and sanitary industries	**46,256**	51,689
Construction	**34,455**	27,572
Others	**6,125**	3,942
Subtotal of loans	**485,834**	414,478
Discounted bills	**10,410**	17,683
Subtotal of corporate customers	**496,244**	432,161
Individual customers	**226,002**	190,478
Gross	**722,246**	622,639

(3) ANALYZED BY TYPE OF COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS

(in RMB million)	31 December 2012	31 December 2011
Unsecured	**148,065**	115,814
Guaranteed	**165,190**	131,858
Secured by collateral		
Secured by mortgages	**294,640**	277,763
Secured by monetary assets	**103,941**	79,521
Subtotal	**711,836**	604,956
Discounted bills	**10,410**	17,683
Gross	**722,246**	622,639

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) AGING ANALYSIS OF PAST DUE LOANS

	31 December 2012				
(in RMB million)	Within 3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Unsecured	**1,419**	**857**	**171**	**130**	**2,577**
Guaranteed	**1,092**	**1,377**	**205**	**55**	**2,729**
Secured by collateral					
Secured by mortgages	**4,297**	**4,505**	**1,489**	**96**	**10,387**
Secured by monetary assets	**865**	**608**	**185**	**137**	**1,795**
	7,673	**7,347**	**2,050**	**418**	**17,488**

	31 December 2011				
(in RMB million)	Within 3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Unsecured	829	280	51	219	1,379
Guaranteed	419	62	260	80	821
Secured by collateral					
Secured by mortgages	4,146	792	540	371	5,849
Secured by monetary assets	339	26	10	176	551
	5,733	1,160	861	846	8,600

Past due loans refer to the loans with either principal or interest being past due by one day or more.

(5) ANALYZED BY REGION

	31 December 2012		31 December 2011	
(in RMB million)	Amount	%	Amount	%
Southern and Central China	**286,507**	**39.67%**	242,726	38.98%
Eastern China	**249,526**	**34.55%**	228,993	36.77%
Northern and North-eastern China	**137,168**	**18.99%**	110,995	17.83%
South-western China	**43,019**	**5.96%**	35,590	5.72%
Offshore business	**6,026**	**0.83%**	3,831	0.62%
Others	**–**	**0.00%**	504	0.08%
Gross	**722,246**	**100.00%**	622,639	100.00%

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(6) LOAN LOSS PROVISION

(in RMB million)	Individually assessed	Collectively assessed	Total
As at 1 January 2012	**1,714**	**9,194**	**10,908**
Charge for the year	**1,169**	**1,879**	**3,048**
Write-off during the year	**(870)**	**(400)**	**(1,270)**
Recovery of loans written off previously	**344**	**78**	**422**
Interest accrued on impaired loans	**(219)**	**–**	**(219)**
Other changes for the year	**–**	**(45)**	**(45)**
As at 31 December 2012	**2,138**	**10,706**	**12,844**
As at 1 January 2011	398	1,138	1,536
Acquisition of subsidiaries	1,089	6,403	7,492
Charge/(reversal) for the year	(112)	1,816	1,704
Write-off during the year	(21)	(251)	(272)
Recovery of loans written off previously	405	88	493
Interest accrued on impaired loans	(43)	–	(43)
Other changes for the year	(2)	–	(2)
As at 31 December 2011	1,714	9,194	10,908

As at 31 December 2012, discounted bills with a carrying amount of RMB513 million (31 December 2011: Nil) were pledged as assets sold under agreements to repurchase.

As at 31 December 2012, discounted bills with a carrying amount of RMB988 million (31 December 2011: RMB716 million) were pledged for amounts due to the Central Bank.

24. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The Group's investments in the principal associates and jointly controlled entities as at year end are as follows:

(in RMB million) Name of the invested entity	31 December 2012	31 December 2011
Veolia Water (Kunming) Investment Co., Ltd. ("Veolia Kunming")	**203**	208
Veolia Water (Yellow River) Investment Co., Ltd. ("Veolia Yellow River")	**315**	613
Veolia Water (Liuzhou) Investment Co., Ltd. ("Veolia Liuzhou")	**103**	111
Shanxi Taichang Expressway Co., Ltd. ("Shanxi Taichang")	**781**	809
Hubei Shumyip Huayin Traffic Development Co., Ltd. ("Hubei Shumyip Huayin")	**248**	301
Beijing-Shanghai High-speed Railway Equity Investment Scheme ("Beijing-Shanghai Railway")	**6,300**	6,300
Shaoxing Pingan New Capital Co., Ltd. ("Shaoxing Pingan New Capital")	**37**	36
Central China Securities Holding Co., Ltd. ("Central China Securities")	**-**	1,684
Zhong You Jin Hong Natural Gas Transmission Co., Ltd. ("Zhong You Jin Hong")	**-**	480
Foshan Shunde Peace Hospital Investment Co., Ltd. ("Shunde Peace Hospital")	**129**	136
Tongxin No.1 Real Estate Investment Aggregated Fund Trust Scheme ("Tongxin No.1")	**95**	100
Chengdu Gongtou Assets Management Co., Ltd. ("Chengdu Gongtou")	**411**	429
Xi'an Ruilian Modern Electronic Chemical Co., Ltd. ("Xi'an Ruilian")	**-**	321
Newheight Holdings Ltd. ("Newheight Holdings")	**130**	70
Jiangsu T.Y. Environmental Energy Co., Ltd. ("Jiangsu T.Y.")	**167**	14
Jiangyin Tianjiang Pharmaceutical Co., Ltd. ("Tianjiang Pharmaceutical")	**395**	–
Shanghai Takasago Union Fragrances & Flavors Co., Ltd. ("Shanghai Takasago Union").	**75**	–
Shenzhen Minghua Intelligent Technology Co., Ltd. ("Shenzhen Minghua")	**255**	–
Ping An Caifu Jinkang Trust Schemes of Collective Funds ("Jinkang Trust")	**-**	87
Guangzhou Yikang Medical Investment Management Co., Ltd. ("Guangzhou Yikang")	**83**	–
Ping An Russell Investment Management (Shanghai) Co., Ltd. ("Ping An Russell")	**33**	41
Guangzhou Shengan Chuangfu Investment & Management Limited ("Shengan Chuangfu")	**10**	10
Tianjin Ancheng Chuangjing Equity Investment Fund of Partnership Enterprise ("Ancheng Chuangjing")	**16**	16
Others	**174**	71
	9,960	11,837

24. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

The Group's investments in the principal associates and jointly controlled entities as at year end are as follows: (continued)

Name of the invested entity	Place of incorporation	Paid-in capital (RMB unless otherwise stated)	Percentage of voting rights	Principal activities
Associates				
Veolia Kunming	Hong Kong	USD91,875,208	24.00%	Water plant operation
Veolia Yellow River	Hong Kong	USD189,421,568	49.00%	Water plant operation
Veolia Liuzhou	Hong Kong	USD32,124,448	45.00%	Water plant operation
Shanxi Taichang	The PRC	2,600,190,000	30.00%	Expressway operation
Hubei Shumyip Huayin	The PRC	110,000,000	49.00%	Expressway investment
Beijing-Shanghai Railway	The PRC	16,000,000,000	39.38%	Railway investment
Shaoxing Pingan New Capital	The PRC	130,000,000	30.00%	Investment holding
Shunde Peace Hospital	The PRC	18,520,000	43.70%	Hospital operation
Tongxin No.1	N/A	246,600,000	40.50%	Real estate trust
Chengdu Gongtou	The PRC	518,700,000	33.20%	Investments and assets management
Newheight Holdings	Cayman Islands	USD2,036	33.00%	Investment holding
Jiangsu T.Y.	The PRC	189,285,714	27.27%	Environmental projects investment
Tianjiang Pharmaceutical	The PRC	85,100,000	23.84%	Production of pharmaceutical drugs
Shanghai Takasago Union	The PRC	51,600,000	40.00%	Production of fragrance for daily use
Shenzhen Minghua	The PRC	277,065,520	49.99%	Research, development and sale of intelligent card
Guangzhou Yikang	The PRC	199,750,000	40.00%	Investment in a chain of clinics
Jointly controlled entities				
Ping An Russell	The PRC	100,000,000	51.00%	Investment consulting and management
Shengan Chuangfu	The PRC	20,000,000	49.94%	Investment consulting and management
Ancheng Chuangjing	The PRC	31,000,000	N/A	Equity investment and consulting services

25. PREMIUM RECEIVABLES

(in RMB million)	31 December 2012	31 December 2011
Premium receivables	**18,926**	12,234
Less: Provision for doubtful receivables	**(170)**	(145)
Premium receivables, net	**18,756**	12,089
Life insurance	**6,462**	5,324
Property and casualty insurance	**12,294**	6,765
Premium receivables, net	**18,756**	12,089

The credit terms of premium receivables granted are generally from one to six months with interest free.

An aging analysis of premium receivables is as follows:

(in RMB million)	31 December 2012	31 December 2011
Within 3 months	**18,351**	11,819
Over 3 months but within 1 year	**359**	241
Over 1 year	**46**	29
	18,756	12,089

26. ACCOUNTS RECEIVABLE

(in RMB million)	31 December 2012	31 December 2011
Receivables in respect of payments on behalf of customers	**–**	74,126
Receivables under factoring	**7,381**	7,759
Receivables in respect of payments on behalf of other banks	**–**	88,481
Others	**1,624**	361
Gross	**9,005**	170,727
Less: Provision for accounts receivable	**(26)**	–
Net	**8,979**	170,727

27. REINSURERS' SHARE OF INSURANCE LIABILITIES

(in RMB million)	31 December 2012	31 December 2011
Reinsurers' share of unearned premium reserves	**4,471**	3,903
Reinsurers' share of claim reserves	**4,313**	3,432
Reinsurers' share of policyholders' reserves	**557**	557
	9,341	7,892

28. INVESTMENT PROPERTIES

(in RMB million)	2012	2011
Cost		
As at 1 January	**10,648**	10,074
Acquisition of subsidiaries	**2,204**	698
Additions	**2,889**	1,388
Transfer to property and equipment, net	**1,272**	(1,146)
Disposal of subsidiaries	**–**	(327)
Disposals	**(2)**	(39)
As at 31 December	**17,011**	10,648
Accumulated depreciation and impairment losses		
As at 1 January	**1,572**	1,208
Acquisition of subsidiaries	**159**	119
Charge for the year	**395**	351
Transfer to property and equipment, net	**36**	(106)
Disposal of subsidiaries	**–**	–
Disposals	**(1)**	–
As at 31 December	**2,161**	1,572
Net book value		
As at 31 December	**14,850**	9,076
As at 1 January	**9,076**	8,866
Fair value as at 31 December 2012	**24,730**	16,700

The fair values of the investment properties as at 31 December 2012 were estimated by the Group, based on valuation performed by independent valuers.

The rental income arising from investment properties for the year 2012 amounted to RMB816 million (2011: RMB687 million), which is included in net investment income.

As at 31 December 2012, investment properties with a carrying amount of RMB3,673 million (31 December 2011: RMB1,897 million) were pledged as collateral for long term borrowings with a carrying amount of RMB2,166 million (31 December 2011: RMB1,499 million).

The Group was still in the process of applying for title certificates for certain investment properties with a carrying amount of RMB2,800 million as at 31 December 2012 (31 December 2011: RMB896 million).

29. PROPERTY AND EQUIPMENT

(in RMB million)	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	2012					
Cost						
As at 1 January 2012	3,205	10,957	6,067	1,089	2,652	23,970
Acquisitions of subsidiaries	-	1,576	384	41	17	2,018
Additions	722	36	1,144	132	1,843	3,877
Transfer of construction in progress	362	2,106	20	-	(2,488)	-
Transfer from investment properties, net	-	(655)	-	-	(617)	(1,272)
Disposals of subsidiaries	-	(8)	(9)	(3)	-	(20)
Disposals	(365)	(105)	(352)	(63)	-	(885)
As at 31 December 2012	3,924	13,907	7,254	1,196	1,407	27,688
Accumulated depreciation and impairment losses						
As at 1 January 2012	1,601	2,551	3,316	464	11	7,943
Acquisitions of subsidiaries	-	301	296	27	-	624
Charge for the year	770	515	933	147	-	2,365
Transfer from investment properties, net	-	(36)	-	-	-	(36)
Disposals of subsidiaries	-	(2)	(5)	(2)	-	(9)
Disposals	(313)	(51)	(326)	(48)	-	(738)
As at 31 December 2012	2,058	3,278	4,214	588	11	10,149
Net book value						
As at 31 December 2012	1,866	10,629	3,040	608	1,396	17,539
As at 1 January 2012	1,604	8,406	2,751	625	2,641	16,027

29. PROPERTY AND EQUIPMENT (CONTINUED)

	2011					
(in RMB million)	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2011	1,941	4,213	3,675	844	1,803	12,476
Acquisitions of subsidiaries	698	4,689	1,585	84	192	7,248
Additions	579	137	1,126	210	1,786	3,838
Transfer of construction in progress	271	814	30	–	(1,120)	(5)
Transfer from investment properties, net	–	1,155	–	–	(9)	1,146
Disposals of subsidiaries	–	(18)	(43)	–	–	(61)
Disposals	(284)	(33)	(306)	(49)	–	(672)
As at 31 December 2011	3,205	10,957	6,067	1,089	2,652	23,970
Accumulated depreciation and impairment losses						
As at 1 January 2011	859	1,221	1,878	337	11	4,306
Acquisitions of subsidiaries	308	986	1,030	47	–	2,371
Charge for the year	612	261	681	119	–	1,673
Transfer from investment properties, net	–	106	–	–	–	106
Disposals of subsidiaries	–	(4)	(5)	–	–	(9)
Disposals	(178)	(19)	(268)	(39)	–	(504)
As at 31 December 2011	1,601	2,551	3,316	464	11	7,943
Net book value						
As at 31 December 2011	1,604	8,406	2,751	625	2,641	16,027
As at 1 January 2011	1,082	2,992	1,797	507	1,792	8,170

The Group was still in the process of applying for title certificates for its buildings with a carrying amount of RMB187 million as at 31 December 2012 (31 December 2011: RMB478 million).

30. INTANGIBLE ASSETS

(in RMB million)	Goodwill	Expressway operating rights	Prepaid land premiums	Core deposits	Trademarks	Software and others	Total
	2012						
Cost							
As at 1 January 2012	**9,203**	**7,426**	**3,302**	**15,082**	**–**	**1,921**	**36,934**
Acquisitions of subsidiaries	**–**	**–**	**975**	**–**	**2,155**	**1,505**	**4,635**
Additions	**2,614**	**–**	**25**	**–**	**–**	**507**	**3,146**
Disposals of subsidiaries	**–**	**(2,754)**	**(11)**	**–**	**–**	**–**	**(2,765)**
Disposals	**(48)**	**–**	**–**	**–**	**–**	**(123)**	**(171)**
As at 31 December 2012	**11,769**	**4,672**	**4,291**	**15,082**	**2,155**	**3,810**	**41,779**
Accumulated amortization and impairment losses							
As at 1 January 2012	**–**	**1,431**	**377**	**377**	**–**	**1,165**	**3,350**
Acquisitions of subsidiaries	**–**	**–**	**39**	**–**	**21**	**17**	**77**
Charge for the year	**–**	**305**	**58**	**754**	**52**	**464**	**1,633**
Disposals of subsidiaries	**–**	**(740)**	**(1)**	**–**	**–**	**–**	**(741)**
Disposals	**–**	**–**	**–**	**–**	**–**	**(76)**	**(76)**
As at 31 December 2012	**–**	**996**	**473**	**1,131**	**73**	**1,570**	**4,243**
Net book value							
As at 31 December 2012	**11,769**	**3,676**	**3,818**	**13,951**	**2,082**	**2,240**	**37,536**
As at 1 January 2012	**9,203**	**5,995**	**2,925**	**14,705**	**–**	**756**	**33,584**

(in RMB million)	Goodwill	Expressway operating rights	Prepaid land premiums	Core deposits	Software and others	Total
	2011					
Cost						
As at 1 January 2011	619	7,426	2,757	–	1,234	12,036
Acquisitions of subsidiaries	–	–	–	15,082	360	15,442
Additions	8,624	–	545	–	380	9,549
Disposals of subsidiaries	–	–	–	–	(18)	(18)
Disposals	(40)	–	–	–	(35)	(75)
As at 31 December 2011	9,203	7,426	3,302	15,082	1,921	36,934
Accumulated amortization and impairment losses						
As at 1 January 2011	–	1,111	287	–	736	2,134
Acquisitions of subsidiaries	–	–	–	–	152	152
Charge for the year	–	320	90	377	314	1,101
Disposals of subsidiaries	–	–	–	–	(5)	(5)
Disposals	–	–	–	–	(32)	(32)
As at 31 December 2011	–	1,431	377	377	1,165	3,350
Net book value						
As at 31 December 2011	9,203	5,995	2,925	14,705	756	33,584
As at 1 January 2011	619	6,315	2,470	–	498	9,902

30. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2012, all the expressway operating rights of the Group were pledged as collateral for long term borrowings amounting to RMB1,485 million (31 December 2011: RMB2,812 million).

As at 31 December 2012, the Group was still in the process of applying for title certificates for prepaid land premium with a carrying amount of RMB2,104 million (31 December 2011: RMB2,120 million).

31. OTHER ASSETS

(in RMB million)	31 December 2012	31 December 2011
Other receivables (Note)	**12,211**	8,848
Due from reinsurers	**6,109**	4,369
Interest receivables	**28,668**	22,735
Settled assets	**644**	602
Prepayments	**2,540**	3,649
Precious metals	**2,430**	–
Others	**2,431**	1,789
	55,033	41,992

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*" (Cai kuai [2009] No. 15) issued by the Ministry of Finance. As the relevant tax laws and regulations have not clearly clarified how the implementation of the above accounting regulations would affect the manner in which corporate income tax would be imposed, the Group accrued the corporate income tax based on its understanding and judgment of the current prevailing tax laws and regulations when preparing the financial statements. As there is a difference between the accrued corporate income tax amount and the actual payment of the corporate income tax, the Group recorded this difference of RMB3,520 million in other assets as at 31 December 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.

32. SHARE CAPITAL

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

The above share contribution was verified by Chinese Certified Public Accountants.

33. RESERVES AND RETAINED PROFITS

GROUP

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Out of the Group's retained profits, RMB9,927 million as at 31 December 2012 (31 December 2011: RMB8,493 million) represents the Company's share of its subsidiaries' surplus reserve fund which cannot be used for profit distribution.

Out of the Group's retained profits, RMB10,466 million as at 31 December 2012 (31 December 2011: RMB7,544 million) represents the Company's share of its subsidiaries' general reserve which cannot be used for profit distribution.

33. RESERVES AND RETAINED PROFITS (CONTINUED)

COMPANY

(in RMB million)	Share premium	Available-for-sale financial assets	Surplus reserve fund	General reserve	Retained profits	Total
As at 1 January 2012	**83,506**	**(216)**	**6,982**	**395**	**22,630**	**113,297**
Total comprehensive income for the year	**-**	**140**	**-**	**-**	**7,355**	**7,495**
Dividend declared	**-**	**-**	**-**	**-**	**(3,166)**	**(3,166)**
As at 31 December 2012	**83,506**	**(76)**	**6,982**	**395**	**26,819**	**117,626**
As at 1 January 2011	67,644	21	6,689	395	4,928	79,677
Total comprehensive income for the year	–	(237)	–	–	22,240	22,003
Appropriations to surplus reserve fund	–	–	293	–	(293)	–
Issue of capital	15,862	–	–	–	–	15,862
Dividend declared	–	–	–	–	(4,245)	(4,245)
As at 31 December 2011	83,506	(216)	6,982	395	22,630	113,297

According to the Company's articles of association, the Company shall set aside 10% of its net profit determined in its statutory financial statements, prepared in accordance with PRC Accounting Standards, to a statutory surplus reserve fund. The Company can cease such profit appropriation to this fund if its balance reaches 50% of the Company's registered share capital. The Company may also make appropriations from its net profit to the discretionary surplus reserve fund provided the appropriation is approved by a resolution of the shareholders. These reserves cannot be used for purposes other than those for which they are created. Profits are used to offset prior year losses before allocations to such reserves.

Capital reserve mainly represents share premiums arising from the issuance of shares.

Subject to resolutions passed in shareholders' meetings, the statutory surplus reserve fund, discretionary surplus reserve fund and capital reserve can be transferred to share capital. The balance of the statutory surplus reserve fund after transfers to share capital shall not be less than 25% of the registered capital.

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures and fund businesses. The Group's respective entities engaged in such businesses would need to make appropriations for such reserves based on their respective year-end profit or risk assets, as determined in accordance with PRC Accounting Standards, and based on the applicable PRC financial regulations, in their annual financial statements. Such reserves are not available for profit distribution or transfer to capital.

In accordance with the relevant regulations, the net profit after tax of the Company for profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profits determined in accordance with IFRSs.

34. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2012	31 December 2011
Deposits from other banks and financial institutions	**390,847**	180,436
Due to the Central Bank	**16,168**	1,131
Short term borrowings	**3,566**	2,994
Long term borrowings	**9,734**	11,134
	420,315	195,695

For the mortgage and collateral of the above borrowings, refer to Notes 20, 23, 28 and 30.

35. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	31 December 2012	31 December 2011
Bonds	**145,728**	97,370
Discounted bills	**4,215**	–
Income right to shares of subsidiaries	**5,034**	2,364
	154,977	99,734

As at 31 December 2012, income right to shares of subsidiaries with a carrying amount of RMB5,513 million (31 December 2011: RMB2,364 million) were pledged as assets sold under agreements to repurchase.

For the collateral of the assets sold under agreements to repurchase with bonds and discounted bills, refer to Notes 20 and 23.

36. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

(in RMB million)	31 December 2012	31 December 2011
Customer deposits		
Current and savings accounts		
– Corporate customers	**246,709**	201,731
– Individual customers	**85,212**	69,075
Term deposits		
– Corporate customers	**319,125**	258,709
– Individual customers	**88,348**	70,410
Guarantee deposits	**204,353**	204,213
Time deposits from the Central Bank	**13,170**	5,800
Others	**22,408**	17,881
	979,325	827,819
Payables to brokerage customers		
– Corporate customers	**588**	1,938
– Individual customers	**7,023**	6,292
	7,611	8,230
	986,936	836,049

For the collateral of time deposits from the Central Bank, refer to Note 20.

37. ACCOUNTS PAYABLE

(in RMB million)	31 December 2012	31 December 2011
Payables with respect to making payments on behalf of customers	**-**	69,478
Payables under factoring	**2,068**	968
Others	**1,547**	193
	3,615	70,639

38. INSURANCE CONTRACT LIABILITIES

(in RMB million)	31 December 2012	31 December 2011
Policyholders' reserves	**531,639**	461,521
Policyholder contract deposits	**236,250**	195,381
Policyholder account liabilities in respect of insurance contracts	**32,417**	33,460
Unearned premium reserves	**50,801**	42,288
Claim reserves	**31,486**	25,754
Total	**882,593**	758,404

	31 December 2012		
(in RMB million)	Insurance contract liabilities	Reinsurers' share	Net
Long term life insurance contracts	**800,306**	**(557)**	**799,749**
Short term life insurance contracts	**4,097**	**(83)**	**4,014**
Property and casualty insurance contracts	**78,190**	**(8,701)**	**69,489**
	882,593	**(9,341)**	**873,252**

	31 December 2011		
(in RMB million)	Insurance contract liabilities	Reinsurers' share	Net
Long term life insurance contracts	690,362	(557)	689,805
Short term life insurance contracts	3,612	(109)	3,503
Property and casualty insurance contracts	64,430	(7,226)	57,204
	758,404	(7,892)	750,512

(in RMB million)	31 December 2012	31 December 2011
Current portion*		
Long term life	**(7,665)**	(6,305)
Short term life	**4,070**	3,593
Property and casualty	**48,749**	40,737
Non-current portion		
Long term life	**807,971**	696,667
Short term life	**27**	19
Property and casualty	**29,441**	23,693
Total	**882,593**	758,404

* Estimated net cash flows within 12 months from the end of the reporting period.

38. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(1) LONG TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2012	31 December 2011
Policyholders' reserves	**531,639**	461,521
Policyholder contract deposits	**236,250**	195,381
Policyholder account liabilities in respect of insurance contracts	**32,417**	33,460
	800,306	690,362

The policyholders' reserves are analyzed as follows:

(in RMB million)	2012	2011
As at 1 January	**461,521**	395,159
Increase during the year	**124,759**	112,194
Decrease during the year		
– Claims and benefits paid	**(43,719)**	(35,951)
– Surrender	**(12,354)**	(10,157)
– Others	**1,432**	276
As at 31 December	**531,639**	461,521

The policyholder contract deposits are analyzed as follows:

(in RMB million)	2012	2011
As at 1 January	**195,381**	155,628
Premiums received	**64,041**	60,947
Accretion of investment income	**8,966**	6,381
Liabilities released for benefits paid	**(17,220)**	(12,819)
Policy administration fees and surrender charges deducted	**(150)**	(167)
Others	**(14,768)**	(14,589)
As at 31 December	**236,250**	195,381

(2) SHORT TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2012	31 December 2011
Unearned premium reserves	**2,413**	2,213
Claim reserves	**1,684**	1,399
	4,097	3,612

38. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(2) SHORT TERM LIFE INSURANCE CONTRACTS (CONTINUED)

The unearned premium reserves of short term life insurance are analyzed as follows:

(in RMB million)	2012 Gross	2012 Reinsurers' share	2012 Net	2011 Gross	2011 Reinsurers' share	2011 Net
As at 1 January	**2,213**	**(54)**	**2,159**	1,988	(267)	1,721
Premiums written during the year	**8,936**	**(175)**	**8,761**	7,624	(180)	7,444
Premiums earned during the year	**(8,736)**	**171**	**(8,565)**	(7,399)	393	(7,006)
As at 31 December	**2,413**	**(58)**	**2,355**	2,213	(54)	2,159

The claim reserves of short term life insurance are analyzed as follows:

(in RMB million)	2012 Gross	2012 Reinsurers' share	2012 Net	2011 Gross	2011 Reinsurers' share	2011 Net
As at 1 January	**1,399**	**(55)**	**1,344**	1,130	(322)	808
Claims incurred during the year	**4,251**	**(81)**	**4,170**	3,826	(264)	3,562
Claims paid during the year	**(3,966)**	**111**	**(3,855)**	(3,557)	531	(3,026)
As at 31 December	**1,684**	**(25)**	**1,659**	1,399	(55)	1,344

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS

(in RMB million)	31 December 2012	31 December 2011
Unearned premium reserves	**48,388**	40,075
Claim reserves	**29,802**	24,355
	78,190	64,430

The unearned premium reserves of property and casualty insurance are analyzed as follows:

(in RMB million)	2012 Gross	2012 Reinsurers' share	2012 Net	2011 Gross	2011 Reinsurers' share	2011 Net
As at 1 January	**40,075**	**(3,849)**	**36,226**	28,854	(2,360)	26,494
Premiums written during the year	**99,089**	**(12,224)**	**86,865**	83,708	(10,511)	73,197
Premiums earned during the year	**(90,776)**	**11,660**	**(79,116)**	(72,487)	9,022	(63,465)
As at 31 December	**48,388**	**(4,413)**	**43,975**	40,075	(3,849)	36,226

38. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS (CONTINUED)

The claim reserves of property and casualty insurance are analyzed as follows:

	2012			2011		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**24,355**	**(3,377)**	**20,978**	16,904	(2,699)	14,205
Claims incurred during the year	**53,419**	**(6,410)**	**47,009**	40,593	(3,887)	36,706
Claims paid during the year	**(47,972)**	**5,499**	**(42,473)**	(33,142)	3,209	(29,933)
As at 31 December	**29,802**	**(4,288)**	**25,514**	24,355	(3,377)	20,978

39. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

(in RMB million)	31 December 2012	31 December 2011
Policyholder account liabilities in respect of investment contracts	**3,824**	3,992
Investment contract reserves	**30,845**	28,819
	34,669	32,811

The investment contract liabilities are analyzed as follows:

(in RMB million)	2012	2011
As at 1 January	**32,811**	29,991
Premiums received	**7,235**	6,639
Accretion of investment income	**1,199**	793
Liabilities released for benefits paid	**(5,802)**	(4,031)
Policy administration fees and surrender charges deducted	**(89)**	(87)
Others	**(685)**	(494)
As at 31 December	**34,669**	32,811

As at 31 December 2011 and 2012, the Group had no reinsurance contracts without significant insurance risk transfer.

40. BONDS PAYABLE

Issuer	Type	Guarantee type	Maturity	Early redemption option	Interest type	Coupon rate (per annum)	31 December 2012	31 December 2011
Value Success International Limited	Offshore RMB bonds	Guaranteed (Note)	3 years	None	Fixed	2.075%	**1,998**	1,995
Ping An Property & Casualty	Subordinated Bonds	None	10 years	End of the fifth year	Fixed	First 5 years: 4.2% Next 5 years: 6.2% (If not redeemed)	**2,081**	2,056
Ping An Property & Casualty	Subordinated Bonds	None	10 years	End of the fifth year	Fixed	First 5 years: 4.65% Next 5 years: 6.65% (If not redeemed)	**5,562**	2,539
Ping An Life	Subordinated Bonds	None	10 years	End of the fifth year	Fixed	First 5 years: 5% Next 5 years: 7% (If not redeemed)	**9,019**	-
Ping An Life	Subordinated Bonds	None	10 years	End of the fifth year	Fixed	First 5 years: 5.7% Next 5 years: 7.7% (If not redeemed)	**4,032**	3,997
Ping An Bank	Subordinated Bonds	None	10 years	End of the fifth year	Fixed	First 5 years: 4.4% Next 5 years: 7.4% (If not redeemed)	**1,148**	1,148
Ping An Bank	Subordinated Bonds	None	10 years	End of the fifth year	Floating	First 5 years: one year deposit interest plus 1.65% Next 5 years: one year deposit interest plus 4.65% (If not redeemed)	**1,845**	1,847
Ping An Bank	Subordinated bonds	None	10 years	End of the fifth year	Fixed	First 5 years: 6.1% Next 5 years: 9.1% (If not redeemed)	**5,997**	6,051
Ping An Bank	Subordinated bonds	None	10 years	End of the fifth year	Floating	First 5 years: three months SHIBOR plus 1.4% Next 5 years: three months SHIBOR plus 4.4% (If not redeemed)	**500**	504
Ping An Bank	Subordinated bonds	None	10 years	End of the fifth year	Fixed	First 5 years: 5.3% Next 5 years: 8.3% (If not redeemed)	**1,498**	1,490
Ping An Bank	Hybrid capital debt instrument	None	15 years	End of the tenth year	Fixed	First 10 years: 5.7% Next 5 years: 8.7% (If not redeemed)	**1,463**	1,340
Ping An Bank	Hybrid capital debt instrument	None	15 years	End of the tenth year	Fixed	7.5%	**3,650**	3,666
							38,793	26,633

Note: The bonds are guaranteed by Ping An Overseas Holdings, which is the holding company of Value Success International Limited.

FINANCIAL STATEMENTS

41. DEFERRED TAX ASSETS AND LIABILITIES

(in RMB million)	31 December 2012	31 December 2011
Deferred tax assets	**10,680**	13,383
Deferred tax liabilities	**(5,599)**	(4,612)
Net	**5,081**	8,771

	2012						
(in RMB million)	As at 1 January	Acquisitions of subsidiaries	Charged to profit or loss	Charged to equity	Other changes	As at 31 December	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	**12**	**-**	**(7)**	**-**	**-**	**5**	**(20)**
Fair value adjustments and impairment losses on available-for-sale investments	**10,885**	**-**	**18**	**(4,861)**	**12**	**6,054**	**(24,216)**
Insurance contract liabilities	**(1,105)**	**-**	**186**	**855**	**-**	**(64)**	**361**
Loan loss provisions	**1,956**	**-**	**32**	**-**	**-**	**1,988**	**(7,956)**
Intangible assets – core deposits	**(3,676)**	**-**	**189**	**-**	**-**	**(3,487)**	**13,951**
Others	**699**	**(1,206)**	**953**	**-**	**139**	**585**	**(2,340)**
	8,771	**(1,206)**	**1,371**	**(4,006)**	**151**	**5,081**	**(20,220)**

	2011						
(in RMB million)	As at 1 January	Acquisitions of subsidiaries	Charged to profit or loss	Charged to equity	Other changes	As at 31 December	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	(48)	(22)	82	–	–	12	(50)
Fair value adjustments and impairment losses on available-for-sale investments	6,101	78	128	4,578	–	10,885	(43,554)
Insurance contract liabilities	(324)	–	(243)	(538)	–	(1,105)	4,523
Loan loss provisions	30	1,575	351	–	–	1,956	(7,826)
Intangible assets – core deposits	–	(3,770)	94	–	–	(3,676)	14,705
Others	(132)	150	685	–	(4)	699	(2,788)
	5,627	(1,989)	1,097	4,040	(4)	8,771	(34,990)

42. OTHER LIABILITIES

(in RMB million)	31 December 2012	31 December 2011
Other payables	**6,335**	5,700
Payable to holders of trust schemes and banking wealth management products	**1,962**	5,671
Salaries and welfare payable	**9,567**	7,649
Interest payable	**11,497**	9,645
Other tax payable	**3,464**	2,897
Receipts in advance	**4,331**	3,210
Contingency provision	**608**	402
Insurance guarantee fund	**395**	404
Accruals	**1,563**	1,037
Deferred income	**1,058**	1,155
Others	**1,340**	680
	42,120	38,450

43. FIDUCIARY ACTIVITIES

(in RMB million)	31 December 2012	31 December 2011
Assets under trust schemes	**196,385**	179,907
Assets under corporate annuity schemes	**58,114**	37,400
Assets under asset management schemes	**50,476**	21,490
Entrusted loans	**27,538**	20,665
Entrusted investments	**83,196**	33,182
	415,709	292,644

All of the above are off-balance sheet items.

44. RISK AND CAPITAL MANAGEMENT

(1) INSURANCE RISK

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

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

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

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

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

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

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

Concentration of insurance risks

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

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by insurance contract liabilities in Note 38.

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities

(a) Long term life insurance contracts

Assumptions

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

Sensitivities

The Group has measured the impact on long term life insurance contract liabilities using sensitivity analysis, of varying independently certain assumptions under reasonable and possible circumstances. The following changes in assumptions have been considered:

- discount rate/investment return assumption increased by 10 basis points every year;
- discount rate/investment return assumption decreased by 10 basis points every year;
- a 10% increase in morbidity rates, mortality of life insurance policies and annuity policies before the payment period, and a 10% decrease in mortality of annuity policies in the payment period;
- a 10% increase in policy lapse rates; and
- a 5% increase in maintenance expense rates.

	31 December 2012				
(in RMB million)	Change in assumptions	Impact on gross policyholders' reserves Increase/ (decrease)	Impact on net policyholders' reserves Increase/ (decrease)	Impact on profit before tax Increase/ (decrease)	Impact on equity before tax Increase/ (decrease)
Discount rate/investment return	**+10bps**	**(3,779)**	**(3,773)**	**3,773**	**3,773**
Discount rate/investment return	**-10bps**	**4,882**	**4,875**	**(4,875)**	**(4,875)**
Morbidity/mortality rates	**+10%/-10%**	**6,749**	**6,256**	**(6,256)**	**(6,256)**
Policy lapse rates	**+10%**	**3,142**	**3,157**	**(3,157)**	**(3,157)**
Maintenance expense rates	**+5%**	**1,332**	**1,332**	**(1,332)**	**(1,332)**

	31 December 2011				
(in RMB million)	Change in assumptions	Impact on gross policyholders' reserves Increase/ (decrease)	Impact on net policyholders' reserves Increase/ (decrease)	Impact on profit before tax Increase/ (decrease)	Impact on equity before tax Increase/ (decrease)
Discount rate/investment return	+10bps	(4,640)	(4,633)	4,633	4,633
Discount rate/investment return	-10bps	4,821	4,813	(4,813)	(4,813)
Morbidity/mortality rates	+10%/-10%	5,347	4,860	(4,860)	(4,860)
Policy lapse rates	+10%	2,724	2,739	(2,739)	(2,739)
Maintenance expense rates	+5%	1,217	1,217	(1,217)	(1,217)

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

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

Assumptions

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

Other key assumptions include delays in settlement, etc.

Sensitivities

The property and casualty and short term life insurance claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables including legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the end of the reporting period.

Reproduced below is an exhibit that shows the development of gross claim reserves of property and casualty insurance by the accident year:

(in RMB million)	2009	2010	2011	**2012**	Total
Estimated cumulative claims paid:					
As at end of current year	17,480	26,796	38,655	**51,312**	
One year later	17,649	26,648	38,360	**–**	
Two years later	17,755	26,767	–	**–**	
Three years later	17,882	–	–	**–**	
Estimated cumulative claims	17,882	26,767	38,360	**51,312**	134,321
Cumulative claims paid	(17,238)	(24,769)	(32,689)	**(31,568)**	(106,264)
Subtotal					28,057
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin					1,745
Unpaid claim expenses					29,802

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

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

Sensitivities (continued)

Reproduced below is an exhibit that shows the development of net claim reserves of property and casualty insurance by the accident year:

(in RMB million)	2009	2010	2011	**2012**	Total
Estimated cumulative claims paid:					
As at end of current year	15,285	23,977	34,486	**45,307**	
One year later	15,242	23,977	33,912	**-**	
Two years later	15,401	23,954	–	**-**	
Three years later	15,497	–	–	**-**	
Estimated cumulative claims	15,497	23,954	33,912	**45,307**	118,670
Cumulative claims paid	(15,076)	(22,337)	(29,147)	**(28,123)**	(94,683)
Subtotal					23,987
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin					1,527
Unpaid claim expenses					25,514

Reproduced below is an exhibit that shows the development of gross claim reserves of short term life insurance by the accident year:

(in RMB million)	2009	2010	2011	**2012**	Total
Estimated cumulative claims paid:					
As at end of current year	3,492	3,326	3,739	**4,301**	
One year later	3,378	3,358	3,547	**-**	
Two years later	3,400	3,384	–	**-**	
Three years later	3,400	–	–	**-**	
Estimated cumulative claims	3,400	3,384	3,547	**4,301**	14,632
Cumulative claims paid	(3,400)	(3,384)	(3,454)	**(2,877)**	(13,115)
Subtotal					1,517
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin					167
Unpaid claim expenses					1,684

FINANCIAL STATEMENTS

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

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

Sensitivities (continued)

Reproduced below is an exhibit that shows the development of net claim reserves of short term life insurance by the accident year:

(in RMB million)	2009	2010	2011	**2012**	Total
Estimated cumulative claims paid:					
As at end of current year	2,456	2,371	3,495	**4,181**	
One year later	2,404	2,386	3,286	**-**	
Two years later	2,340	2,442	–	**-**	
Three years later	2,340	–	–	**-**	
Estimated cumulative claims	2,340	2,442	3,286	**4,181**	12,249
Cumulative claims paid	(2,340)	(2,442)	(3,194)	**(2,781)**	(10,757)
Subtotal					1,492
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin					167
Unpaid claim expenses					1,659

To illustrate the sensitivities of ultimate claims costs, for example, a respective percentage change in the average claim costs alone results in a similar percentage change in claim reserves:

	31 December 2012				
(in RMB million)	**Change in assumptions**	**Impact on gross liabilities Increase/ (decrease)**	**Impact on net liabilities Increase/ (decrease)**	**Impact on profit before tax Increase/ (decrease)**	**Impact on equity before tax Increase/ (decrease)**
Average claim costs					
Property and casualty insurance	**+5%**	**1,490**	**1,276**	**(1,276)**	**(1,276)**
Short term life insurance	**+5%**	**84**	**83**	**(83)**	**(83)**

	31 December 2011				
(in RMB million)	Change in assumptions	Impact on gross liabilities Increase/ (decrease)	Impact on net liabilities Increase/ (decrease)	Impact on profit before tax Increase/ (decrease)	Impact on equity before tax Increase/ (decrease)
Average claim costs					
Property and casualty insurance	+5%	1,217	1,048	(1,048)	(1,048)
Short term life insurance	+5%	70	67	(67)	(67)

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

(c) Reinsurance

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

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

(2) MARKET RISK

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

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB, HKD/RMB and EUR/RMB exchange rates. The Group seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit and equity (due to changes in fair value of foreign currency denominated non-monetary assets and liabilities measured at fair value, as well as monetary assets and liabilities). The correlation of variables will have a significant effect on determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		31 December 2012		31 December 2011	
(in RMB million)	Change in variables	**Decrease/ (increase) in profit before tax**	**Decrease/ (increase) in equity before tax**	Decrease/ (increase) in profit before tax	Decrease/ (increase) in equity before tax
USD	-5%	**297**	**299**	191	212
HKD	-5%	**677**	**865**	97	915
Other currencies	-5%	**5**	**117**	(17)	62
		979	**1,281**	271	1,189

FINANCIAL STATEMENTS

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (continued)

The main monetary assets and liabilities of the Group (excluding balances of investment-linked contracts) and non-monetary assets and liabilities measured at fair value are analyzed as follows by currency:

	31 December 2012				
(in millions)	RMB	USD (Original)	HKD (Original)	Others (RMB equivalent)	RMB equivalent total
Assets					
Balances with the Central Bank and statutory deposits	223,670	465	591	-	227,072
Cash and amounts due from banks and other financial institutions	402,328	4,550	20,816	3,609	451,414
Fixed maturity investments	1,108,506	106	93	-	1,109,248
Equity investments	110,986	3	4,563	2,248	116,953
Loans and advances to customers	666,560	6,535	2,006	140	709,402
Premium receivables	18,018	109	65	-	18,756
Accounts receivable	8,966	2	-	-	8,979
Reinsurers' share of insurance liabilities	4,017	127	68	-	4,870
Other assets	45,406	219	257	37	47,028
	2,588,457	12,116	28,459	6,034	2,693,722
Liabilities					
Due to banks and other financial institutions	403,010	2,617	1,055	-	420,315
Assets sold under agreements to repurchase	154,977	-	-	-	154,977
Other financial liabilities held for trading	1,722	-	-	-	1,722
Customer deposits and payables to brokerage customers	925,394	8,169	7,428	4,173	986,936
Accounts payable	3,609	1	-	-	3,615
Insurance payables	26,664	64	54	1	27,111
Investment contract liabilities for policyholders	30,838	1	-	1	30,845
Policyholder dividend payable	21,674	1	-	1	21,681
Insurance contract liabilities	798,067	180	200	14	799,375
Bonds payable	38,793	-	-	-	38,793
Other liabilities	29,005	147	102	74	30,086
	2,433,753	11,180	8,839	4,264	2,515,456
Net position		936	19,620	1,770	23,562
Notional amount of foreign exchange derivative financial instruments		15	1,720	560	2,049
		951	21,340	2,330	25,611
Off-balance sheet credit commitments		2,028	174	705	13,593

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (continued)

	31 December 2011				
(in millions)	RMB	USD (Original)	HKD (Original)	Others (RMB equivalent)	RMB equivalent total
Assets					
Balances with the Central Bank and statutory deposits	166,737	230	222	–	168,366
Cash and amounts due from banks and other financial institutions	247,176	959	7,099	2,032	261,006
Fixed maturity investments	770,598	213	43	378	772,353
Equity investments	92,148	3	20,150	1,196	109,699
Loans and advances to customers	594,645	2,511	1,428	107	611,731
Premium receivables	11,490	90	39	–	12,089
Accounts receivable	161,984	1,363	81	89	170,727
Reinsurers' share of insurance liabilities	3,221	114	61	–	3,989
Other assets	35,156	97	274	4	35,992
	2,083,155	5,580	29,397	3,806	2,145,952
Liabilities					
Due to banks and other financial institutions	191,724	162	3,185	368	195,695
Assets sold under agreements to repurchase	99,522	–	–	212	99,734
Customer deposits and payables to brokerage customers	806,953	3,375	7,077	2,093	836,049
Accounts payable	68,072	387	65	76	70,639
Insurance payables	20,307	50	35	1	20,651
Investment contract liabilities for policyholders	28,819	–	–	–	28,819
Policyholder dividend payable	17,972	1	–	1	17,979
Insurance contract liabilities	681,410	177	159	2	682,656
Bonds payable	26,633	–	–	–	26,633
Other liabilities	28,314	45	222	4	28,782
	1,969,726	4,197	10,743	2,757	2,007,637
Net position		1,383	18,654	1,049	24,886
Notional amount of foreign exchange derivative financial instruments		(709)	3,917	188	(1,104)
		674	22,571	1,237	23,782
Off-balance sheet credit commitments		1,810	781	557	12,595

FINANCIAL STATEMENTS

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(b) Price risk

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

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

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

The Group uses a 10-day market price value-at-risk ("VaR") technique to estimate its risk exposure for listed equity securities and equity investments funds. The Group adopts 10-day as the holding period on the assumption that not all the investments can be sold in one day. Moreover, the VaR calculation is made based on normal market conditions and a 99% confidence interval.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. The VaR may also be under or over estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence interval.

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

The analysis below is the estimated impact for listed stocks and equity investment funds with 10-day reasonable market fluctuation in using the VaR module in the normal market.

(in RMB million)	**31 December 2012**	31 December 2011
Listed stocks and equity investment funds	**6,573**	7,150

The Group expects that current listed stocks and equity investments funds will not lose more than RMB6,573 million due to market price movements in a 10-trading-day holding period on 99% of occasions.

(c) Interest rate risk

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

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

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

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on the Group's profit (fair value change on held for trading bonds) and equity (fair value change on held for trading bonds and available-for-sale bonds).

(in RMB million)	Change in interest rate	31 December 2012 Decrease in profit before tax	31 December 2012 Decrease in equity before tax	31 December 2011 Decrease in profit before tax	31 December 2011 Decrease in equity before tax
Bonds carried at fair value through profit or loss and available-for-sale	+50 basis points	**113**	**3,723**	106	4,020

The following sensitivity analysis is based on the assumption that the floating rate bonds, floating rate term deposits, loans and advances and customer deposits have a static structure of interest rate risk. The analysis only measured interest rate changes within one year, reflecting the impact on interest income and interest expenses from the re-pricing of financial assets and liabilities within a year with the following assumptions: firstly, the interest rate of the floating rate bonds, floating rate term deposits/loans and advances is re-priced since the first re-pricing date after the end of the reporting period while the interest rate of customer deposits is re-priced at the end of the reporting period; secondly, the yield curve moved in parallel with the changes in the interest rate; and thirdly, there are no other changes in the portfolio of financial assets and liabilities. Regarding the above assumptions, the pre-tax impact on the Group's profit and equity as a result of actual increases or decreases in interest rates may differ from that of the following sensitivity analysis.

(in RMB million)	Change in interest rate	31 December 2012 Increase/ (decrease) in profit before tax	31 December 2012 Increase/ (decrease) in equity before tax	31 December 2011 Increase/ (decrease) in profit before tax	31 December 2011 Increase/ (decrease) in equity before tax
Floating interest rate bonds	+50 basis points	**574**	**574**	420	420
Floating rate term deposits	+50 basis points	**196**	**196**	180	180
Loans and advances to customers	+50 basis points	**2,405**	**2,405**	2,233	2,233
Customer deposits and payables to brokerage customers	+50 basis points	**(3,524)**	**(3,524)**	(3,040)	(3,040)

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

The following table sets out the Group's term deposits (excluding balances of investment-linked contracts) by maturity:

(in RMB million)	31 December 2012	31 December 2011
Fixed interest rate		
Less than 3 months (including 3 months)	**6,693**	6,933
3 months to 1 year (including 1 year)	**22,667**	429
1-2 years (including 2 years)	**–**	19,170
2-3 years (including 3 years)	**54,050**	–
3-4 years (including 4 years)	**28,465**	54,050
4-5 years (including 5 years)	**62,410**	25,965
More than 5 years	**3,500**	16,900
Floating interest rate	**39,156**	34,530
	216,941	157,977

The following table sets out the Group's bonds, debt schemes and banking wealth management products (excluding balances of investment-linked contracts) by maturity:

	31 December 2012				
(in RMB million)	Loans and receivables	Held-to-maturity	Available-for-sale	Carried at fair value through profit or loss	Total
Fixed interest rate					
Less than 3 months (including 3 months)	**12,271**	**1,876**	**1,652**	**1,342**	**17,141**
3 months to 1 year (including 1 year)	**59,642**	**29,423**	**11,494**	**2,746**	**103,305**
1-2 years (including 2 years)	**21,024**	**25,753**	**9,151**	**1,062**	**56,990**
2-3 years (including 3 years)	**150**	**38,798**	**18,941**	**963**	**58,852**
3-4 years (including 4 years)	**134**	**18,059**	**10,997**	**858**	**30,048**
4-5 years (including 5 years)	**2,450**	**25,216**	**18,831**	**2,035**	**48,532**
More than 5 years	**13,377**	**393,122**	**63,776**	**935**	**471,210**
Floating interest rate	**26,952**	**33,762**	**52,653**	**457**	**113,824**
	136,000	**566,009**	**187,495**	**10,398**	**899,902**

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

	31 December 2011				
(in RMB million)	Loans and receivables	Held-to-maturity	Available-for-sale	Carried at fair value through profit or loss	Total
Fixed interest rate					
Less than 3 months (including 3 months)	530	1,269	2,859	782	5,440
3 months to 1 year (including 1 year)	12,702	9,574	7,783	1,792	31,851
1-2 years (including 2 years)	1,264	30,030	15,959	787	48,040
2-3 years (including 3 years)	836	25,507	13,647	1,370	41,360
3-4 years (including 4 years)	150	38,436	13,068	168	51,822
4-5 years (including 5 years)	134	16,958	16,019	646	33,757
More than 5 years	6,000	322,357	68,523	2,014	398,894
Floating interest rate	10,210	35,874	61,515	2,173	109,772
	31,826	480,005	199,373	9,732	720,936

Interest rates on floating rate term deposits and floating rate bonds are repriced at intervals of less than one year. Interest rates on fixed rate term deposits and fixed rate bonds are fixed before maturity.

(3) CREDIT RISK

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investments in bonds, equity investment, reinsurance arrangements with reinsurers, policy loans, securities financing and direct loans, financial guarantees, loan commitments, etc. The Group uses a variety of controls to identify, measure, monitor and report credit risk.

Credit risk of Banking business

The bank segment of the Group has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management procedures for its corporate and retail loans comprise the processes of credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection.

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

The bank segment of the Group sub-divides credit asset risks into 10 categories based on the five-tier loan classification system promulgated by the China Banking Regulatory Commission ("CBRC"), and applies different management policies to the loans in accordance with their respective loan categories. As the promotion of New Capital Accord programs in banking business, the banking business will gradually establish a more scientific rating system that according with the requirements of internal control.

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Credit risk of Investment business

As to debt investments, the Group grades the existing investments according to internal credit rating policies and processes, chooses high credit quality counterparties and establishes strict access standards.

The Group's debt securities investment mainly includes domestic government bonds, Central Bank bills, financial institution bonds and corporate bonds. As at 31 December 2012, 100% (31 December 2011: 99.88%) of the financial institution bonds held by the Group either had a credit rating of A or above, or were issued by national commercial banks. As at 31 December 2012, 98.47% (31 December 2011: 99.64%) of the common corporate bonds and short term corporate financing bonds held by the Group had a credit rating of AA and A-1 or above. The bond credit ratings are assigned by qualified appraisal institutions in the PRC.

Credit risk of Insurance business

The Group will evaluate the credit rating of the reinsurance companies before signing the reinsurance contacts, and choose the reinsurance companies with higher credit rating to reduce the credit risk.

The limit of policy loans are based on the cash value of valid insurance policy, with an appropriate discount, and the validity period of policy loan is in the validity period of insurance policy. And the credit risk associated with policy loans will not cause a material impact on the Group's consolidated financial statements as at 31 December 2012 and 31 December 2011.

Credit quality

The following table sets forth amounts due from banks and other financial institutions placed with the PBOC and major commercial banks in the PRC in terms of aggregates held by the Group. The following analysis excludes balances of investment-linked contracts.

(in RMB million)	**31 December 2012**	31 December 2011
PBOC	**216,114**	158,400
Top five commercial banks		
Industrial and Commercial Bank of China Limited	**47,415**	11,652
Agricultural Bank of China Limited	**35,312**	13,417
Industrial Bank Co., Ltd.	**35,226**	18,301
Bank of Communications Co., Ltd.	**34,029**	16,786
China Minsheng Banking Corp. Ltd.	**33,880**	29,633
Other major banks and financial institutions		
China Merchants Bank Co., Ltd.	**28,965**	2,220
Shanghai Pudong Development Bank Co., Ltd.	**25,496**	20,855
Bank of China Limited	**21,523**	18,631
The Hongkong and Shanghai Banking Corp., Ltd. ("HSBC")	**759**	367
China Construction Bank Corporation	**19,262**	12,577
Others	**163,898**	103,300
	661,879	406,139

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Credit exposure

The carrying amounts of the financial assets, which are not recorded at fair value, represent the maximum credit risk exposure. And the carrying amounts of the financial assets, which are recorded at fair value, represent the current risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in fair values. The Group also assumes credit risk due to credit commitments. The details are disclosed in Note 52.(3).

Please refer to Note 23.(2) and (5) for an analysis of concentration of loans and advances by industry and geographical region.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters.

The main types of collateral obtained are as follows:

- for policy loans, cash value of policies;
- for reverse repurchase transactions, bills, loans and negotiable securities;
- for commercial lending, charges over real estate properties, inventories, equity investments and trade receivables, etc.; and
- for retail lending, residential properties over mortgages.

Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding balance. In general, the Group does not occupy repossessed properties for business use.

Aging analysis of financial assets past due

	31 December 2012						
		Past due but not impaired					
(in RMB million)	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Impaired	Total
Cash and amounts due from banks and other financial institutions	159,727	-	-	-	-	59	159,786
Assets purchased under agreements to resell	190,776	-	-	-	-	47	190,823
Premium receivables	17,453	627	321	371	1,319	154	18,926
Due from reinsurers	5,102	279	223	496	998	20	6,120
Loans and advances to customers	704,174	5,407	2,127	2,777	10,311	7,761	722,246
Corporate loans	483,902	2,199	1,415	2,777	6,391	5,951	496,244
Personal loans	220,272	3,208	712	-	3,920	1,810	226,002
Gross total	1,077,232	6,313	2,671	3,644	12,628	8,041	1,097,901

FINANCIAL STATEMENTS

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Aging analysis of financial assets past due (continued)

	31 December 2011						
		Past due but not impaired					
(in RMB million)	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Impaired	Total
Cash and amounts due from banks and other financial institutions	48,337	–	–	–	–	59	48,396
Assets purchased under agreements to resell	37,300	–	–	–	–	47	37,347
Premium receivables	11,294	314	235	264	813	127	12,234
Due from reinsurers	3,611	241	127	391	759	41	4,411
Loans and advances to customers	613,087	2,692	3,266	12	5,970	3,582	622,639
Corporate loans	427,294	1,486	672	12	2,170	2,697	432,161
Personal loans	185,793	1,206	2,594	–	3,800	885	190,478
Gross total	713,629	3,247	3,628	667	7,542	3,856	725,027

Of the aggregate amount of gross past due but not impaired loans and advances to customers, the fair value of collateral that the Group held as at 31 December 2012 was RMB11,453 million (31 December 2011: 9,919 million).

Of the aggregate amount of corporate loans and advances individually determined to be impaired, the fair value of collateral that the Group held as at 31 December 2012 was RMB2,249 million (31 December 2011: RMB999 million).

The carrying amount of loans and advances that would otherwise be past due or impaired and whose terms have been renegotiated is as follows:

(in RMB million)	**31 December 2012**	31 December 2011
Loans and advances to customers	**676**	1,167

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK

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

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

The table below summarizes the remaining contractual maturity profile of the financial assets and liabilities of the Group (excluding balances of investment-linked contracts) based on undiscounted contractual cash flows.

	31 December 2012						
(in RMB million)	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Balances with the Central Bank and statutory deposits	**55,236**	**26**	**680**	**13,261**	**-**	**160,962**	**230,165**
Cash and amounts due from banks and other financial institutions	**85,281**	**99,710**	**107,130**	**191,758**	**7,689**	**137**	**491,705**
Fixed maturity investments	**484**	**97,042**	**228,718**	**340,714**	**863,612**	**-**	**1,530,570**
Equity investments	**-**	**-**	**-**	**-**	**-**	**126,124**	**126,124**
Loans and advances to customers	**8,010**	**185,528**	**320,463**	**162,784**	**129,877**	**-**	**806,662**
Premium receivables	**1,288**	**7,765**	**3,996**	**5,680**	**27**	**-**	**18,756**
Accounts receivable	**2,148**	**2,323**	**3,862**	**867**	**-**	**-**	**9,200**
Other assets	**6,194**	**7,471**	**4,027**	**676**	**12**	**-**	**18,380**
	158,641	**399,865**	**668,876**	**715,740**	**1,001,217**	**287,223**	**3,231,562**

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

	31 December 2012						
(in RMB million)	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Due to banks and other financial institutions	21,618	230,021	165,279	9,901	1,808	-	428,627
Assets sold under agreements to repurchase	-	151,050	4,800	438	-	-	156,288
Other financial liabilities held for trading	-	1,722	-	-	-	-	1,722
Customer deposits and payables to brokerage customers	453,502	247,688	206,158	96,158	8,586	-	1,012,092
Accounts payable	72	3,141	372	44	-	-	3,629
Insurance payables	23,646	2,974	487	4	-	-	27,111
Investment contract liabilities for policyholders	-	789	2,243	10,295	25,204	-	38,531
Policyholder dividend payable	21,681	-	-	-	-	-	21,681
Bonds payable	-	6,957	3,012	10,939	33,009	-	53,917
Other liabilities	8,701	4,606	2,889	2,385	8	-	18,589
	529,220	648,948	385,240	130,164	68,615	-	1,762,187
Derivative cash flows							
Derivative financial instruments settled on a net basis	-	(3)	(2)	(31)	-	-	(36)
Derivative financial instruments settled on a gross basis							
– Cash inflow	-	84,439	66,547	2,574	-	-	153,560
– Cash outflow	-	(84,400)	(66,571)	(2,569)	-	-	(153,540)
	-	39	(24)	5	-	-	20

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

(in RMB million)	31 December 2011 Past due	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Balances with the Central Bank and statutory deposits	25,796	26	1,680	5,129	371	137,064	170,066
Cash and amounts due from banks and other financial institutions	47,065	48,103	18,361	144,805	21,678	67	280,079
Fixed maturity investments	413	50,048	76,948	269,186	709,875	–	1,106,470
Equity investments	–	–	–	–	–	116,985	116,985
Loans and advances to customers	4,611	134,319	285,926	150,919	138,335	–	714,110
Premium receivables	796	6,111	2,100	3,075	7	–	12,089
Accounts receivable	138	84,826	90,709	1,695	–	–	177,368
Other assets	7,560	3,560	896	1,241	–	–	13,257
	86,379	326,993	476,620	576,050	870,266	254,116	2,590,424

(in RMB million)	31 December 2011 Past due	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Due to banks and other financial institutions	15,238	119,317	56,962	9,082	1,762	–	202,361
Assets sold under agreements to repurchase	–	99,630	19	469	–	–	100,118
Customer deposits and payables to brokerage customers	388,621	211,321	188,935	66,668	38	–	855,583
Accounts payable	78	42,167	30,845	–	–	–	73,090
Insurance payables	17,131	3,219	300	1	–	–	20,651
Investment contract liabilities for policyholders	–	771	2,230	9,371	23,409	–	35,781
Policyholder dividend payable	17,979	–	–	–	–	–	17,979
Bonds payable	–	459	984	17,037	17,717	–	36,197
Other liabilities	14,691	2,493	734	1,202	17	–	19,137
	453,738	479,377	281,009	103,830	42,943	–	1,360,897
Derivative cash flows							
Derivative financial instruments settled on a net basis	–	(7)	–	(6)	–	–	(13)
Derivative financial instruments settled on a gross basis							
– Cash inflow	–	54,507	56,147	1,738	84	–	112,476
– Cash outflow	–	(54,498)	(56,059)	(1,736)	(84)	–	(112,377)
	–	9	88	2	–	–	99

FINANCIAL STATEMENTS

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(5) MISMATCHING RISK OF ASSETS AND LIABILITIES

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

(6) OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or defective of proper internal procedures, employees and information technology systems or from uncontrollable external events. The above defined operational risks include legal risks but excluded strategic risks and reputational risks. The Group is exposed to many types of operational risks in the conduct of its business. The Group attempts to manage operational risk by establishing and continuously amending the risk management system, standardizing the policy, using the management tool and report system, and strengthening the communication and training.

(7) CAPITAL MANAGEMENT

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

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

The Group complied with the externally imposed capital requirements as at 31 December 2012 and no changes were made to its capital base, objectives, policies and processes from the previous year.

The table below summarizes the minimum regulatory capital for the Group and its major insurance subsidiaries and the regulatory capital held against each of them.

	31 December 2012			31 December 2011		
(in RMB million)	**Regulatory capital held**	**Minimum regulatory capital**	**Solvency margin ratio**	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio
The Group	**226,512**	**122,027**	**185.6%**	182,492	109,489	166.7%
Ping An Life	**67,678**	**35,502**	**190.6%**	52,489	33,623	156.1%
Ping An Property & Casualty	**23,166**	**12,983**	**178.4%**	18,174	10,943	166.1%

The Group's solvency ratio is calculated based on the relevant regulations promulgated by the CIRC, which is an indicator of the overall solvency position of a financial conglomerate.

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(7) CAPITAL MANAGEMENT (CONTINUED)

The regulatory capital of the banking business is analyzed below:

(in RMB million)	31 December 2012 Regulatory capital held	31 December 2011 Regulatory capital held
Core capital	**76,897**	67,244
Supplementary capital	**25,430**	24,664
Capital	**101,866**	91,491
Risk weighted assets	**895,593**	794,702
Core capital adequacy ratio	**8.59%**	8.46%
Capital adequacy ratio	**11.37%**	11.51%

The above regulatory ratios are calculated based on "Measures for the Management of Capital Adequacy Ratios of Commercial Banks" and relevant regulations promulgated by the CBRC. The CBRC requires that a commercial bank's capital adequacy ratio is no less than 8% and core capital adequacy ratio is no less than 4%.

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments mainly consist of cash and amounts due from banks and other financial institutions, term deposits, bonds, funds, stocks, loans, borrowings, deposits from other banks and financial institutions, customer deposits and payables to brokerage customers, etc. The Group holds various other financial assets and liabilities which directly arose from insurance operations, such as premium receivables, reinsurers' share of insurance liabilities, annuity and other insurance payables.

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

	Carrying values		Fair values	
(in RMB million)	**31 December 2012**	31 December 2011	**31 December 2012**	31 December 2011
Financial assets				
Available-for-sale				
Bonds	**187,495**	199,373	**187,495**	199,373
Funds	**25,769**	25,461	**25,769**	25,461
Stocks	**79,444**	77,313	**79,444**	77,313
Others	**9,203**	7,330	**9,203**	7,330
Carried at fair value through profit or loss				
Bonds	**10,398**	9,732	**10,398**	9,732
Funds	**9,671**	4,929	**9,671**	4,929
Stocks	**553**	172	**553**	172
Others	**7,133**	15,047	**7,133**	15,047
Derivative financial assets	**972**	818	**972**	818
Held-to-maturity				
Bonds	**566,009**	480,005	**556,665**	476,627
Loans and receivables				
Balances with the Central Bank and statutory deposits	**227,072**	168,366	**227,072**	168,366
Cash and amounts due from banks and other financial institutions	**445,765**	247,739	**445,765**	247,739
Loans and advances to customers	**709,402**	611,731	**709,402**	611,731
Bonds	**8,234**	8,234	**8,437**	8,234
Debt schemes	**37,428**	10,360	**37,467**	10,360
Policy loans	**18,558**	14,105	**18,558**	14,105
Assets purchased under agreements to resell	**190,788**	37,312	**190,788**	37,312
Banking wealth management products	**90,338**	13,232	**90,338**	13,232
Premium receivables	**18,756**	12,089	**18,756**	12,089
Accounts receivable	**8,979**	170,727	**8,979**	170,727
Other assets	**47,028**	35,992	**47,028**	35,992
Total financial assets	**2,698,995**	2,150,067	**2,689,893**	2,146,689
Financial liabilities				
Derivative financial liabilities	**952**	732	**952**	732
Other financial liabilities				
Due to banks and other financial institutions	**420,315**	195,695	**420,315**	195,695
Assets sold under agreements to repurchase	**154,977**	99,734	**154,977**	99,734
Other financial liabilities held for trading	**1,722**	–	**1,722**	–
Customer deposits and payables to brokerage customers	**986,936**	836,049	**986,936**	836,049
Accounts payable	**3,615**	70,639	**3,615**	70,639
Insurance payables	**27,111**	20,651	**27,111**	20,651
Investment contract liabilities for policyholders	**30,845**	28,819	**30,845**	28,819
Policyholder dividend payable	**21,681**	17,979	**21,681**	17,979
Bonds payable	**38,793**	26,633	**38,633**	24,926
Other liabilities	**30,086**	28,782	**30,086**	28,782
Total financial liabilities	**1,717,033**	1,325,713	**1,716,873**	1,324,006

The assets and liabilities of the investment-linked business are not included in the above financial assets and liabilities.

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements, i.e., held-to-maturity and loans and receivables.

Assets for which fair value approximates to carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to term deposits, and savings accounts without a specific maturity. For other variable rate instruments, an adjustment is also made to reflect the change in the required credit spread since the instrument was first recognized.

Loans and advances to customers of the Group are repriced within one year, and the interest rates are adjusted according to the statutory interest rate announced by the PBOC. Thus, the carrying amounts approximate to their fair values.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortized cost is estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debts issued the fair values are determined based on quoted market prices. For those debts issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques:

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

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

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

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

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

	31 December 2012			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Carried at fair value through profit or loss				
Bonds	1,158	9,180	60	10,398
Equity investment funds	9,671	–	–	9,671
Equity securities	553	–	–	553
Others	–	7,133	–	7,133
	11,382	16,313	60	27,755
Derivative financial assets				
Interest rate swaps	–	99	–	99
Currency forwards and swaps	–	873	–	873
	–	972	–	972
Available-for-sale financial assets				
Bonds	14,336	173,159	–	187,495
Equity investment funds	25,039	730	–	25,769
Equity securities	74,624	4,786	34	79,444
Others	32	–	–	32
	114,031	178,675	34	292,740
Total financial assets	125,413	195,960	94	321,467
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	–	103	–	103
Currency forwards and swaps	–	849	–	849
	–	952	–	952
Other financial liabilities held for trading	1,722	–	–	1,722
Total financial liabilities	1,722	952	–	2,674

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

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

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

FINANCIAL STATEMENTS

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

	Carried at fair value through profit or loss		Available-for-sale financial assets	
	Debt securities		Equity securities	
(in RMB million)	**2012**	2011	**2012**	2011
At 1 January	**58**	62	**170**	180
Total gains/(losses) in investment income in the income statement	**2**	(4)	**(109)**	–
Total losses in other comprehensive income	**–**	–	**(27)**	(10)
At 31 December	**60**	58	**34**	170

The gains or losses of level 3 financial instruments included in the income statement for the year are presented as follows:

	2012		
(in RMB million)	Realized losses	Unrealized gains/(losses)	Total
Carried at fair value through profit or loss	**–**	**2**	**2**
Available-for-sale financial assets	**–**	**(109)**	**(109)**
	–	**(107)**	**(107)**

	2011		
(in RMB million)	Realized losses	Unrealized losses	Total
Carried at fair value through profit or loss	–	(4)	(4)

Transfers

During the year 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

Sensitivity

The following table shows the sensitivity of the fair value of Level 3 instruments to changes in key assumptions, by class of instrument:

(In RMB million)	31 December 2012 Carrying amount	31 December 2012 Effect of reasonably possible alternative assumptions Increase/ (decrease) in fair value	31 December 2011 Carrying amount	31 December 2011 Effect of reasonably possible alternative assumptions Increase/ (decrease) in fair value
Carried at fair value through profit or loss				
Debit securities				
– Discount rate – 5%	**60**	**5**	58	5
– Discount rate +5%	**60**	**(4)**	58	(4)
Available-for-sale financial assets				
Equity securities				
– Discount rate – 5%	**34**	**2**	170	13
– Discount rate +5%	**34**	**(2)**	170	(12)

In order to determine reasonably possible alternative assumptions, the Group adjusted key unobservable model inputs. For equity securities, the adjustment made was to increase and decrease the assumed discount rate by 5% in each direction, which is considered by the Group to be within a range of reasonably possible alternatives based on market practice with reference to other listed companies.

46. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to SPEs. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognize the transferred assets.

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. In addition, it recognizes a financial liability for cash received as collateral.

The following table analyses the carrying amount of the abovementioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

(RMB million)	31 December 2012 Carrying amount Assets	31 December 2012 Carrying amount associated liabilities	31 December 2011 Carrying amount Assets	31 December 2011 Carrying amount associated liabilities
Repurchase transactions	**3,341**	**3,404**	3,145	3,199

FINANCIAL STATEMENTS

47. CASH AND CASH EQUIVALENTS

(in RMB million)	31 December 2012	31 December 2011
Balances with the Central Bank	**55,152**	21,336
Cash and amounts due from banks and other financial institutions		
Cash on hand	**3,239**	2,242
Term deposits	**4,831**	5,034
Due from banks and other financial institutions	**107,629**	59,737
Placements with banks and other financial institutions	**23,777**	6,829
Equity investments		
Money market placements	**8,957**	4,334
Fixed maturity investments		
Bonds of original maturities within three months	**304**	103
Assets purchased under agreements to resell	**42,997**	10,866
Total	**246,886**	110,481

The carrying amounts disclosed above approximate their fair values at year end.

48. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to net cash flows from operating activities:

(in RMB million)	2012	2011
Profit before tax	**26,750**	30,026
Adjustments for:		
Depreciation	**2,760**	2,024
Amortization of intangible assets	**1,633**	1,101
Gains on disposal of investment properties, property and equipment, intangible assets and settled assets	**(31)**	(75)
Investment income	**(44,040)**	(38,742)
Fair value losses/(gains) on investments at fair value through profit or loss	**(105)**	320
Fair value losses on available-for-sale equity investments (transfer from equity)	**6,585**	2,606
Finance costs	**1,758**	1,254
Foreign exchange losses	**(255)**	434
Provision for doubtful debts and others, net	**100**	10
Loan loss provisions, net of reversals	**3,048**	1,704
Operating profit/(loss) before working capital changes	**(1,797)**	662
Changes in operating assets and liabilities:		
Increase in balances with the Central Bank and statutory deposits	**(23,898)**	(28,694)
Increase in amounts due from banks and other financial institutions	**(73,879)**	(5,007)
Increase in premium receivables	**(6,711)**	(5,766)
Decrease/(increase) in accounts receivable	**162,136**	(142,295)
Increase in inventories	**(419)**	(9)
Increase in reinsurers' share of insurance liabilities	**(1,449)**	(1,714)
Increase in loans and advances to customers	**(100,969)**	(40,484)
Decrease/(increase) in assets purchased under agreements to resell of the banking and securities business	**(121,344)**	41,219
Increase in other assets	**(7,914)**	(6,633)
Increase in amounts due to banks and other financial institutions	**225,448**	28,680
Increase in customer deposits and payables to brokerage customers	**151,507**	32,462
Increase in insurance payables	**10,319**	7,967
Increase in insurance contract liabilities	**81,322**	87,892
Increase in investment contract liabilities for policyholders	**42,297**	42,316
Increase in policyholder dividend payable	**3,702**	3,797
Increase in assets sold under agreements to repurchase of the banking and securities business	**9,691**	5,474
Increase/(decrease) in other liabilities	**(62,205)**	61,011
Cash generated from operations	**285,837**	80,878
Income tax paid	**(4,940)**	(5,530)
Net cash flows from operating activities	**280,897**	75,348

49. COMPENSATION OF KEY MANAGEMENT PERSONNEL

(1) KEY MANAGEMENT PERSONNEL COMPRISE THE COMPANY'S DIRECTORS, SUPERVISORS, AND SENIOR OFFICERS AS DEFINED IN THE COMPANY'S ARTICLES OF ASSOCIATION.

The summary of compensation of key management personnel for the year is as follows:

(in RMB million)	2012	2011
Salaries and other short term employee benefits after tax	**59**	54
Individual income tax	**38**	35

The total compensation for certain key management personnel for the year ended 31 December 2012 has not yet been finalized in accordance with relevant regulations. The remaining compensation will be disclosed in a separate announcement when approved.

The long-term benefits attributed to year 2009 for certain key management personnel were paid in 2012 as the required payment conditions had been fulfilled. The amount paid after tax was RMB10.16 million and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 23 August 2012.

(2) DIRECTORS' AND SUPERVISORS' REMUNERATION

	2012					
(in RMB thousand)	Fees after tax	Salaries, allowances and other benefits after tax	Bonus after tax	Contributions to pension schemes	Total after tax	Individual income tax
Current directors						
MA Mingzhe	–	2,833	2,763	81	5,677	4,212
SUN Jianyi (i)	–	1,519	1,515	81	3,115	2,116
REN Huichuan (ii)	–	1,520	1,283	76	2,879	1,925
KU Man (ii)	–	2,705	1,300	8	4,013	2,907
YAO Jason Bo (i)	–	2,715	1,115	8	3,838	2,764
FAN Mingchun (ii)	–	–	–	–	–	–
LIN Lijun	–	400	174	71	645	156
NG Sing Yip	–	–	–	–	–	–
LI Zhe	–	–	–	–	–	–
GUO Limin	–	–	–	–	–	–
ZHANG Hongyi	252	–	–	–	252	48
CHEN Su	252	–	–	–	252	48
XIA Liping	252	–	–	–	252	48
TANG Yunwei	252	–	–	–	252	48
LEE Carmelo Ka Sze	252	–	–	–	252	48
WOO Ka Biu Jackson	252	–	–	–	252	48
Stephen Thomas Meldrum (ii)	114	–	–	–	114	23
Subtotal	1,626	11,692	8,150	325	21,793	14,391

49. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	2012					
(in RMB thousand)	Fees after tax	Salaries, allowances and other benefits after tax	Bonus after tax	Contributions to pension schemes	Total after tax	Individual income tax
Past directors						
WANG Liping (i)(iii)	**-**	**1,471**	**1,014**	**28**	**2,513**	**1,355**
CHEN Hongbo (iii)	**-**	**-**	**-**	**-**	**-**	**-**
CHUNG Yu Wo Danny (iii)	**126**	**-**	**-**	**-**	**126**	**24**
CHEUNG Chi Yan Louis (iii)	**126**	**-**	**-**	**-**	**126**	**24**
WONG Tung Shun Peter (iii)	**-**	**-**	**-**	**-**	**-**	**-**
CHENG Siu Hong (ii)(iii)	**-**	**-**	**-**	**-**	**-**	**-**
Subtotal	**252**	**1,471**	**1,014**	**28**	**2,765**	**1,403**
Current supervisors						
GU Liji	**210**	**-**	**-**	**-**	**210**	**40**
SUN Fuxin	**50**	**-**	**-**	**-**	**50**	**10**
PENG Zhijian	**21**	**-**	**-**	**-**	**21**	**4**
LIN Li (iv)	**-**	**-**	**-**	**-**	**-**	**-**
SUN Jianping	**-**	**1,073**	**1,079**	**81**	**2,233**	**1,268**
ZHAO Fujun (iv)	**-**	**565**	**357**	**33**	**955**	**442**
PAN Zhongwu (iv)	**-**	**219**	**81**	**37**	**337**	**77**
Subtotal	**281**	**1,857**	**1,517**	**151**	**3,806**	**1,841**
Past supervisors						
DING Xinmin (v)	**-**	**176**	**1,679**	**53**	**1,908**	**1,130**
XIAO Jiyan (v)	**-**	**310**	**715**	**40**	**1,065**	**457**
Subtotal	**-**	**486**	**2,394**	**93**	**2,973**	**1,587**
Total	**2,159**	**15,506**	**13,075**	**597**	**31,337**	**19,222**

49. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	2011					
(in RMB thousand)	Fees after tax	Salaries, allowances and other benefits after tax	Bonus after tax	Contributions to pension schemes	Total after tax	Individual income tax
Current directors						
MA Mingzhe	–	2,841	2,764	75	5,680	4,205
SUN Jianyi	–	1,524	1,637	75	3,236	2,207
WANG Liping	–	1,308	825	62	2,195	1,365
YAO Jason Bo	–	2,723	1,096	2	3,821	2,736
LIN Lijun	–	371	228	60	659	163
CHEN Hongbo	–	–	–	–	–	–
WONG Tung Shun Peter	–	–	–	–	–	–
NG Sing Yip	–	–	–	–	–	–
LI Zhe	–	–	–	–	–	–
GUO Limin	–	–	–	–	–	–
CHEUNG Chi Yan Louis	182	–	–	–	182	55
ZHANG Hongyi	232	–	–	–	232	68
CHEN Su	232	–	–	–	232	68
XIA Liping	232	–	–	–	232	68
TANG Yunwei	232	–	–	–	232	68
LEE Carmelo Ka Sze	232	–	–	–	232	68
CHUNG Yu Wo Danny	232	–	–	–	232	68
WOO Ka Biu Jackson	104	–	–	–	104	29
Subtotal	1,678	8,767	6,550	274	17,269	11,168
Past directors						
CHOW Wing Kin Anthony	131	–	–	–	131	37
David FRIED	–	–	–	–	–	–
Subtotal	131	–	–	–	131	37

49. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	2011					
(in RMB thousand)	Fees after tax	Salaries, allowances and other benefits after tax	Bonus after tax	Contributions to pension schemes	Total after tax	Individual income tax
Current supervisors						
GU Liji	198	–	–	–	198	52
SUN Fuxin	50	–	–	–	50	10
PENG Zhijian	–	–	–	–	–	–
DING Xinmin	–	1,288	4,418	84	5,790	4,133
SUN Jianping	–	1,023	1,077	76	2,176	1,342
XIAO Jiyan	–	610	–	55	665	216
Subtotal	248	2,921	5,495	215	8,879	5,753
Past supervisors						
WANG Wenjun	–	73	–	13	86	15
SONG Zhijiang	–	–	–	–	–	–
Subtotal	–	73	–	13	86	15
Total	2,057	11,761	12,045	502	26,365	16,973

(i) The long-term benefits attributed to year 2009 for SUN Jianyi, WANG Liping and YAO Jason Bo were paid in 2012 as the required payment conditions had been fulfilled. The amount after tax paid to SUN Jianyi, WANG Liping and YAO Jason was RMB4,125 thousand, RMB495 thousand and RMB412.5 thousand respectively and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 23 August 2012.

(ii) FAN Mingchun was appointed as Director on 8 March 2012; REN Huichuan, KU Man, CHENG Siu Hong and Stephen Thomas Meldrum were appointed as Directors on 17 July 2012.

(iii) CHEN Hongbo resigned from Director on 8 March 2012; CHUNG Yu-wo Danny, CHEUNG Chi Yan Louis and WANG Liping resigned from Director on 27 June 2012; WONG Tung Shun Peter and CHENG Siu Hong resigned from Director on 7 December 2012.

(iv) LIN Li, ZHAO Fujun and PAN Zhongwu were appointed as Supervisors on 17 July 2012.

(v) DING Xinmin and XIAO Jiyan resigned from Supervisor on 17 July 2012.

49. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) COMPENSATION OF KEY MANAGEMENT PERSONNEL OTHER THAN DIRECTORS AND SUPERVISORS IS AS FOLLOWS:

(in RMB million)	2012	2011
Salaries and other short term employee benefits after tax	**28**	28
Individual income tax	**19**	18

The number of key management personnel other than directors and supervisors whose compensation after tax fell within the following bands is as follows:

	2012	2011
RMB1,000,001 – RMB1,500,000	**1**	1
RMB1,500,001 – RMB2,000,000	**1**	3
RMB2,000,001 – RMB2,500,000	**3**	–
RMB2,500,001 – RMB3,000,000	**1**	2
RMB3,000,001 – RMB3,500,000	**2**	2
RMB3,500,001 – RMB4,000,000	**–**	1
RMB4,000,001 – RMB4,500,000	**1**	–
RMB4,500,001 – RMB5,000,000	**1**	1
	10	10

Under PRC tax regulations, individual income tax is calculated at progressive rates with a cap of 45%. The effective income tax rates of the above key management personnel other than directors and supervisors of the Group were approximately 29.89% – 42.87% (2011: 35.70% – 43.77%) for 2012 and the average effective tax rate was approximately 40.27% (2011: 40.32%).

50. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group include 4 (2011: 4) key management members whose emoluments were reflected in the analysis presented in Note 49.

Details of emoluments of the remaining highest paid individuals are as follows:

(in RMB million)	2012	2011
Salaries and other short term employee benefits after tax	**8**	8
Individual income tax	**6**	6

The number of non-key management personnel whose emoluments after tax fell within the following bands is as follows:

	2012	2011
RMB8,000,001 – RMB8,500,000	**1**	1

Under PRC tax regulations, individual income tax is calculated at progressive rates with a cap of 45%.The effective income tax rates of the five highest paid individuals in the Group were approximately 42.02% – 43.51% (2011: 41.65% – 43.41%) for 2012 and the average effective tax rate was approximately 42.69% (2011: 42.49%).

51. SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) THE COMPANY'S RELATED PARTIES WHERE SIGNIFICANT INFLUENCE EXISTS INCLUDE CERTAIN SHAREHOLDERS SET OUT BELOW:

Name of related parties	Relationship with the Company
HSBC Holdings plc ("HSBC Holdings")	Parent of shareholders
HSBC Insurance Holdings Limited	Shareholder
HSBC	Shareholder

As at 31 December 2012, HSBC Holdings held, through its subsidiaries, 12.33% equity interest in the Company and was deemed to have significant influence over the Group.

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

(in RMB million)	**2012**	2011
Interest income from		
SDB	**-**	62
Interest expense paid to		
HSBC	**25**	11
SDB	**-**	3
Goods purchased from		
Newheight Information Technology (Shanghai) Co., Ltd. ("Newheight Shanghai")	**1,248**	679

A resolution regarding Continuing Daily Connected Transactions between Ping An Group and the Connected Banks was approved in the general meeting of the Group.

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

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

(in RMB million)	**31 December 2012**	31 December 2011
HSBC		
Cash and amounts due from banks and other financial institutions	**759**	367
Fixed maturity investments	**-**	189
Due to banks and other financial institutions	**212**	496
Bonds payable	**2**	290
Newheight Shanghai		
Other liabilities	**111**	12

52. COMMITMENTS

(1) CAPITAL COMMITMENTS

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

(in RMB million)	31 December 2012	31 December 2011
Contracted, but not provided for	**9,551**	4,246
Authorized, but not contracted for	**7,945**	7,990
	17,496	12,236

(2) OPERATING LEASE COMMITMENTS

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

(in RMB million)	31 December 2012	31 December 2011
Within 1 year	**3,160**	2,419
1-5 years	**6,370**	4,638
More than 5 years	**1,297**	1,099
	10,827	8,156

(3) CREDIT COMMITMENTS

(in RMB million)	31 December 2012	31 December 2011
Financial guarantee contracts		
Bank acceptances	**315,436**	296,782
Guarantees issued	**25,958**	25,172
Letters of credit issued	**19,071**	6,017
Subtotal	**360,465**	327,971
Unused limit of credit cards and irrevocable loan commitments	**50,506**	42,458
Total	**410,971**	370,429
Credit risk weighted amounts of credit commitments	**171,952**	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 31 December 2012, apart from the above irrevocable credit commitments, revocable loan commitments granted by the Group amounted to RMB1,383 billion (31 December 2011: 954 billion). Since these commitments are revocable under certain conditions or would be automatically revoked should the creditability of the borrower deteriorates, the total contract amounts do not necessarily represent future cash requirements.

52. COMMITMENTS (CONTINUED)

(4) OPERATING LEASE RENTAL RECEIVABLES

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

(in RMB million)	31 December 2012	31 December 2011
Within 1 year	**1,093**	634
1-5 years	**2,219**	1,121
More than 5 years	**2,635**	330
	5,947	2,085

53. EMPLOYEE BENEFITS

(1) PENSION

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by relevant government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

(2) HOUSING BENEFITS

The employees of the Group are entitled to participate in and make contributions to various government sponsored funds for housing purposes. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(3) MEDICAL BENEFITS

The Group makes contributions for medical benefits to the local authorities in accordance with relevant local regulations.

54. 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.

55. EVENTS AFTER THE REPORTING PERIOD

(1) On 5 December 2012, HSBC Insurance Holdings Limited and The Hongkong and Shanghai Banking Corporation Limited (together “HSBC Group”) entered into an agreement with Charoen Pokphand Group Co., Ltd. and its wholly-owned subsidiaries (together “CP Group”) to transfer all of HSBC Group’s ownership equity interests in the Company of 15.57% at a consideration of HKD72,736 million. As at 31 December 2012, transfer of 3.24% out of the above 15.57% equity interests transfer had been completed.

Subsequent to 31 December 2012, with the approval of the CIRC, transfer of the remaining 12.33% equity interests was completed on 6 February 2013. After the transfer, together with the 1.76% interests held prior to the transfer, CP Group held 17.33% equity interests in the Company and became the largest shareholder of the Company.

(2) On 14 March 2013, the directors proposed to distribute a final dividend of RMB2,375 million as stated in Note 16.

56. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated to conform to the current year’s presentation.

57. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors of the Company on 14 March 2013.

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
Ping An Bank	Ping An Bank Co., Ltd., a subsidiary of the Company
SDB, Original SDB, Original Shenzhen Development Bank	The original Shenzhen Development Bank Co., Ltd., an associate of the Company since May 2010, became a subsidiary of the Company in July 2011. On July 27, 2012, its name was changed to "Ping An Bank Co., Ltd."
Original Ping An Bank	The original Ping An Bank Co., Ltd., became a subsidiary of Original 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 Original SDB
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

Definition

Ping An Technology	Ping An Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Overseas Holdings
Ping An Processing & Technology	Ping An Processing & Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Overseas Holdings
Ping An Financial Technology	Shenzhen Ping An Financial Technology Consulting Co., Ltd., a subsidiary of Ping An New Capital
Ping An Channel Development	Ping An Channel Development Consultation Service Company of Shenzhen, Ltd., a subsidiary of Ping An New Capital
Ping An-UOB Fund	Ping An-UOB Fund Management Company Limited, a subsidiary of Ping An Trust
MIT	Mobile Integrated Terminal
Discovery	Discovery Holdings Limited
CAS	The Accounting Standards for Business Enterprises and the other relevant regulations issued by the Ministry of Finance
No. 2 Interpretation	The "No. 2 Interpretation of Accounting Standards for Business Enterprises" (Cai Kuai [2008] No. 11) issued by the Ministry of Finance
IFRS	International Financial Reporting Standards issued by International Accounting Standards Board
Written Premiums	All premiums received from the policies underwritten by the Company, which is prior to the significant insurance risk testing and unbundling of hybrid risk contracts
CSRC	China Securities Regulatory Commission
CIRC	China Insurance Regulatory Commission
CBRC	China Banking Regulatory Commission
Ministry of Finance	Ministry of Finance 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 Holdings	HSBC Holdings plc
HSBC	The Hongkong and Shanghai Banking Corporation Limited

HSBC Insurance	HSBC Insurance Holdings Limited
CP Group	Charoen Pokphand Group Company 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	the Articles of Association of Ping An Insurance (Group) Company of China, Ltd.

Corporate Information

REGISTERED NAMES
Full name of the Company (Chinese/English)
中國平安保險（集團）股份有限公司
Ping An Insurance (Group) Company of China, Ltd.

Short name of the Company (Chinese/English)
中國平安
Ping An of China

LEGAL REPRESENTATIVE
MA Mingzhe

TYPE OF STOCK AND LISTING PLACE
A share	The Shanghai Stock Exchange
H share	The Stock Exchange of Hong Kong Limited

STOCK NAME AND STOCK CODE
A share	Ping An of China	601318
H share	Ping An of China	2318

AUTHORIZED REPRESENTATIVES
SUN Jianyi
YAO Jun

SECRETARY OF THE BOARD OF DIRECTORS
JIN Shaoliang

COMPANY SECRETARY
YAO Jun

REPRESENTATIVE OF SECURITIES AFFAIRS
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Fu Hua No. 3 Road,
Futian District,
Shenzhen, Guang Dong Province, PRC

POSTAL CODE
518048

COMPANY WEBSITE
www.pingan.com

DESIGNATED NEWSPAPERS FOR INFORMATION DISCLOSURE OF A SHARE
China Securities Journal,
Shanghai Securities News,
Securities Times and Securities Daily

WEBSITES FOR THE PUBLICATION OF THE REGULAR REPORT OF THE COMPANY
www.sse.com.cn
www.hkexnews.hk

REGULAR REPORT AVAILABLE FOR INSPECTION
Board Office of the Company

CONSULTING ACTUARIES
Ernst & Young (China) Advisory Limited

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Level 16, Ernst & Young Tower, Oriental Plaza,
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Dong Cheng District, Beijing, China

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22/F, CITIC Tower, 1 Tim Mei Avenue,
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LEGAL ADVISORS
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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

REGISTERED INFORMATION FOR THE FIRST-TIME
Date of registration
March 21, 1988

Place of registration
Shenzhen Administration for Industry and Commerce

Corporate name
Shenzhen Ping An Insurance Company

Please visit the website of the Market Supervision Administration of Shenzhen Municipality (www.szscjg.gov.cn) for details of the Company's registered information for the first-time

REGISTERED INFORMATION AT THE END OF THE REPORTING PERIOD
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

The above registered information had no change during the reporting period

CHANGES IN MAIN BUSINESS SINCE LISTING
The main business scope has not been changed since the listing of the Company on the Shanghai Stock Exchange on March 1, 2007.

CHANGES OF CONTROLLING SHAREHOLDER SINCE LISTING
The shareholding structure of the Company is relatively scattered and there is no controlling shareholder.

Chinese Drums serve as a signal to herald the dawn of a new day and march forward, while rhythmic drumbeats inspire the endeavoring spirit within everyone. For 25 years, Ping An has been keeping a steady beat when it comes to innovation, realizing its financial dream, honing professionalism, pursuing excellence and making constant breakthroughs in its quest to become an internationally leading integrated financial services group, bringing a simple yet modern financial life to the general public.

On the cover page of this annual report, drums, a traditional Chinese percussion instrument, are used as a core component. A striking red ribbon creates the numerals "25", signifying the 25th anniversary of its establishment. Ping An will continue to boost morale to create a "Ping An Dream" in the financial industry solely belonging to the Chinese race.

This report is printed on environmental friendly paper manufactured from elemental chlorine-free pulp and acid free.