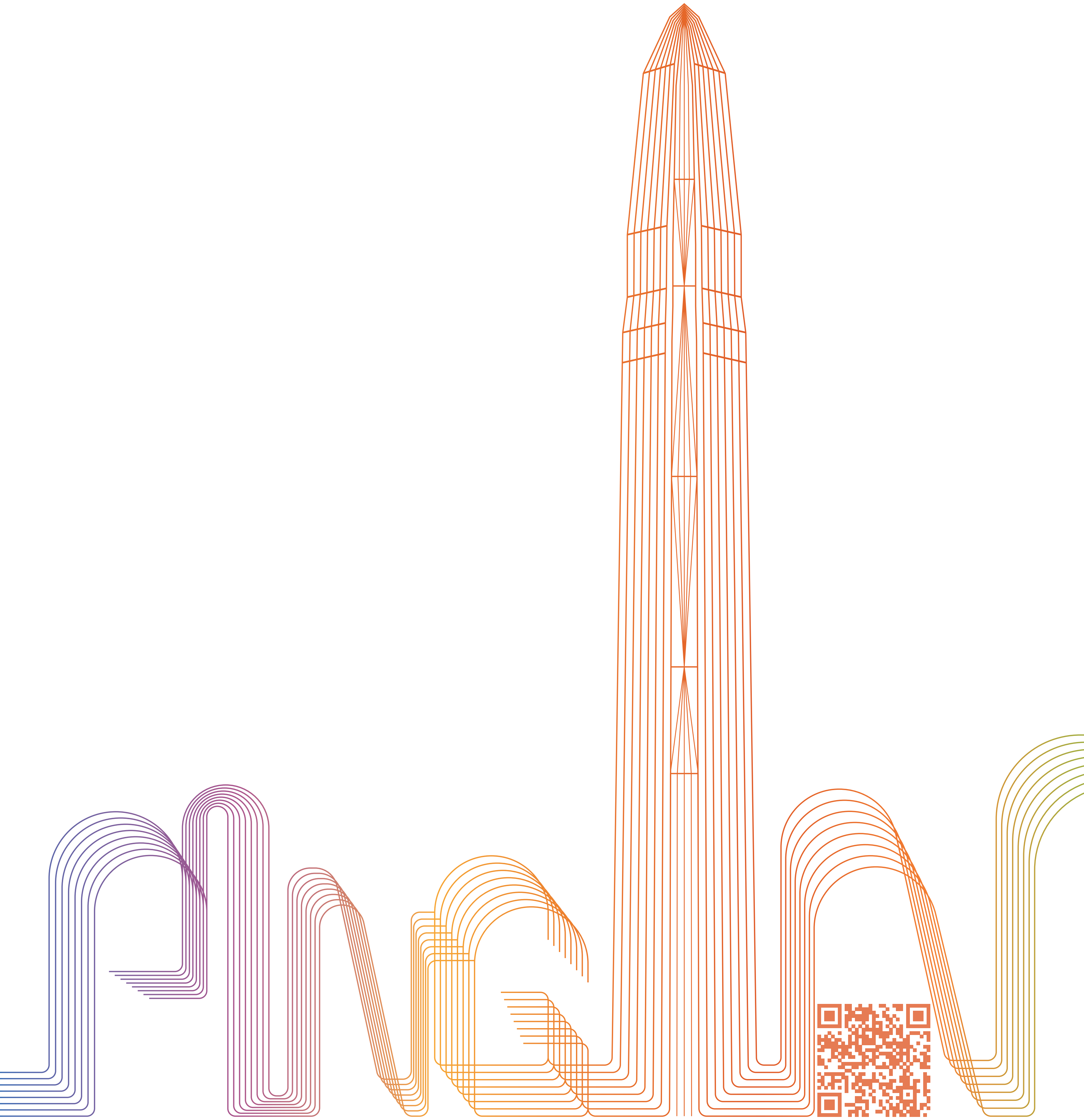
PING AN

Insurance · Banking · Investment



Annual Report 2016

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 including the words or phrases "potential", "estimates", "expects", "anticipates", "objective", "intends", "plans", "believes", "will", "may", "should", and similar expressions or variations on such expressions may be considered forward-looking statements.

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

Ping An, your sincere partner, always within reach

We are committed to the pursuit of “expertise” so as to provide you with more convenient and reliable services.

Over a million Ping An Life agents are within reach to brave the elements to be by your side, to give you an assurance and commitment that you can rely upon.

With the help of solid professional skills and a leading technological platform, close to 10,000 Ping An Property & Casualty inspectors are within reach to come to you to ease your worries and provide an assurance.

Over 30,000 Ping An hotline agents are within reach 24/7 all year round to ensure you receive a fast response any time of the day, whether you are in China or abroad.

Whenever you click on Ping An app, connect to the hotline or enter a Ping An outlet, thanks to the wonders of technology, Ping An is within reach anytime, anywhere, for anything ranging from financial asset services to healthcare.

We firmly believe that expertise makes life easier. Leave the complexities to us, so that we can make your life simpler and better.

Five-Year Summary

(in RMB million)	2016	2015	2014	2013	2012
GROUP					
Total income	**774,488**	693,220	530,020	421,221	339,193
Net profit	**72,368**	65,178	47,930	36,014	26,750
Net profit attributable to shareholders of the parent company	**62,394**	54,203	39,279	28,154	20,050
Basic earnings per share (in RMB)	**3.50**	2.98	2.47	1.78	1.27
Total assets	**5,576,903**	4,765,159	4,005,911	3,360,312	2,844,266
Total liabilities	**5,090,442**	4,351,588	3,652,095	3,120,607	2,634,617
Total equity	**486,461**	413,571	353,816	239,705	209,649
Equity attributable to shareholders of the parent company	**383,449**	334,248	289,564	182,709	159,617
Investment portfolio of insurance funds	**1,971,798**	1,731,619	1,474,098	1,230,367	1,074,188
Net investment yield of insurance funds (%)	**6.0**	5.8	5.3	5.1	4.7
Total investment yield of insurance funds (%)	**5.3**	7.8	5.1	5.1	2.9
Embedded value(1)	**637,703**	551,514	458,812	329,653	285,874
Group comprehensive solvency margin ratio (%)(1)	**210.0**	204.9	205.1	174.4	185.6
INSURANCE BUSINESS					
Life Insurance Business					
Written premium	**373,781**	299,814	252,730	219,358	199,483
Net profit	**22,596**	18,992	15,689	12,219	6,457
Net investment yield (%)	**6.0**	5.7	5.3	5.1	4.7
Total investment yield (%)	**5.3**	8.0	5.0	5.0	2.8
Embedded value(1)	**360,312**	325,474	264,223	203,038	177,460
Comprehensive solvency margin ratio – Ping An Life (%)(1)	**225.9**	219.7	219.9	171.9	190.6
Property and Casualty Insurance Business					
Premium income	**178,291**	163,955	143,150	115,674	99,089
Net profit	**12,315**	12,522	8,807	5,856	4,648
Net investment yield (%)	**6.8**	6.3	5.3	5.3	4.8
Total investment yield (%)	**4.8**	6.5	5.6	5.4	3.3
Combined ratio (%)	**95.9**	95.6	95.3	97.3	95.3
Comprehensive solvency margin ratio – Ping An Property & Casualty (%)(1)	**267.3**	269.5	164.5	167.1	178.4
BANKING BUSINESS(2)					
Net interest income	**76,411**	68,461	53,046	40,688	33,036
Net profit	**22,599**	21,865	19,802	15,231	13,512
Net interest spread (%)	**2.60**	2.62	2.40	2.14	2.19
Net interest margin (%)	**2.75**	2.81	2.57	2.31	2.37
Cost-to-income ratio (%)	**25.97**	31.31	36.33	40.77	39.41
Total deposits	**1,921,835**	1,733,921	1,533,183	1,217,002	1,021,108
Total loans and advances	**1,475,801**	1,216,138	1,024,734	847,289	720,780
Capital adequacy ratio (%)(3)	**11.53**	10.94	10.86	9.90	11.37
Non-performing loan ratio (%)	**1.74**	1.45	1.02	0.89	0.95
Provision coverage ratio (%)	**155.37**	165.86	200.90	201.06	182.32
ASSET MANAGEMENT BUSINESS					
Trust Business(4)					
Total income	**5,695**	8,007	6,557	4,732	4,231
Net profit	**2,322**	2,888	2,212	1,962	1,484
Assets held in trust	**677,221**	558,435	399,849	290,320	212,025
Securities Business					
Total income	**8,850**	10,119	4,026	2,758	2,897
Net profit	**2,215**	2,478	924	510	845

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

(2) The figures of banking business came from Ping An Bank's annual reports.

(3) The capital adequacy ratio as at and after December 31, 2013 was calculated under the "Capital Rules for Commercial Banks (Provisional)" enforced by the CBRC, while the capital adequacy ratios as at December 31, 2012 were calculated under the "Rules for Regulating the Capital Adequacy Requirement of Commercial Banks" and relevant regulations enforced by the CBRC.

(4) The figures of trust business include Ping An Trust and its subsidiaries which carry on trust business.

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

Introduction

Ping An is dedicated to becoming a world-leading personal financial services provider. Backed by the integrated financial operating model featured by "one customer, multiple products and one-stop services", local expertise and best practices in corporate governance with international standards, we provide insurance, banking, asset management and internet finance products and services to 346 million internet users and 131 million customers.

中国平安 PING AN

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

Insurance is one of the core businesses of the Group. After developing for many years, the Group has transitioned from a company with sole property & casualty business to a group which has gradually established a complete business system with four major subsidiaries: Ping An Life, Ping An Property & Casualty, Ping An Annuity and Ping An Health, providing clients with a full range of insurance products and services.

BANKING

- Ping An Bank

The Company operates its banking business through Ping An Bank. Ping An Bank facilitated its transformation into retail banking. With continued innovation in products, organizations and services, it aims to forge a smart retail bank. Insisting on being asset-light and capital-light, Ping An Bank's corporate business is developing the "commercial banking + investment banking" service model that is industry-oriented and professional with investment banking attributes.

ASSET MANAGEMENT

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

Asset management business is also 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), Ping An-UOB Fund and Ping An Financial Leasing form the asset management platform of the Company, providing customers with diversified investment products and services.

INTERNET FINANCE AND OTHERS

Lufax   Puhui Financial   Ping An Good Doctor   Finance One Account   Wanjia Healthcare
Ping An Healthcare Management   E-wallet   Ping An Technology   Ping An Financial Services

Ping An continues to focus on the concept of "Technology-driven Finance". Ping An focuses on users' daily needs in areas of "health, food, housing, and transportation", and seeks to widen the range of financial and lifestyle scenarios. It also works on strengthening internet user operations, enhancing the user experience, and promoting the gradual migration of its internet users and customer base. This enables Ping An to reach its goal of "One Customer, Multiple Products and One-stop Services" and become its customers' "wealth manager, health advisor and life assistant".

Ping An Milestones

Foundation of Company

May 27, 1988

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

1988

1992

June 4, 1992

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

Expanding nationwide

Foreign investors

1994

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

1994

1994

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

First life insurance policy

1995

October, 1995

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

1996

April 1996

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

2002

October 8, 2002

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

Stake acquired by HSBC

2003

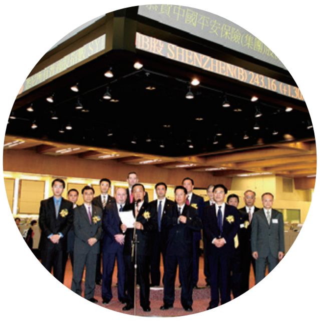
Founding of the Group

February 14, 2003

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

December 2003

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



H-share listing

June 24, 2004

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

Acquiring SDB

July, 2011

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

Global No.1

May 21, 2014

Ping An ranked 1st among insurers on Millward Brown's BrandZ Top 100 Most Valuable Global Brands list, with a brand value of USD12.4 billion.

2004 2006 2007 2011 2012 2014 2016

May, 2006

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

July, 2006

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

March 1, 2007

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

A-share listing

2012

Lufax was established as Ping An began to build presence in internet finance business.

Lufax

2016

Ping An Life's written premium exceeded RMB300 billion, new business premium exceeded RMB100 billion, new business value grew by 32.2%, and profit ranked 1st in the industry.

Ping An ranked 41st in Fortune's Global 500 and 20th in Forbes Global 2000, maintaining the 1st place among Chinese insurers.

Global Top 50

Chairman's Statement

Wind and rain escorted Spring's departure,
Flying snow welcomes Spring's return.
With the return of Spring each year, we review in our annual report the results of our efforts made, providing investors with a clear picture of the Company. Each year again, we spare no effort and remain indomitable in all market conditions in the hope that the Company will deliver growth year after year.

1. In September 2016, Ping An Life held the "Ping An Fu (2016) + Ping An RUN Vitality" Experience Day to pioneer a philosophy of "insurance + health" and call on the public to actively engage in physical exercise and to develop a good habit in doing exercise.
2. On October 20, 2016, Ping An Property & Casualty announced the upgrading of the brand positioning of the "Ping An Auto Owner" app as an "auto assistant and safety manager" which is committed to providing auto owners with a better auto lifestyle platform. In addition, Ping An Property & Casualty pioneered a wholly online mobile claims service, which is of world-leading quality and efficiency.
3. On September 8, 2016, Ping An Annuity held the "Internet + Financial and Insurance Services Forum" and launched two brand-new service strategies of "the most advanced internet platform" and "the best old-age healthcare experience," aiming to draw on innovative technologies and the internet to provide mobile, smart, customized services.

In 2016, China's economy transitioned to the "new normal" with profound adjustments. For the financial industry, it was a year of deep reform and multiple challenges. During the past year, we maintained stable growth that outperformed the market. In 2016, Ping An achieved a net profit of RMB72,368 million, up 11.0% compared with the previous year; net profit attributable to shareholders of the parent company stood at RMB62,394 million, up 15.1%. As at December 31, 2016, equity attributable to shareholders of the parent company was RMB383,449 million, an increase of 14.7% compared with the end of 2015. In addition, the Company entered the top 50 league in "Fortune Global 500". As at December 31, 2016, Ping An's market capitalization ranked 57th among global listed companies, 15th among financial groups and 1st in the insurance sector.

In retrospect, over the past 30 years, Ping An has made steady progress year after year. "Outstanding teams and well-defined strategies" are the key to our success. Every year we explain our strategies and values in our annual report. I believe most financial investors are familiar with them and receive them with recognition, while some investors may find it difficult to fully appreciate the value of our integrated finance business model. To make our annual report readable for more investors, this year, we have attempted to provide explanations in simple terms, apart from the standard reporting model of financial institutions. In this way, professional financial investors and analysts can have an in-depth and clear understanding of Ping An's strategies and values, and other investors will also find our annual report easier to read.

To put it simply, Ping An's strategy can be summarized as "One Positioning, Two Focuses and Four Service Ecosystems".

The first is "One Positioning". Ping An is strategically positioned as "a world-leading personal financial services provider". With a massive population, China boasts the largest medium- and high-income group globally attributed to the presence of social stability, steady economic development and rapid increase of personal wealth, and has become the world's largest and fastest-growing personal consumer market. Focusing on its vast target customer group in which the middle class predominates, Ping An actively explores the retail market, personal consumer market and personal financial service market. Personal retail business is relatively stable, as customer needs are hardly affected by business cycles and market fluctuations.

The second is "Two Focuses". Ping An focuses on pan financial assets and pan health care. As a world economic power, China's economic development will outpace that of the global economy, while growth of the financial and asset management industry and that of the health care industry will outpace other industries. During the past decade, we have remained committed to this strategic focus, concentrating our resources on pan financial assets and pan health care, and have built differentiated platforms to give the Company our competitive edge.

The last is "Four Service Ecosystems". To address the market needs, Ping An delivers financial services revolving around "health, food, housing and transportation". As society progresses, needs for financial services related to daily life continue to grow. By integrating daily life services seamlessly with financial services applying internet technology and big data, Ping An has created new development models for modern finance, and provides customers with financial services that are convenient, professional and differentiated.

How then should we view the growth value of Ping An's strategy?

In assessing both the current value and growth potential of retail finance companies, three key indicators of notable concern are customer base, the number of products per customer, and the profit per customer. As a personal financial services provider, Ping An's value is reflected in the sustainable rapid growth in all three indicators.

We have adhered to the integrated finance model of "one customer, multiple products, and one-stop services" for nearly two decades, from which remarkable results are springing up. For customers, this model makes services more convenient and more efficient, providing them with more value. For the Company, by virtue of cross-selling among different products and services, we achieve better customer experience and lower costs of customer acquisition, management and operation. At the same time, customer retention rate, loyalty and satisfaction levels improve alongside the competitive edge of the Company. The data below indicates that in the past few years, the number of users and customers sustained rapid growth, with more and more users of Ping An's internet products that have become our financial customers, and the number of Ping An's products held by both internet users and financial customers have continued to rise, and the profit per customer too has increased steadily. As at the end of 2016, the number of Ping An's individual customers reached 131 million, up 20.1% from the beginning of 2016; the number of contracts per customer reached 2.21, and the profit per customer increased from RMB289 to RMB312. In 2016, Ping An's individual business recorded a profit of RMB40,829 million, up 29.5% year on year, accounting for 65.4% of the Group's net profit attributable to shareholders of the parent company. Indeed, the steady growth in value of our individual business has become a strong driver of Ping An's organic growth in value.

Sweet and fair, she craves not Spring for herself alone,
To be the harbinger of Spring she is content.
When the mountain flowers are in full bloom,
She will smile mingling in their midst.

With an unwavering dedication to our operations and management, we endeavor to reward investors with sustainable and steady business growth. With care, we always listen to the opinions and suggestions of all investors and customers. Your continued attention, trust and support will undoubtedly help us usher in a more radiant and resplendent Spring.

Chairman and Chief Executive Officer

Shenzhen, China
March 22, 2017


4


6

4. On October 19, 2016, Ping An Health signed a strategic agreement with Shenzhen Hospital of Southern Medical University, ushering in a new era of managed healthcare cooperation between specialized health insurers and public hospitals in China. Under the agreement, both parties will work together to provide customers with four core services – medical services, specialist services, health management services, and value-added services.

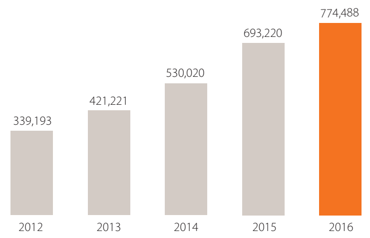
5. In August 2016, Ping An Bank unveiled its Strategy 2.0 of retail banking transformation with a vision to become "China's best, world-leading retail bank", Ping An Bank has made remarkable achievements in transformation within four months: it now takes as short as eight minutes to approve and grant a Xin Yi Dai loan; the bank's auto finance business has entered a "post-100 billion era"; the number of Ping An credit card holders has exceeded 22 million; the app now has over 4 million monthly active users, ranking the third within the industry.

6. In May 2016, Ping An Good Doctor announced a plan to build the largest online healthcare ecosystem in China. On the one hand, besides providing core services such as health advisory services, medical appointment making and pharmaceutical logistics, Ping An Good Doctor strengthens cooperation with 3A hospitals. On the other hand, Ping An Good Doctor interacts with users via health management functionalities such as health live streaming, health headlines, and health plans to reduce the incidence of disease.

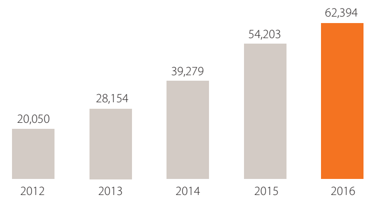
Business Performance at a Glance

Financial Results of the Group

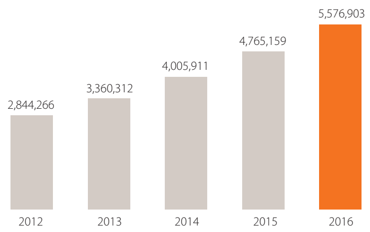
Total Income *(in RMB Million)*



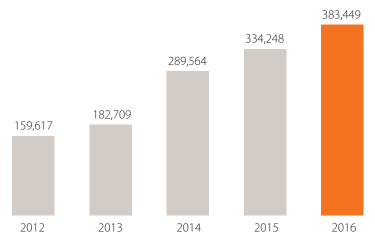
Net profit attributable to Shareholders of Parent Company *(in RMB Million)*



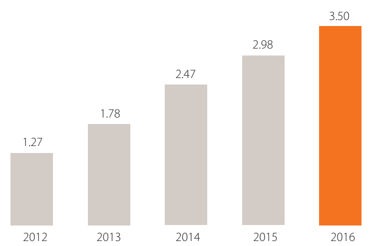
Total Assets *(in RMB Million)*



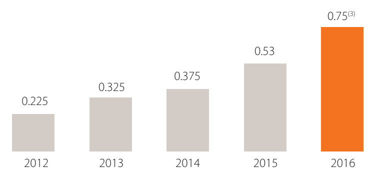
Equity attributable to Shareholders of the Parent Company *(in RMB Million)*



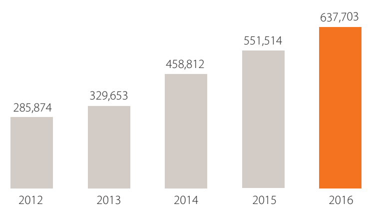
Basic EPS[1] *(in RMB)*



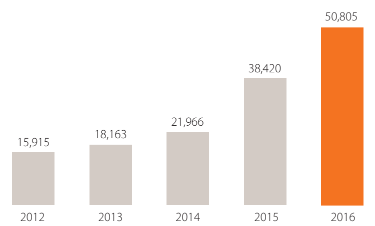
Dividend per Share[1][2] *(in RMB)*



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



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



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

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

(3) The final dividend of RMB0.55 per share will be proposed for approval at the annual general meeting of 2016.

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

Operating Results of the Individual Business

RMB40,829 million
net profit of individual business, up 29.5% year on year

RMB311.51
profit per customer, 2015: RMB289.07

2.21
contracts per customer, up 8.9% from the beginning of 2016

131 million
individual customers, up 20.1% from the beginning of 2016

38.42 million
new customers, up 25.0% year on year

8.57 million
new customers from internet channel, accounting for 22.3% of new customers in 2016

346 million
internet users, up 43.4% from the beginning of 2016

61.99 million
monthly active users, up 42.3% year on year

1.94
online services per user, up 16.2% from the beginning of 2016

Customer Profiling

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

Aged 38.1
aged 38.1 on average, 5.3 years younger than the social average

62.4%
62.4% are from the middle class or above; every high-net-worth individual held 10.63 contracts on average

39.2%
39.2% graduated from junior colleges or above

Business Performance at a Glance

Top Ten Highlights of 2016

Financial Performance

1 In 2016, net profit attributable to shareholders of the parent company rose by **15.1%** year on year to RMB**62,394** million, while dividend per share jumped by **41.5%** to RMB**0.75**. The Company's assets totalled about RMB**5.58** trillion, up **17.0%** from the beginning of the year. In addition, its solvency was adequate.

2 The life insurance business generated new business value of RMB**50,805** million, up **32.2%** year on year. Ping An Life recorded a net profit of RMB**24,444** million. The number of life insurance sales agents rose by **27.7%** from the beginning of the year to over **1.10** million, with the level of productivity ever increasing.

3 Ping An Property & Casualty's premium income climbed **8.7%** year on year to RMB**177,908** million. It continued to outperform the industry with a net profit of RMB**12,700** million and a combined ratio of **95.9%**. With unremitting efforts in upgrading its claim service experience, Ping An Property & Casualty has been recognized as the Best Auto Insurance Brand for **6** consecutive years.

4 Ping An Bank recorded revenue of RMB**107,715** million, up **12.0%** year on year. It increased its provisions, mitigated risks in assets, and pushed ahead with its retail strategy.

5 The asset management business generated a net profit of RMB**9,950** million during the year. Net profits of Ping An Securities, Ping An Trust, Ping An Asset Management and Ping An Financial Leasing were RMB**2,215** million, RMB**2,322** million, RMB**2,221** million and RMB**1,352** million respectively.

6 The strategic deployment of the internet business is constantly improving, and its value is gradually becoming more apparent. Lufax Holding completed its B-round financing of USD**1,200** million, which brought its valuation to USD**18,500** million. The valuation of Ping An Good Doctor reached USD**3,000** million after its A-round financing of USD**500** million.

Customer Operation

7 There were **346** million internet users, **43.4%** higher than the number at the beginning of the year. The number of online services per customer uses was **1.94**. The Company stepped up efforts to implement its strategy of "services first, then multiple services and products".

8 The number of individual customers hit **131** million, which means that **1** out of every **10** Chinese was a Ping An customer. On average, every customer signed **2.21** contracts with us, with the profit per customer up from RMB**289.07** to RMB**311.51**, showing that customer value is gradually emerging.

Market Position

9 The Company kept growing in scale, with the number of branches and outlets totalling over **5,000**. The number of employees and agents exceeded **1.4** million; **1** out of every **1,000** Chinese worked at Ping An.

10 Ping An ranked **41st** among Fortune Global 500 companies. By market capitalization, it ranked **15th** among financial groups and **1st** among insurance groups around the globe. Since its initial public offering in 2004, profit has seen a compound growth rate of **28.4%**.

Honors and Awards

In 2016, Ping An maintained its leading brand value, received wide recognition and praises, and won various honors and awards from domestic and foreign rating agencies and media in respect of comprehensive strength, corporate governance, and corporate social responsibility.

CORPORATE STRENGTH

- Fortune
  Ranked No. 41 in "Fortune Global 500", and No.1 among Chinese insurers
- Fortune China
  Ranked No. 8 in "Fortune China 500"
  Ranked No. 20 in "The Most Praised Chinese Companies", the highest among Chinese financial institutions
- Forbes
  Ranked No. 20 in "Forbes Global 2000", the highest among Chinese insurers
- China Central Television (CCTV)
  Top 10 Chinese Listed Companies in 2016
- Institutional Investor (US)
  Most Honored Company in Asia
- China Enterprise Directors Association and China Enterprise Confederation
  Ranked No. 9 in China Top 500 List
- Shenzhen Quality Conference
  Shenzhen Mayor Quality Award, the only grand award

CORPORATE GOVERNANCE

- Institutional Investor (US)
  Best IR Company
  Best Analyst Days
  Best Webpages
  Best CEO – MA Mingzhe
  Best CFO – YAO Jason Bo
- Corporate Governance Asia – Asian Excellence Recognition Awards
  The Best CEO (Investor Relations)
  The Best CFO (Investor Relations)
  The Best Investor Relations Company in China
- The Asset Magazine
  The Asset Triple A Platinum Award
- Selection of Best Practices for Supervisory Committees of Public Companies co-sponsored by China Association for Public Companies, the Shanghai Stock Exchange, and the Shenzhen Stock Exchange
  The Best Practice Award for Supervisory Committee of Public Company
- Directors & Boards magazine
  The Best Board of Directors Award at the 12th Gold Round Table Awards for boards of directors of Chinese public companies

CORPORATE SOCIAL RESPONSIBILITY

- The Economic Observer & Management Case Research Center of Peking University
  The Most Respected Enterprise in China
- World Economic and Environmental Conference
  The International Carbon-Value Award, Carbon-Value Ecological Practice Award
- CSR China Education Awards
  The Best Sustainable Development Award, and the CSR Special Award for Video on New Media
- China Business News Corporate Social Responsibility Ranking in China
  The Outstanding Enterprise Award
- Southern Weekly annual ceremony
  The Annual Responsibility & Contribution Award
- people.com.cn
  The 11th People Corporate Social Responsibility Awards – Annual Case Award
- The 6th China Charity Festival
  The Best Social Responsibility Brand Award 2016

BRAND

- Millward Brown & WPP
  Ranked No. 57 in the BrandZ Top 100 Most Valuable Global Brands list, and the highest-ranking insurance brand on the list
  Among the top 10 on the BrandZ Top 100 Most Valuable Chinese Brands list, and the highest-ranking Chinese insurance brand on the list
- FutureBrand
  Ranked No. 17 among global top 100 brands on the FutureBrand Index 2016 list, and the highest-ranking among financial institutions and Chinese enterprises on the list
- World Brand Lab
  Ranked No. 255 in the list of the World's 500 Most Influential Brands for 2016
- Hurun Research Institute
  Ranked No. 6 among China's Most Valuable 10 Brands in Private Sector on the 2016 Hurun Brand List

Customer Development

- Ping An has served 379 million people[(1)] altogether; its individual customers[(2)] and internet users[(3)] totalled 131 million and 346 million, respectively.
- Each customer holds 2.21 contracts on average.
- Each internet user uses 1.94 online services on average.
- Net profit from individual business of the Group totalled RMB40,829 million, accounting for 65.4% of the net profit of the Company; profit per customer reached RMB311.51.

CUSTOMER OPERATION STRATEGY

Aiming to become a world-leading personal financial services provider, Ping An adheres to the concept of "one customer, multiple products and one-stop services". Centering on financial services revolving around "health, food, housing and transportation", it provides diversified products and quality services, with all businesses growing steadily. In 2016, the Group's net profit attributable to shareholders of the parent company stood at RMB62,394 million, including profit from individual business of RMB40,829 million, which accounted for 65.4%, up 7.3 percent points year on year. The individual business has become a strong driver of Ping An's value growth. Net profit from institutional business and other businesses was RMB21,565 million, with services provided to more than 2.6 million institutions.

The vigorous development of individual business was mainly driven by the rapid increase in number of individual customers and the steady growth of customer value. Focusing on individual customers, Ping An built diversified core financial product lines and internet service lines, and realized synergy through sharing of users, customers, services and products via Magic Gate. At the same time, the Company made continuous efforts in building and improving internet platforms in line with its strategy, and enhanced the service capabilities of both traditional finance channels and internet channels, providing customers with ready access. As at the end of 2016, the number of individual customers of the Group reached 131 million, up 20.1% from the beginning of the year. The number of new customers acquired during the year was 38.42 million, up 25.0% year on year. The number of internet users reached 346 million, up 43.4% from the beginning of the year.

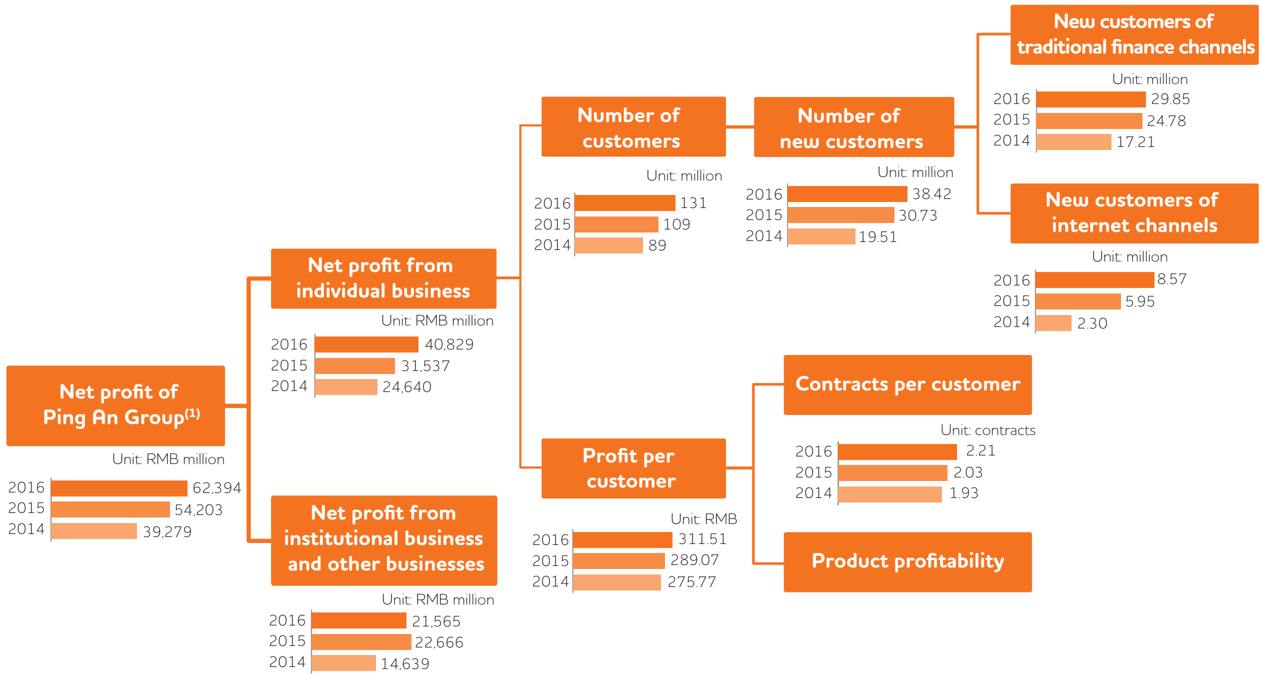
Ping An continuously deepened its integrated finance strategy, and promoted user and customer migration. Its customers became highly overlapped among the product lines, and the number of contracts held by each customer ("contracts per customer") increased steadily. As at the end of 2016, the number of contracts per customer reached 2.21, up 8.9% from the beginning of the year. Meanwhile, by virtue of technical innovation and efficient management, all main product lines maintained sound and sustainable profitability. In 2016, profit per customer of the Group was RMB311.51, up 7.8% year on year.

(1) The number of people served includes the Group's individual customers and internet users, while duplication is removed.

(2) Customers refer to individual customers who bought effective financial products from core financial companies in the Group.

(3) Users refer to registered internet users with accounts on internet service platforms of internet financial companies and core financial companies (including web platforms and mobile app) in the Group.

Core drivers of the Group's profit growth



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

(2) Due to adjustments of allocation rules for expenses of the banking business, several numbers have been restated to comply with requirements in current year.

THE NUMBERS OF THE GROUP'S INDIVIDUAL CUSTOMERS AND INTERNET USERS INCREASED RAPIDLY WITH OUTSTANDING CUSTOMER MIGRATION

- Individual customers of the Group totalled 131 million, up 20.1% from the beginning of the year. New customers acquired during the year reached 38.42 million, up 25.0% year on year.
- Internet users and app users of the Group reached 346 million and 233 million, respectively. On average, every user uses 1.94 online services.

Individual Customer Structure (Table 1)

(in thousand)	Total number of customers December 31, 2016	December 31, 2015	Number of new customers 2016	2015
Life insurance	**46,230**	41,230	**7,220**	6,150
Auto insurance	**34,240**	31,000	**14,560**	13,540
Retail banking	**40,470**	31,760	**12,720**	8,110
Credit card	**23,310**	18,050	**6,780**	5,820
Securities, fund and trust	**17,420**	7,610	**10,780**	3,920
Others	**22,610**	8,920	**17,790**	5,080
The Group	**131,070**	109,100	**38,420**	30,730

(1) Customers who purchased multiple financial products are counted more than once. The figures do not add up to the total due to the elimination of repeated customers.

(2) The number of customers in 2016 is not equal to the sum of the number of customers in 2015 and new customers in the reporting period, due to customer attrition.

(3) The number of customers of insurance companies is counted based on the number of holders of in-force policies.

(4) "Others" include internet finance, other loans and other insurance product lines.

(5) Calculation of the number of individual customers was reviewed in 2016. The numbers for 2015 were updated accordingly.

Individual customers

Traditional finance channels include sales agents, outlet counters and the call center. As at the end of 2016, the number of sales agents exceeded 1.10 million, the number of bank outlet counters reached 1,072, and the number of agents in the call center reached 52,600. Due to continuous enhancement of channel management and customer experience, the total number of individual customers of traditional finance channels maintained rapid growth. In 2016, the number of new customers reached 29.85 million. The number of customers acquired from the agent channel via the "Jin Guan Jia" app was 4.25 million.

The internet channel gradually took shape. In 2016, the number of new customers acquired from internet channel was 8.57 million, representing 22.3% of all the new customers for the whole year. The internet channel has become a vital driver for the growth of customer base development.

Customer Development

Internet users

As the Company's internet service platforms were closely connected via Magic Gate, users enjoy free access within Ping An's internet ecosystem, achieving synergy through sharing of services and products. As at the end of 2016, the number of internet users accumulated via various services totalled 346 million, while the number of app users reached 233 million. 69.05 million users migrated among internet platforms, up 31.0% year on year. On average, each internet user uses 1.94 services of Ping An, up 16.2% from the beginning of the year. Meanwhile, user activity improved steadily. In 2016, the Company boasted 61.99 million monthly active users, up 42.3% year on year, in which annual accumulated highly active users[1] accounted for 19.1%. User stickiness continued to improve.

Number of Internet Users (Table 2)

(in thousand)	December 31, 2016	December 31, 2015
Internet user base	**346,300**	241,570
Internet finance companies	**264,910**	182,580
Core finance companies	**218,660**	132,170
App user base	**233,360**	107,190
Internet finance companies	**151,200**	71,680
Core finance companies	**130,090**	52,240

(1) Overall internet users and app users of the Group included users of internet finance companies and core finance companies, with duplication removed.

THE GROUP SAW A STEADY INCREASE IN CUSTOMER VALUE, WHILE PROFIT PER CUSTOMER CLIMBED TO RMB311.51.

- The number of contracts per customer rose by 8.9% from the beginning of the year to 2.21.
- Profit per customer hit RMB311.51, up 7.8% year on year.

Ping An continued to promote customer migration among core finance companies. In 2016, 31.50 million customers held multiple contracts with different subsidiaries, accounting for 24.0% of all customers. The number of contracts per customer rose by 8.9% from the beginning of the year to 2.21. By exploiting advantages in core financial business, we improved the service efficiency of product lines, increased customer value, and achieved steady growth in major product lines' profitability. In 2016, the Group recorded profit per customer of RMB311.51, up 7.8% year on year.

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

Number of Contracts per Customer of Major Product Lines (Table 3)

(contract)	December 31, 2016	December 31, 2015
Life insurance	**1.80**	1.73
Auto insurance	**1.90**	1.86
Retail banking	**1.36**	1.43
Credit card	**1.12**	1.19
Securities, fund and trust	**1.57**	1.45
Others	**1.49**	1.73
The Group	**2.21**	2.03

In 2016, cross-selling of insurance business produced remarkable results. New premiums of Ping An Property & Casualty, Ping An Annuity and Ping An Health captured via the agent channel jumped by 16.1% year on year to RMB34,394 million.

New Business Acquired via Cross-selling (Table 4)

(in RMB million)	2016 Amount	2016 Business contribution percentage	2015 Amount	2015 Business contribution percentage
Ping An Property & Casualty				
Premium income	**28,792**	**16.2%**	24,951	15.2%
Short-term group insurance business of Ping An Annuity				
Premium income	**5,489**	**44.4%**	4,597	43.6%
Ping An Health				
Premium income	**113**	**14.3%**	64	12.2%

CUSTOMER PROFILE

- 70.6% of customers are in Eastern China, Southern China and Northern China. The average age of customers is only 38.1, 5.3 years lower than the social average. 39.2% of them have junior college or higher degrees.
- Middle class and higher-level customers account for 62.4%, while the number of contracts per high-net-worth individual (HNWI) hit 10.63.
- 5-year or above customers hold 2.46 contracts on average, 59.7% more than 1-year or below customers.

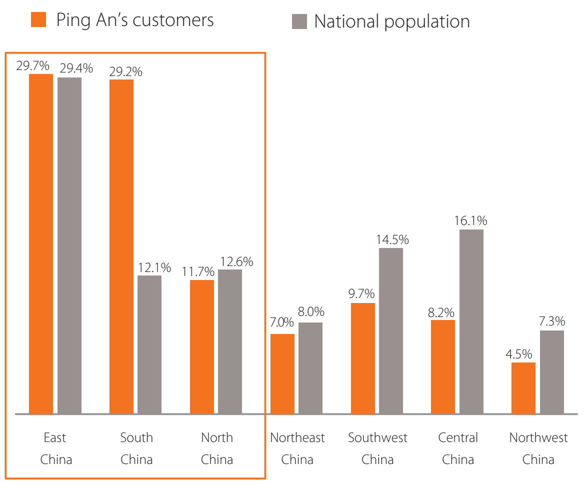
With a huge customer base, Ping An enhanced application of big data analysis technologies, continued customer data mining, and learned more and more about customers. 70.6% of the Group's customers are in Eastern China, Southern China and Northern China that are economically developed. Customers are quite young, with an average age of only 38.1, 5.3 years lower than the social average. 39.2% of them have junior college or higher degrees.

The more wealth customers have and the more contracts they hold and the more valuable they are. In 2016, the Group had 81.79 million middle class or higher-level customers, who accounted for 62.4% of the total. On average, each HNWI held 10.63 contracts, far more than affluent customers.

Through long-term cultivation of customers, Ping An has built strong ties of recognition and mutual trust with customers. The longer a customer has been with us, the more contracts he/she holds. For example, 5-year or above customers hold 2.46 contracts on average, 59.7% more than 1-year or below customers.

Geographic distribution of customers (2016)

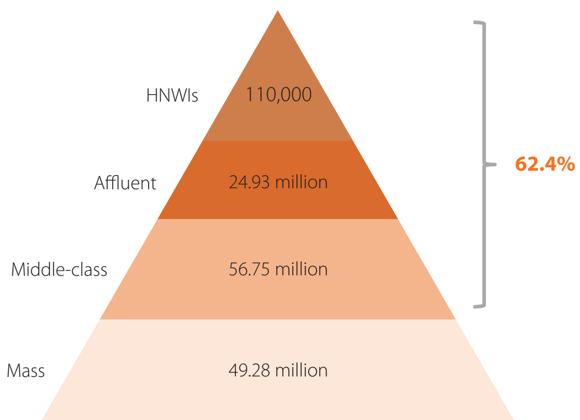
70.6% of customers are in economically developed regions, higher than the regions' share in the national population.



Customer wealth structure (2016)

Middle class or higher-level customers accounted for 62.4%, up 4.5 percentage points compared with in 2015.

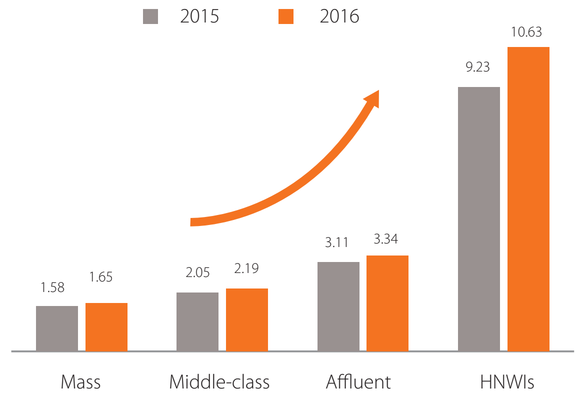
Unit: person



Number of contracts per customer

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

Unit: contracts/person



(1) Data of social averages are from the China Statistical Yearbook for 2015.

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

Going forward, Ping An will continue to promote the development of its individual business to become a world-leading personal financial services provider. On one hand, it will enhance the advantages in traditional channels, expand the user base of internet services and scale up the customer base quickly. On the other hand, it will diversify its personal financial products and services, optimize customer experience, and boost the number of contracts per customer so as to increase individual customer value and achieve company growth.

Business Analysis
Overview

- Net profit attributable to shareholders of the parent company of the year reached RMB62,394 million, up by 15.1% year on year.
- The insurance business recorded sound development; the banking business maintained stable operation; Ping An Trust continuously optimized its risk control system and adopted the new business model of "wealth + fund"; Ping An Securities built differentiated competitive advantages and outperformed peers; Ping An Asset Management recorded stable growth with the income from third-party asset management business hitting a new high.
- Ping An made continuous efforts to deepen the internet finance strategy. By improving service quality and widening product range based on internet users' requirements, Ping An provided users with even better experience.

With diversified distribution channels and the uniform brand, we offer a variety of financial products and services through the three core financial business pillars of insurance, banking and asset management including 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 and Ping An Asset Management (Hong Kong) as well as the internet finance operations represented by Lufax, Puhui Financial, Ping An Good Doctor, Finance One Account, Wanjia Healthcare, Ping An Healthcare Management and E-wallet.

In 2016, China's economy became stable and turned better, with the national economy in the reasonable range and progress made in both quality and efficiency of development. Aiming to become "a world-leading personal financial services provider", the Company focused on industries of "pan financial assets" and "pan health care". Through technology innovation, it strives to achieve seamless integration of daily life services with financial services, so as to provide customers with convenient, professional and differentiated financial services.

In terms of core finance business, Ping An Life recorded written premium of RMB355,274 million, with the number of insurance sales agents hitting a new high. The value of new business continued to grow. Ping An Property & Casualty achieved premium income of RMB177,908 million with a combined ratio of 95.9%. The business quality remained sound. The AUM of annuity business of Ping An Annuity exceeded RMB440 billion. The investment structure of insurance funds was improved. Ping An Bank actively pursued transformation, aiming to offer smart, mobile and professional retail banking services centering on "SAT (social media + applications + remote service teams) + smart main account". Insisting on being asset-light, capital-light, industry-oriented and professional with investment banking attributes, it promoted the co-development of corporate business and retail business. Ping An Trust continuously optimized its risk control system and maintained steady business growth. Ping An Securities built differentiated competitive advantages and outperformed peers. Ping An Asset Management recorded stable growth with the income from third-party asset management business setting a new high.

Regarding the internet finance business, the Group made continuous efforts to deepen the internet finance strategy, explore new internet business models and build open internet platforms. By further implementing its platform strategy, Lufax enhanced its leading role in the internet finance industry with business covering wealth management, financial asset trading among institutions and consumer finance. As at December 31, 2016, the number of registered users of Lufax's platform totalled 28.38 million, representing an increase of 55.0% compared with the end of 2015. Ping An Good

Doctor completed A-round financing of USD500 million and the valuation reached USD3,000 million. Altogether, Ping An Good Doctor provided health management service for 130 million users, with the number of daily inquiries peaking at 440,000. As at December 31, 2016, Ping An's internet users amounted to about 346 million, up by 43.4% from the beginning of the year, maintaining rapid growth.

In 2016, net profit attributable to shareholders of the parent company was RMB62,394 million, representing a growth of 15.1% compared with 2015. As at December 31, 2016, equity attributable to shareholders of the parent company stood at RMB383,449 million while total assets of the Company was about RMB5.58 trillion, representing increases of 14.7% and 17.0%, respectively, compared with the end of 2015.

CONSOLIDATED RESULTS

(in RMB million)	2016	2015
Total income	**774,488**	693,220
Including: Premium income	**469,555**	386,012
Total expenses	**(680,077)**	(599,807)
Profit before tax	**94,411**	93,413
Net profit	**72,368**	65,178
Net profit attributable to shareholders of the parent company	**62,394**	54,203

NET PROFIT BY BUSINESS SEGMENT

(in RMB million)	2016	2015
Insurance		
Life insurance	**22,596**	18,992
Property and casualty insurance	**12,315**	12,522
Banking	**22,156**	21,382
Asset management		
Securities	**2,215**	2,478
Trust	**2,322**	2,888
Other asset management businesses(1)	**5,413**	8,553
Internet finance business and others(2)	**5,351**	(1,637)
Net profit	**72,368**	65,178

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY BY BUSINESS SEGMENT

(in RMB million)	2016	2015
Insurance		
Life insurance	**22,426**	18,935
Property and casualty insurance	**12,255**	12,462
Banking	**12,851**	12,485
Asset management		
Securities	**2,137**	2,266
Trust	**2,319**	2,885
Other asset management businesses(1)	**5,198**	8,411
Internet finance business and others(2)	**5,208**	(3,241)
Net profit attributable to shareholders of the parent company	**62,394**	54,203

(1) Other asset management businesses include Ping An Financial Leasing, Ping An Asset Management and those carry on the businesses of investment and asset management.

(2) Internet finance businesses include companies which carry on the business of internet finance, and others mainly are consolidation eliminations.

In 2016, affected by volatility in the international financial markets and the slowdown of the domestic real economy, the domestic financial industry went downward. However, Ping An's overall business performance recorded steady growth, which was due to the synergy of Ping An's diversified businesses. While the traditional financial business maintained stable growth, the internet finance sector started to make contributions to the profit of the Group, reflecting the advantages of the integrated finance model.

Detailed analysis of business performance by business segment is set forth in the following sections. The significant increase in profit of the internet finance business and others was mainly derived from the Puhui Financial transaction (the transaction that Ping An Overseas Holdings transferred 100% shares of Gem Alliance Limited to Lufax Holding). The Company recorded a net profit of RMB9,497 million from this transaction. For further information, please refer to the relevant note to the financial statements.

Business Analysis
Insurance Business

- Ping An Life achieved RMB355,274 million in written premium, 25.3% higher than in 2015; the number of sales agents exceeded 1.10 million, reaching a historical high; the value of new business climbed by 32.2% year on year.
- Ping An Property & Casualty achieved RMB177,908 million in premium income while maintaining a good combined ratio of 95.9%.
- Ping An Annuity boosted its pension assets under management such as corporate annuities to over RMB440,000 million, staying ahead of its peers.

LIFE INSURANCE BUSINESS

Business Overview

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

In 2016, as China furthered supply-side structural reforms and deepened regulatory reforms in the insurance industry to release policy dividends, the insurance industry gained new momentum. The life insurance industry maintained strong growth and shifted its focus back towards protection under the belief that "insurance should be protection-oriented"; the total premium of the life insurance industry increased rapidly.

On the basis of compliance and risk prevention, the Company steadily develops the individual life business with high profitability, and constantly diversifies its offerings according to customer demands. The Company advocates the protection function of insurance, focuses on long-term protection-oriented products, constantly improves the product mix, enhances its channels, and builds a large, efficient distribution network. As a result, the Company has achieved healthy, valuable business growth with increasing competitiveness. In 2016, the value of new business (VNB) of the life insurance business grew by 32.2% year on year to RMB50,805 million. The VNB of the agent channel grew by 34.9% year on year to RMB46,413 million. The VNB of the long-term protection-oriented products accounted for 74.5% among that of the life insurance business, up by 4.7 percentage points compared with in 2015.

Ping An Life

Ping An Life provides individuals and groups with life insurance products through its nationwide service network of 42 branches (including 7 telemarketing centers) and over 3,000 business outlets. As at December 31, 2016, Ping An Life had RMB33,800 million in registered capital, RMB107,814 million in net assets, and RMB1,858,618 million in total assets. In 2016, Ping An Life realized RMB24,444 million in net profit.

As at December 31, 2016, Ping An Life's residual margin was RMB454,677 million, which was up by 37.4% from the beginning of the year due to the strong growth of new business. By retaining an increasing proportion of long-term protection business, the amortization of residual margin of Ping An Life rises continuously. The amortization of residual margin in 2016 was RMB38,198 million, resulting in an increase of 30.5% from 2015 and a compound growth rate of 23.3% over the past 6 years.

In 2016, Ping An Life realized RMB355,274 million in written premium, 25.3% higher than in 2015; for individual insurance business, Ping An Life realized RMB353,380 million in written premium, 25.3% higher than in 2015, including RMB121,707 million in new business written premium, 38.1% higher than in 2015. Below is an analysis of Ping An Life's written premium and premium income:

(in RMB million)	Written premium 2016	Written premium 2015	Premium income 2016	Premium income 2015
Individual business				
New business				
Agent channel	**101,633**	73,197	**90,677**	61,725
Including: regular premium	**94,276**	69,434	**86,053**	58,273
Bancassurance channel	**11,319**	7,695	**10,819**	7,732
Including: regular premium	**3,041**	1,613	**3,038**	1,598
Telemarketing, internet and others	**8,755**	7,224	**8,721**	6,787
Including: regular premium	**8,724**	6,785	**8,717**	6,785
Subtotal of new business	**121,707**	88,116	**110,217**	76,244
Renewed business				
Agent channel	**213,018**	180,308	**146,275**	118,554
Bancassurance channel	**5,217**	5,259	**5,135**	5,188
Telemarketing, internet and others	**13,438**	8,316	**13,438**	8,316
Subtotal of renewed business	**231,673**	193,883	**164,848**	132,058
Total of individual business	**353,380**	281,999	**275,065**	208,302
Group business	**1,894**	1,496	**117**	146
Total	**355,274**	283,495	**275,182**	208,448

(1) As policyholders are individuals or groups, Ping An Life's business falls into two categories, i.e. individual business and group business.

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

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

	2016	2015
Market share of premium income (%)	**12.7**	13.1

Ping An Life's premium income accounted for about 12.7% of the total insurance premium income of Chinese life insurance companies for 2016 as calculated on the basis of the Chinese life insurance industry data released by the CIRC. Ping An Life is the second largest life insurance company in China by premium income.

Summary of Operating Data

	December 31, 2016	December 31, 2015
Number of customers (in thousand)		
Individuals	**77,250**	68,647
Including: policyholders	**46,141**	41,233
Corporate	**1,825**	1,288
Total	**79,075**	69,935
Distribution network		
Number of individual life insurance sales agents	**1,110,805**	869,895
Number of group insurance sales representatives	**4,768**	4,380
Number of bancassurance relation managers	**3,094**	3,200
Number of telemarketing agents	**29,626**	22,209

	2016	2015
Agent productivity		
First-year written premium per agent (RMB per agent per month)	**7,821**	7,236
New individual life insurance policies per agent (policies per agent per month)	**1.2**	1.2
Persistency ratio (%)		
13 months	**91.4**	90.9
25 months	**86.5**	86.4

Business Analysis
Insurance Business

Ping An Life's life insurance products are primarily distributed through a network of over 1.10 million life insurance sales agents, 4,768 group insurance sales representatives, about 30 thousand telemarketing agents, and 3,094 bancassurance relation managers.

Ping An Life focuses on its core competitive advantages of "products + technologies" with a vision of becoming "the most respected life insurance company in China"; it constantly seeks innovations and promotes joint development of different channels such as sales agents, bancassurance, telemarketing and the internet, and is committed to sustainable, healthy and stable growth in its embedded value and scale. The individual life insurance agent channel constantly expands the team, enhances team management and boosts the productivity. As at the end of December 2016, the number of sales agents grew by 27.7% compared to the beginning of the year to over 1.10 million; the first year written premium per agent per month grew by 8.1% year on year to RMB7,821; the sales agents' per capita monthly average income grew by 17.4% year on year to RMB6,016. In the bancassurance channel, Ping An Life constantly deepens cooperation with internal and external channels, and focuses on the high-value regular premium business; in 2016, the written premium of new regular premium business grew by 88.5% year on year to RMB3,041 million, a breakthrough development for Ping An Life. The telemarketing channel continued to grow rapidly as the written premium increased by 29.8% year on year to RMB16,868 million in 2016, ranking first by market share in the industry. In the internet channel, Ping An Life takes advantage of the "Jin Guan Jia" app and the Group's online resources to pursue an O2O business model, targets customer demands precisely, maintains a comprehensive, diversified product mix, and cooperates with third-party platforms to build new growth drivers; in 2016, the internet channel achieved RMB5,325 million in written premium.

Ping An Life ensures balanced development of traditional insurance, participating insurance and universal insurance businesses, focuses on development and promotion of long-term protection-oriented products, and proactively pursues product innovation. In the second half of 2016, Ping An Life upgraded its protection-oriented flagship product "Ping An Fu" by launching the uniquely positioned "Ping An Fu + Ping An RUN" package with expanded illness covers and embedded health management services to help customers become healthier and improve customer experience.

Ping An Life adheres to a customer-centric approach and utilizes new technologies to enhance customer relationship management. Ping An Life has launched an online business and service platform centered on the "Jin Guan Jia" app. Since it was launched in 2014, the "Jin Guan Jia" app has accumulated 98.09 million registered users with a monthly average activity rate of 30%. In 2016, Ping An Life retooled the "Jin Guan Jia" app, and upgraded "Wang Cai" as an exclusive cash account; Ping An Life upgraded the comprehensive health management services centered on "Family Doctor," which covers 64.47 million users; meanwhile, Ping An Life has built an innovative daily-life assistance platform and partnered with Shanghai Jahwa, Tony's Farm, etc. to provide 27.36 million users with diversified lifestyle services.

Ping An Life has always advocated the service philosophy of "simple, convenient, friendly and comforting," constantly improved its business and service platforms, and built various online and offline service channels to provide precise services to customers and boost the NPS of customer. Ping An Life has pioneered the "An e Pei" online claims service model, which has provided over 1.32 million customers with super-fast online claims services. By introducing new technologies such as the smart robot and remote review, Ping An Life has built a 24-7 online service platform to satisfy all the policy service needs of customer. In the over-the-counter (OTC) channel, Ping An Life has established 29 third-generation "Zhi Xiang Outlets" across the country, with a customer satisfaction degree of 95%. Ping An Life has launched a philosophy of "good services with warmth" and turned its nearly 1,000 customer service outlets across the country into collectors for a book donation initiative, which has received over 80 thousand donated books.

Operation information of insurance products

In 2016, among all the insurance products offered by Ping An Life, the top five contributors to premium income were Zunhong Rensheng Endowment Insurance, Ping An Fu Whole Life Insurance, Zunyu Rensheng Endowment Insurance, Xinli Endowment Insurance and Xinsheng Whole Life Insurance, which together generated 27.6% of Ping An Life's premium income for 2016.

(in RMB million)	Distribution channel	Premium income	Annualized new premium income(1)
Zunhong Rensheng Endowment Insurance (participating)	Sales agents, bancassurance	20,748	7,019
Ping An Fu Whole Life Insurance	Sales agents, bancassurance	19,936	9,268
Zunyu Rensheng Endowment Insurance (participating)(2)	Sales agents, bancassurance	13,437	–
Xinli Endowment Insurance (participating)	Sales agents, bancassurance	12,910	2,317
Xinsheng Whole Life Insurance (participating)	Sales agents, bancassurance	8,849	3,189

(1) Calculated by the CIRC's rules.

(2) Sales of Zunyu Rensheng Endowment Insurance have been stopped, and the premium income arose from renewal.

Ping An Annuity

Ping An Annuity was set up in 2004 and is the first specialized annuity company in China. Its business scope covers pension insurance, health insurance, accidental injury insurance, insurance fund management, annuity business, pension asset management products, entrusted management of basic pension funds, health insurance-related advisory and agency services, and asset management-related advisory services, with business outlets throughout the country. In 2016, Ping An Annuity became one of the first companies licensed to provide the basic pension funds with investment management services. Ping An Annuity is committed to "becoming the professional pension asset management institution and professional social welfare provider in China." Ping An Annuity proactively engages in the pension asset management business centered on corporate annuities as well as the group insurance business centered on health care, casualty insurance and retirement pensions. As at December 31, 2016, Ping An Annuity had RMB4,860 million in registered capital, and was the largest specialized pension insurance company in China.

In 2016, Ping An Annuity realized RMB675 million in net profit, 4.7% higher than in 2015; its short-term and long-term insurance business scales grew to RMB15,684 million and RMB9,134 million respectively, with leading market shares in the industry. As at December 31, 2016, Ping An Annuity had a total of RMB440,094 million in assets under management including entrusted corporate annuities, corporate annuities under investment management, basic pension funds and other assets under management, maintaining the leadership among domestic specialized pension insurance companies.

Details of pension assets under management such as corporate annuities:

(in RMB million)	2016	2015
Contribution to entrusted corporate annuities	**28,892**	33,386
Contribution to corporate annuities under investment management	**30,740**	26,582
Contribution to basic pension funds and other assets under management	**343,817**	98,085

(in RMB million)	December 31, 2016	December 31, 2015
Entrusted corporate annuities	**165,605**	127,226
Corporate annuities under investment management	**152,189**	135,480
Basic pension funds and other assets under management	**122,300**	50,138

Ping An Health

In 2016, Ping An Health maintained steady growth of its insurance business, and its premium income increased by 50.7% year on year to RMB788 million; its online insurance business developed from scratch and achieved over RMB100 million in premium income; its online health insurance products such as "E Jia Bao" and "E Sheng Bao" became well recognized by the market. Besides fast business growth, Ping An Health proactively builds its presence for the future. First, Ping An Health strengthens its capability and platform, has established the first "1 + N" full-line product system in the industry, upholds a customer-centric approach, and has built "digital, smart, whole-process" operating processes. Second, Ping An Health has created the app specializing in mobile healthcare services to provide customers with solutions to health insurance, medical services, and health management. Third, Ping An Health has built a "multi-tier, at home and abroad, O2O" healthcare network to provide customers with one-stop, whole-process healthcare services.

Financial analysis

Unless otherwise specified, financial data in this section cover Ping An Life, Ping An Annuity, and Ping An Health.

Results of Operation

(in RMB million)	2016	2015
Written premium	**373,781**	299,814
Less: Premium deposits of policies without significant insurance risk transfer	**(5,311)**	(5,174)
Less: Premium deposits separated out from universal life and investment-linked products	**(77,206)**	(72,583)
Premium income	**291,264**	222,057
Net earned premium	**288,064**	215,627
Investment income	**82,191**	103,408
Other incomes	**17,825**	9,860
Total income	**388,080**	328,895
Claims and policyholders' benefits	**(241,283)**	(213,373)
Commission expense of insurance business	**(56,249)**	(34,823)
Currency exchange gain or loss	**(226)**	151
General and administrative expenses	**(41,392)**	(35,063)
Finance costs	**(2,747)**	(1,740)
Other expenses	**(15,384)**	(11,300)
Total expenses	**(357,281)**	(296,148)
Income tax	**(8,203)**	(13,755)
Net profit	**22,596**	18,992

In 2016, net profit from the life insurance business grew by 19.0% year on year due to combined impacts of the increase in premium income, decline in investment income, movement of the benchmark yield curve for measuring reserves for insurance contracts, and change in deferred tax assets.

Written premium and premium income

The written premium and premium income of the Company's life insurance business are analyzed below by policyholder type:

(in RMB million)	Written premium 2016	Written premium 2015	Premium income 2016	Premium income 2015
Individual business				
New business	**121,822**	88,152	**110,331**	76,279
Renewed business	**231,672**	193,910	**164,848**	132,085
Subtotal of individual business	**353,494**	282,062	**275,179**	208,364
Group business				
New business	**20,260**	17,706	**16,065**	13,673
Renewed business	**27**	46	**20**	20
Subtotal of group business	**20,287**	17,752	**16,085**	13,693
Total	**373,781**	299,814	**291,264**	222,057

(1) As policyholders are individuals or groups, the Company has reclassified its life insurance business into individual business and group business, and has adjusted the data for 2015 accordingly.

The written premium of the Company's life insurance business is analyzed below by product type:

(in RMB million)	2016	2015
Participating insurance	**144,419**	124,513
Universal insurance	**92,860**	85,567
Traditional life insurance	**51,089**	34,168
Long-term health insurance	**44,237**	29,066
Casualty & short-term health insurance	**26,819**	20,377
Annuity	**12,605**	3,792
Investment-linked insurance	**1,752**	2,331
Total written premium of life insurance business	**373,781**	299,814

Written premium analyzed by product type

(%)

2016 (2015)

The Company focuses on long-term protection-oriented products, and constantly boosts the share of such products in premium income to improve the product mix.

The written premium of the Company's life insurance business is analyzed below by region:

(in RMB million)	2016	2015
Guangdong	**64,537**	49,704
Shandong	**22,912**	18,131
Beijing	**22,178**	19,241
Jiangsu	**21,891**	17,592
Zhejiang	**20,782**	16,887
Subtotal	**152,300**	121,555
Total written premium of life insurance business	**373,781**	299,814

Written premium analyzed by region

(%)

2016 (2015)

Total investment income

(in RMB million)	2016	2015
Net investment income(1)	**91,866**	73,587
Net realized and unrealized gains(2)	**(9,144)**	33,200
Impairment losses	**(617)**	(3,542)
Total investment income	**82,105**	103,245
Net investment yield (%)(3)	**6.0**	5.7
Total investment yield (%)(3)	**5.3**	8.0

(1) Including deposit interest income, bond interest income, dividends from equity investments, and rents from real estate investments.

(2) Including capital gains from securities investments and profits/losses from fair value changes.

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

In 2016, the net investment income of the life insurance business grew by 24.8% year on year due to increases in fund dividend payouts and interest income from fixed-income investments. The net investment yield of the life insurance business was 6.0%, up by 0.3 percentage point year on year. The Company improved asset allocation by forward-looking investment in high-quality fixed-income assets and preferred shares and dynamic management of equity investments.

In 2016, as realized capital gains from stocks and funds decreased significantly due to weak capital markets, the total investment income of the life insurance business declined by 20.5% year on year, and the total investment yield was 5.3%, down by 2.7 percentage points year on year.

Claims and policyholders' benefits

(in RMB million)	2016	2015
Surrenders	**16,050**	16,578
Claims	**23,576**	16,516
Annuities	**5,907**	5,882
Maturity and survival benefits	**24,520**	18,713
Policyholder dividends	**11,236**	8,455
Interest credited to policyholder contract deposits	**17,365**	21,387
Net increase in life insurance reserves	**142,629**	125,842
Total of claims and policyholders' benefits	**241,283**	213,373

Claims grew by 42.7% year on year due to continued growth of the casualty and health insurance business.

Maturity and survival benefits grew by 31.0% year on year, mainly because some products reached the peak of maturity in 2016.

The policyholder dividends increased by 32.9% year on year due to growth of the participating insurance business and higher dividend payouts than in 2015.

The interest credited to policyholder contract deposits decreased by 18.8% year on year due to lower investment income which reduced interest payment on universal insurance accounts.

Commission expense of insurance business

(in RMB million)	2016	2015
Health insurance	**17,420**	10,005
Accident insurance	**5,681**	3,193
Life insurance and others	**33,148**	21,625
Total	**56,249**	34,823

In 2016, the commission expense of the insurance business (mainly paid to the Company's sales agents) increased by 61.5% year on year due to expansion of the insurance business.

General and administrative expenses

In 2016, the general and administrative expenses increased by 18.1% year on year mainly due to expansion of the insurance business, higher operating costs such as labor and office expenses, and the value-added tax reform.

Finance costs

In 2016, the finance costs increased by 57.9% year on year due to bond issues that caused higher interest expense.

Income tax

The income tax expense decreased significantly due to the lower taxable profit for the current period and changes in deferred tax assets for the same period in 2015.

PROPERTY AND CASUALTY INSURANCE BUSINESS

Business overview

The Company conducts property and casualty insurance business mainly through Ping An Property & Casualty and Ping An Hong Kong. As at December 31, 2016, Ping An Property & Casualty had registered capital of RMB21,000 million, net assets of RMB63,649 million and total assets of RMB283,623 million. In 2016, Ping An Property & Casualty realized RMB12,700 million in net profit.

In 2016, the property and casualty insurance market maintained steady growth. Automobile insurance is still the mainstay of property and casualty insurance. Implementation of the new "Ten National Rules" and the "One Belt, One Road" initiative continued to unleash government policy benefits and created a favorable environment for property and casualty insurance. The reform of commercial auto insurance premium rates and the China Risk Oriented Solvency System (C-ROSS), motivated property and casualty insurers to improve risk pricing, product structure and asset allocation, which facilitated the industry's development.

Adhering to a customer-centric model, Ping An Property & Casualty outpaced its major peers in China by customer satisfaction, and reinforced its competitive strength as China's "No.1 brand" of auto insurance and property and casualty insurance. Basing its business on risk screening, Ping An Property & Casualty keeps improving its risk screening ability, cost structure and resource use efficiency. With steady business growth, Ping An Property & Casualty has established a reputation for quality services. Over the past 6 years, it has rolled out the "online + offline" claim service model, supported by a smart loss assessment platform and such innovative services such as "Mobile Claim" and "Xiao'an Guide". It aims to offer the most efficient, convenient, transparent, considerate and trustworthy services.

In 2016, Ping An Property & Casualty stepped up efforts to develop internet insurance, and rolled out the model of "internet + automobile lifestyle" in the industry by integrating internal and external resources. It regards the "Ping An Auto Owner" app as a major business platform and clearly positions it as an "auto use assistant and auto owner safeguard". Starting with offline-to-online customer migration, big data application to risk screening and accurate pricing, and better user experience with technology, Ping An Property & Casualty aims to develop a customer-centric and open platform for online operations and auto life services. As at December 31, 2016, over 17.74 million customers linked their auto use with "Ping An Auto Owner" app, which ranked first in the auto aftermarket by the number of monthly active users.

In 2016, Ping An Property & Casualty recorded premium income of RMB177,908 million, up 8.7% over the previous year. The premium income of auto insurance grew by 13.4% year on year to RMB148,501 million. Cross-selling, telemarketing and online channels generated premiums of RMB81,725 million, up 8.3% year on year, while premiums from car dealers channel grew by 22.4% year on year to RMB41,485 million. Ping An Property & Casualty recorded premium income of RMB124,554 million from individual auto insurance, up 14.8% over the prior year.

Business Analysis
Insurance Business

Market share

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

	2016	2015
Original premium income (in RMB million)	**177,908**	163,641
Including: auto insurance (in RMB million)	**148,501**	130,984
Market share (%)(1)	**19.2**	19.4
Including: market share of auto insurance (%)	**21.7**	21.1

(1) Market shares were calculated in accordance with the PRC insurance industry data published by the CIRC.

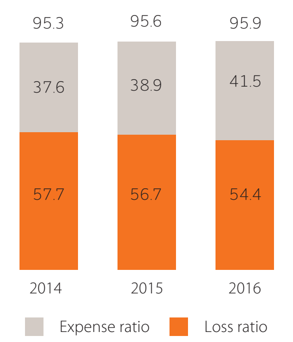
According to the CIRC's data on China's insurance industry, Ping An Property & Casualty's original premium income accounted for about 19.2% of the total of Chinese property and casualty insurance companies, while the original premium income of its auto insurance accounted for about 21.7% of the total of the market. Thus, it is the second-largest property and casualty insurance company in China by original insurance premium income.

Combined Ratio

In 2016, China's property and casualty industry maintained sound operations, but competition intensified. Insisting on innovation, Ping An Property & Casualty utilized new technologies and big data to enhance its industry-leading capabilities of risk screening, kept improving the efficiency of resources use and thus maintained sound profitability. The combined ratio was 95.9%, while that of individual auto insurance was 97.9%.

Combined Ratio

(%)



(1) Loss ratio = claim payments/net earned premiums

(2) Combined ratio = (claim payments + commission expenses of insurance business + general and administrative expenses – investment-related general and administrative expenses – reinsurance commission income)/net earned premiums

Summary of Operating Data

	December 31, 2016	December 31, 2015
Number of customers (in thousand)		
Individual	**40,571**	37,367
Corporate	**2,804**	2,284
Total	**43,375**	39,651
Distribution network		
Number of direct sales representatives	**7,658**	7,538
Number of insurance agents(1)	**141,369**	74,543

(1) Insurance agents consist of individual, captive and concurrent agents.

Ping An Property & Casualty distributes its products mainly through its network of 41 branches and over 2,400 sub-branches across the country. Main distribution channels include in-house sales representatives, sales agents, brokers, telemarketing, online marketing and cross-selling.

Reinsurance arrangement

In 2016, Ping An Property & Casualty recorded ceded premiums of RMB15,715 million, in which RMB9,971 million, RMB5,709 million and RMB35 million were from auto insurance, non-auto insurance and accident and health insurance, respectively. Its inward reinsurance premiums reached RMB89 million, mainly from non-automobile insurance business.

In 2016, Ping An Property & Casualty continued its proactive reinsurance policies, which strengthened its underwriting capabilities, diversified operating risks and ensured healthy and steady growth. It stepped up efforts to partner with more reinsurers to increase ceding channels. Ping An Property & Casualty has been in close cooperation with nearly 100 reinsurance companies and reinsurance brokers worldwide, including China Property & Casualty Re, Swiss Re, Munich Re and Hannover Re.

Operations of insurance products

In 2016, among all the commercial insurance products offered by Ping An Property & Casualty, the top five with the highest premium income are auto insurance, guarantee insurance, liability insurance, corporate property and casualty insurance, and accidental injury insurance, the total premium income of which accounted for 96.0% of the premium income of Ping An Property & Casualty in 2016.

(in RMB million)	Insured amount	Premium income	Claim expenses	Underwriting profit	Insurance contract liabilities
Auto insurance	32,427,751	148,501	72,487	2,704	110,737
Guarantee insurance	131,296	8,136	3,091	2,696	19,265
Liability insurance	9,658,060	5,183	2,106	376	4,816
Corporate property and casualty insurance	11,505,545	4,856	1,552	(42)	5,028
Accidental injury insurance	206,529,263	4,157	1,156	1,141	1,732

Business Analysis
Insurance Business

Financial Analysis

Other than those 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)	2016	2015
Premium income	**178,291**	163,955
Net earned premiums	**153,556**	134,219
Reinsurance commission income	**6,078**	7,703
Investment income	**8,797**	9,946
Other income	**874**	855
Total income	**169,305**	152,723
Claim expenses	**(83,531)**	(76,137)
Commission expenses of insurance operations	**(25,486)**	(19,704)
Foreign currency gains/(losses)	**92**	58
General and administrative expenses	**(44,514)**	(40,538)
Including: investment-related general and administrative expenses	**(125)**	(292)
Finance costs	**(451)**	(222)
Other expenses	**(486)**	(221)
Total expenses	**(154,376)**	(136,764)
Income tax	**(2,614)**	(3,437)
Net profit	**12,315**	12,522

In 2016, the net profit of property and casualty insurance remained generally stable, with a slight decline of 1.7%.

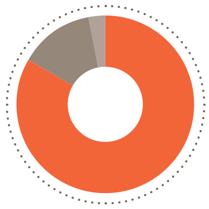
Premium income

(in RMB million)	2016	2015
Auto insurance	**148,645**	131,117
Non-auto insurance	**24,686**	28,739
Accident and health insurance	**4,960**	4,099
Total premium income	**178,291**	163,955

Premium income by product type

(%)

2016 (2015)



Auto insurance. Premium income rose by 13.4% year on year, mainly due to Ping An Property & Casualty's increased efforts to boost business in a favorable market environment. Premiums from cross-selling, telemarketing, online marketing and car dealers grew steadily.

Non-auto insurance. Premium income fell by 14.1% year on year, in which that of guarantee insurance dropped by 39.9% from RMB13,532 million in 2015 to RMB8,136 million in 2016. Such a change is mainly due to the Company's adjustment to product structure, resulting in decreasing sales of existing products. Liability insurance generated premium income of RMB5,254 million in 2016, up 25.8% from RMB4,178 million in 2015.

Accident and health insurance. The accident and health insurance business developed steadily, with a year-on-year increase of 21.0% in premium income.

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

(in RMB million)	2016	2015
Guangdong	**27,771**	25,840
Jiangsu	**12,155**	11,561
Sichuan	**11,432**	10,079
Zhejiang	**10,842**	9,785
Shanghai	**10,403**	9,561
Subtotal	**72,603**	66,826
Total premium income	**178,291**	163,955

Premium income by region

(%)

2016 (2015)

Total investment income

(in RMB million)	2016	2015
Net investment income [1]	**12,448**	9,631
Net realized and unrealized gains[2]	**(3,755)**	1,022
Impairment losses	**104**	(707)
Total investment income	**8,797**	9,946
Net investment yield (%)[3]	**6.8**	6.3
Total investment yield (%)[3]	**4.8**	6.5

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

(2) Net realized and unrealized gains include realized gains from securities investments and gains or losses through fair value change.

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

In 2016, the net investment income of our property and casualty insurance business increased by 29.2%, mainly due to the growth of the interest income from fixed-income investments and dividend income from equity investment. Net investment yield was 6.8%.

Influenced by domestic capital market's continuous depression, net realized investment income such as capital gains of stocks and funds decreased significantly. In 2016, total investment income of property and casualty insurance business decreased by 11.6% over the same period in 2015, and its total investment yield was 4.8%, down by 1.7 percentage points compared with 2015.

Claims expenses

(in RMB million)	2016	2015
Auto insurance	**72,576**	66,494
Non-auto insurance	**8,978**	8,058
Accident and health insurance	**1,977**	1,585
Total	**83,531**	76,137

Claim expenses attributable to auto insurance business increased by 9.1% year on year, mainly due to the growth in auto insurance business.

Claim expenses attributable to non-auto insurance business grew by 11.4% year on year, mainly due to the growth in compensation for major disasters.

Claim expenses attributable to accident and health insurance business rose by 24.7% year on year, primarily due to the growth in business scale.

Commission expenses of insurance operations

(in RMB million)	2016	2015
Auto insurance	**21,055**	14,423
Non-auto insurance	**3,394**	4,515
Accident and health insurance	**1,037**	766
Total	**25,486**	19,704
Commission expenses as a percentage of premium income (%)	**14.3**	12.0

Commission expenses of property and casualty insurance business grew by 29.3% year on year, while their proportion in premium income climbed by 2.3 percentage points year on year, mainly due to premium income growth and intensified competition after the reform in auto insurance's premium rates.

General and administrative expenses

In 2016, general and administrative expenses grew by 9.8% year on year, mainly due to growth in business scale, labor cost, inputs in customer services and the reform of replacing business tax with value-added tax.

Income tax

In 2016, income tax dropped by 23.9% year on year, mainly due to a decline in taxable profit.

INVESTMENT PORTFOLIO OF INSURANCE FUNDS

The insurance funds are formed by the funds available for investment from the Company and its subsidiaries engaged in the insurance business. 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 2016, the global economy was filled with complexities, while China's economy stayed within a reasonable range, with a moderate rally in prices and tightened financial regulation. Stocks and bonds experienced wide fluctuations throughout 2016. The beginning of the year saw a slump in the A-share market, while bonds fluctuated wildly at the end of the year, with the number of credit risk events hitting a record high. The Company carried out in-depth analyses of macro-economic trends, proactively allocated funds to quality fixed-income assets and preferred stocks with controlled risks, seized opportunities in the volatile equity market, and adjusted the allocation to equities flexibly. Besides, it also invested in Hong Kong stocks to diversify investment risks in the portfolio. The Company faces the challenge of low interest rates in investment with insurance funds. Though the bond market has experienced great corrections since the fourth quarter of 2016, and the pressure brought by low interest rates was alleviated, whether the situation will continue is subject to further observation. As early as in 2013 and 2014, Ping An started to invest in quality high-yield alternative assets. When the economic growth slowed down amid structural transformation, the Company laid more stress on government bonds, railway bonds and banks' preferred stocks featured by safety and stable yields. By lifting investment returns through various channels, it managed to withstand challenges brought by low interest rates.

The Company continued to improve the internal control mechanism for investment risk management, and further consolidated the basis for risk management in insurance funds investment. Firstly, to meet the CIRC's solvency aligned risk management requirements, the Company improved its capabilities of managing market and credit risks under the C-ROSS, received the CIRC's recognition for its achievements and became an industry benchmark. Secondly, the Company developed the framework of managing and monitoring insurance funds operations, created standard tools for internal credit rating, enhanced rules of credit rating and counterparty management, tracked rating regularly, reviewed the position by industry thoroughly, and reinforced procedures of ex-ante, in-the-process and ex-post risk control, so as to ensure security and yields of insurance funds. Thirdly, the Company continued risk management efforts such as five-category asset classification and internal audits of insurance funds operations, ensured close monitoring and knowledge of risk profiles in investment and took countermeasures in a timely manner.

The Company controls risks in alternative assets in three aspects. The first one is asset allocation. We have developed a set of effective and scientific asset allocation models, which assess the risk-return profile of different asset classes by risk appetite of insurance funds and take the markets' overall credit spread expectation as an important input. While keeping the overall risk within the set range of risk appetite, the Company formulated strategic asset allocation plans for each account and set the upper and lower limits on alternative investment. The second is asset selection. The Company asks trustees to select underlying assets in strict accordance with internal and external industry, credit and region standards. Besides, projects should also be approved by entrusting parties and the Group's Investment Management Committee (IMC). The third is management after investment. Our post-investment management team tracks operations, yields and risk profile of projects. As at December 31, 2016, there was no credit risk event relating to the non-standard assets the Company invested in.

On the whole, risks in the alternative assets we invest in are controllable. In terms of credit status, over 95% of the debt plans and trust plans the Company holds are externally AAA-rated, more than 70% of which have guarantee or collateral. Over 80% of the projects have full-coverage cash flow, indicative of controllable credit risks. In terms of industry and region, our underlying assets are mainly in highway, urban construction, electricity and land reserve industries in developed and coastal regions such as Beijing, Jiangsu, Guangdong and Tianjin. In terms of investment timing and yield, Ping An invested in alternative assets mainly in 2013 and 2014, which was a golden period filled with quality projects. With a high average yield, these assets will generate stable returns for insurance funds. The average total investment yield on the Company's insurance fund investment portfolio for the past 10 years was 5.3%, and the average fair-value-based investment yield for the past 10 years was 5.7%; the fair-value-based investment income is the sum of the total investment income for the current period and the change in the fair value of available-for-sale financial assets for the current period.

Investment income

(in RMB million)	2016	2015
Net investment income (1)	**105,030**	84,740
Net realized and unrealized gains(2)	**(12,821)**	34,278
Impairment losses	**(495)**	(4,268)
Total investment income	**91,714**	114,750
Net investment yield (%)(3)	**6.0**	5.8
Total investment yield (%)(3)	**5.3**	7.8

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

(2) Net realized and unrealized gains include realized gains from securities 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.

Business Analysis
Insurance Business

In 2016, net investment income of our investment portfolio of insurance funds rose by 23.9% year on year, mainly due to the growth in interests of fixed-income investments and dividend of equity investments. Net investment yield increased by 0.2 percentage point to 6.0%. The Company improved asset allocation by forward-looking investment in high-quality fixed-income assets and preferred stocks and dynamic management of equity investments.

Due to the weak domestic capital market, realized gains including stock and fund trading profit decreased significantly. In 2016, total investment income of our insurance fund portfolio dropped by 20.1% year on year, while total investment yield decreased by 2.5 percentage points to 5.3%.

Investment Portfolio

(in RMB million)	December 31, 2016 Carrying value	%	December 31, 2015 Carrying value	%
By category				
Fixed-income investments				
Term deposits	**206,548**	**10.5**	193,248	11.1
Bond investments	**910,968**	**46.2**	829,245	47.9
Debt scheme investments	**135,781**	**6.9**	136,414	7.9
Wealth management products(1)	**124,004**	**6.3**	117,970	6.8
Other fixed income investments(2)	**93,497**	**4.7**	68,931	4.0
Equity investments				
Stocks	**136,350**	**6.9**	124,254	7.2
Equity funds	**30,096**	**1.5**	48,275	2.8
Bond funds	**12,544**	**0.7**	20,067	1.2
Preferred stocks	**74,721**	**3.8**	43,732	2.5
Wealth management products(1)	**42,114**	**2.1**	24,338	1.4
Other equity investments(3)	**38,069**	**1.9**	19,692	1.1
Investment properties	**43,442**	**2.2**	25,350	1.5
Cash, cash equivalents and others	**123,664**	**6.3**	80,103	4.6
Total investments	**1,971,798**	**100.0**	1,731,619	100.0
By purpose				
Financial assets carried at fair value through profit or loss	**64,461**	**3.3**	33,129	1.9
Available-for-sale	**471,914**	**23.9**	440,032	25.4
Held-to-maturity	**721,527**	**36.6**	647,568	37.4
Loans and receivables	**662,058**	**33.6**	576,996	33.3
Others	**51,838**	**2.6**	33,894	2.0
Total investments	**1,971,798**	**100.0**	1,731,619	100.0

(1) Wealth management products include trust schemes of trust companies, wealth management products of commercial banks, etc.

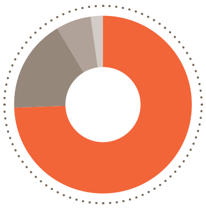
(2) Other fixed income investments include assets purchased under agreements to resell, policy loans, statutory deposits for insurance operations, etc.

(3) Other equity investments include equity investments of infrastructure projects and non-listed equity investments, etc.

Investment Portfolio

(%)

December 31, 2016 (December 31, 2015)



SOLVENCY MARGIN

An insurance company is required to have a level of capital commensurate with its risk level and business scale to ensure the adequacy of solvency.

To adapt to increasingly diversified risks and increasingly complex regulatory requirements in China's insurance market, the CIRC unveiled the "Solvency Regulatory Rules (No.1-17) for Insurance Companies" in February 2015 and enforced them in January 2016.

The solvency margin ratios of Ping An's insurance subsidiaries under the C-ROSS are as follows:

	Ping An Life		Ping An Property & Casualty		Ping An Annuity		Ping An Health	
(in RMB million)	**December 31, 2016**	December 31, 2015	**December 31, 2016**	December 31, 2015	**December 31, 2016**	December 31, 2015	**December 31, 2016**	December 31, 2015
Core capital	**501,710**	418,366	**63,439**	58,029	**6,306**	5,981	**251**	324
Actual capital	**533,710**	444,366	**71,439**	66,029	**6,306**	5,981	**251**	324
Minimum capital	**236,304**	202,289	**26,725**	24,498	**2,529**	2,144	**170**	129
Core solvency margin ratio	**212.3%**	206.8%	**237.4%**	236.9%	**249.3%**	279.0%	**147.4%**	250.2%
Comprehensive solvency margin ratio	**225.9%**	219.7%	**267.3%**	269.5%	**249.3%**	279.0%	**147.4%**	250.2%

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

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

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

As at December 31, 2016, the solvency margin ratios of Ping An Life, Ping An Property & Casualty, Ping An Annuity and Ping An Health were all above the regulatory requirements.

Business Analysis
Banking Business

- Ping An Bank maintained stable profitability by recording a net profit of RMB22,599 million and revenue of RMB107,715 million. Its business scale grew steadily, while deposits, and loans and advances increased by 10.8% and 21.4% respectively from the beginning of the year.
- Ping An Bank facilitated the development of a smart retail bank and insisted on being asset-light, capital-light, industry-oriented and professional with its corporate business. It enhanced risk management and scaled up provision and collection.
- Ping An Bank developed a proper network of business outlets and opened 75 new business outlets from the beginning of the year.

The Company engages in banking business through Ping An Bank, which is a national joint-stock commercial bank headquartered in Shenzhen, and is listed on the Shenzhen Stock Exchange (stock code: 000001). As at December 31, 2016, Ping An Bank boasted total assets of RMB2.95 trillion, net assets of RMB202,171 million and registered capital of RMB17,170 million. Ping An Bank provides corporate, retail, and government clients with multiple financial services through 1,072 outlets across the country.

In 2016, the government pushed ahead with the supply-side reform, which yielded initial results. China's economy was stable with a rally. The PBOC maintained prudent monetary policies, adopted more flexible regulation tools, and optimized the macro-prudential regulation framework.

To adapt to economic trends, Ping An Bank set the strategic goal of transforming itself into a retail bank. It aims to offer smart, mobile and professional retail banking services centering on "SAT (social media + applications + remote service teams) + the smart main account", promote the synergic development of corporate business and interbank business by implementing the philosophy of being asset-light, capital-light, industry-oriented and professional with investment banking attributes, and facilitate the development of retail business by creating synergy.

In 2016, Ping An Bank's net profit climbed by 3.4% year on year to RMB22,599 million. As at December 31, 2016, Ping An Bank had deposits of RMB1,921,835 million, up 10.8% from the beginning of the year, which laid a solid foundation for its business development. Loans and advances grew by 21.4% from the beginning of the year to RMB1,475,801 million.

Ping An Bank maintained steady income and improved operating efficiency. Keeping abreast of market trends, Ping An Bank adjusted its business structure, stepped up efforts to develop intermediary business and improved its operating efficiency. In 2016, Ping An Bank's revenue rose by 12.0% year on year to RMB107,715 million, including net non-interest income of RMB31,304 million, up 13.0% year on year. This is mainly due to the increase in fee income from credit cards and wealth management. The deposit structure was improved, and the daily average proportion of current deposits (excluding margin) rose by 6 percentage points from last year. The cost-to-income ratio fell by 5.34 percentage points year on year to 25.97%. Despite the reform of replacing business tax with value-added tax launched on May 1, 2016, the net interest spread (NIS) and net interest margin (NIM) remained stable in 2016 at 2.60% and 2.75% respectively.

Ping An Bank deepened reform and innovation and facilitated the development of a smart retail bank. Ping An Bank deepened the reform of its retail business unit, and sped up to forge a smart retail bank with the features of Ping An through customer migration and technology innovation. As at the end of 2016, Ping An Bank boasted 40.47 million retail customers, up 27.4% from the beginning of the year. Individual customers' assets under management (AUM) rose by 19.5% from the beginning of the year to RMB797,600 million. Retail loans under management (LUM, excluding credit cards and small business loans) soared by 42.0% from the beginning of the year to RMB291,300 million. The total number of credit card holders was 22.74 million, rising by 29.8% from the beginning of the year. The transaction volume of credit cards grew by 38.9% year on year to RMB1,121,100 million. Due to business growth, Ping An Bank's retail business generated a net profit after tax of RMB9,315 million, jumping by 147.2% year on year.

Ping An Bank promoted business growth by implementing the philosophy of being asset-light, capital-light, industry-oriented and professional with investment banking attributes. By consolidating corporate, investment banking and interbank businesses, Ping An Bank restructured its corporate business and operated in line with the philosophy of being asset-light, capital-light, industry-oriented and professional with investment banking attributes. Insisting on being differentiated, it stepped up efforts to adopt the "C+SIE+R (core customers + supply chain, industry chain and ecosystem + retail customers)" model, and embarked on the development of "commercial banking + investment banking". Ping An Bank scored increasingly remarkable achievements in internet finance, while the transaction volume on its Orange-e-platform hit RMB1.48 trillion, soaring by 92.5% year on year. It launched the "Ping An Gold" app, the first of its kind for gold investment. In 2016, the net asset value under custody amounted to RMB5.46 trillion, while the daily AUM soared to RMB982,000 million, a significant increase from the previous year.

Ping An Bank enhanced risk management and scaled up provision and collection. It optimized its credit structure, tightened the control over risks in new business, scaled up collection and disposal of non-performing assets (NPAs), provision and write-offs, and maintained generally stable asset quality. In 2016, Ping An Bank's loan impairment losses grew by 52.1% year on year to RMB45,435 million. From the beginning of the year, its loan loss provisions rose by 36.5% to RMB39,932 million, while the provision to loan ratio climbed by 0.30 percentage point to 2.71%. The non-performing loan ratio was 1.74% while the provision coverage rate reached 155.37%. In managing special assets, Ping An Bank improved its risk disposal and quick risk mitigation capabilities. Throughout the year, it clawed back NPAs of RMB5,246 million, including loan principal of RMB4,852 million. 88% of the NPAs were collected in cash, while the rest in kind.

Ping An Bank pushed ahead with capital replenishing and developed a proper network of business outlets. Ping An Bank issued preferred stocks worth RMB20,000 million through private placement in March 2016 to replenish other Tier 1 capital, and Tier-2 capital bonds worth RMB10,000 million in April to increase Tier 2 capital, which guaranteed business development. It developed a proper network of business outlets, and opened 6 new branches and added 75 new business outlets in total in 2016. As at the end of 2016, the number of its branches and business outlets reached 60 and 1,072 respectively.

OPERATING RESULTS

Pursuant to the accounting standards, the identifiable assets and liabilities acquired upon the merger with Original SDB were to be recognized 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 of the segment operating results of the Group's banking business in the financial statements and those of the operating results of Ping An Bank as disclosed in its annual report.

Business Analysis
Banking Business

Below is an analysis of the operating results of Ping An Bank. The data came from its annual report for 2016.

(in RMB million)	2016	2015(1)
Net interest income	**76,411**	68,461
Net fees and commission income	**27,859**	24,083
Investment income	**2,368**	3,924
Profit or loss through fair value change	**49**	107
Foreign exchange gains/(losses)	**882**	(573)
Income from other businesses	**146**	161
Total income	**107,715**	96,163
Tax and surcharges	**(3,445)**	(6,671)
General and administrative expenses	**(27,973)**	(30,112)
Asset impairment losses	**(46,518)**	(30,485)
Total expenses	**(77,936)**	(67,268)
Net non-operating income and expenses	**156**	(49)
Income tax	**(7,336)**	(6,981)
Net profit	**22,599**	21,865

(1) In 2016, Ping An Bank re-classified the net income of precious metal leasing from net fees and commission income into net interest income, and adjusted the data for the comparable period accordingly.

Ping An Bank maintained stable profitability, with a net profit of RMB22,599 million for 2016, a year-on-year increase of 3.4%.

NET INTEREST INCOME

(in RMB million)	2016	2015
Interest income		
Due from the PBOC	**4,240**	4,206
Due from financial institutions	**8,787**	12,660
Loans and advances to customers	**84,904**	86,140
Interest income from securities investment	**29,665**	28,271
Others	**3,523**	2,876
Total interest income	**131,119**	134,153
Interest expenses		
Due to the PBOC	**(948)**	(168)
Due to financial institutions	**(8,531)**	(17,275)
Customer deposits	**(35,895)**	(42,763)
Bonds payable	**(9,334)**	(5,486)
Total interest expenses	**(54,708)**	(65,692)
Net interest income	**76,411**	68,461
Average balance of interest-earning assets	**2,774,577**	2,439,991
Average balance of interest-bearing liabilities	**2,572,154**	2,282,197
Net interest spread(%)(1)	**2.60**	2.62
Net interest margin(%)(2)	**2.75**	2.81

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

(2) Net interest margin (NIM) refers to net interest income divided by average balance of interest-earning assets.

In 2016, Ping An Bank's net interest income increased by 11.6% compared with last year. In the wake of several interest rate cuts and the lifting of the ceiling on deposit interests during the past year, as well as the implementation of price-tax separation in replacing business tax with value-added tax starting from May 1, 2016, both NIS and NIM slightly dropped as compared with last year.

NET FEES AND COMMISSION INCOME

(in RMB million)	2016	2015
Fees and commission income		
Settlement fees income	**2,216**	1,936
Agency commissions income	**3,005**	2,243
Bank card fees income	**12,401**	9,207
Wealth management fees income	**4,835**	3,421
Consultancy fees income	**3,963**	5,250
Asset custodian fees income	**2,745**	2,939
Account management fees income	**166**	164
Others	**1,978**	1,521
Total fees and commission income	**31,309**	26,681
Fees and commission expenses		
Agency expenses	**(350)**	(210)
Bank card fees expenses	**(2,801)**	(2,156)
Others	**(299)**	(232)
Total fees and commission expense	**(3,450)**	(2,598)
Net fees and commission income	**27,859**	24,083

Net fees and commission income increased by 15.7% in 2016, mainly because of increased fee income from bank card and wealth management business.

GENERAL AND ADMINISTRATIVE EXPENSES

(in RMB million)	2016	2015
General and administrative expenses	**27,973**	30,112
Cost-to-income ratio (%)[1]	**25.97**	31.31

(1) Cost-to-income ratio refers to general and administrative expenses divided by operating income.

In 2016, general and administrative expenses decreased by 7.1% compared with 2015, which was mainly due to strengthened cost control and improved input-output efficiency, as well as labour cost control. Cost-to-income ratio decreased by 5.34 percentage points compared with last year.

ASSET IMPAIRMENT LOSSES

In 2016, asset impairment losses increased by 52.6% compared with 2015, mainly due to the increase in loan loss provision of Ping An Bank.

INCOME TAX

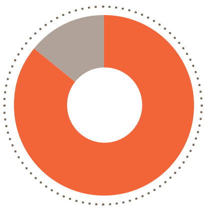
	2016	2015
Effective tax rate (%)[1]	**24.51**	24.20

(1) Effective tax rate refers to income tax divided by profit before tax.

DEPOSITS

(in RMB million)	December 31, 2016	December 31, 2015
Corporate deposits	**1,652,813**	1,453,590
Retail deposits	**269,022**	280,331
Total deposits	**1,921,835**	1,733,921

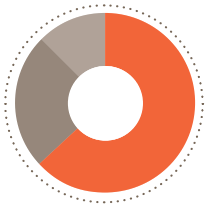
Deposits
(%)
December 31, 2016 (December 31, 2015)



LOANS AND ADVANCES

(in RMB million)	December 31, 2016	December 31, 2015
Corporate loans	**934,857**	774,996
Retail loans	**359,859**	293,402
Accounts receivable on credit cards	**181,085**	147,740
Total loans and advances	**1,475,801**	1,216,138

Loans and advances
(%)
December 31, 2016 (December 31, 2015)



LOAN QUALITY

(in RMB million)	December 31, 2016	December 31, 2015
Pass	**1,389,396**	1,148,011
Special mention	**60,703**	50,482
Sub-standard	**13,833**	7,945
Doubtful	**4,494**	2,141
Loss	**7,375**	7,559
Total loans and advances	**1,475,801**	1,216,138
Total non-performing loans	**25,702**	17,645
Non-performing loan ratio (%)	**1.74**	1.45
Impairment provision balance	**(39,932)**	(29,266)
Loan loss provision ratio (%)	**2.71**	2.41
Provision coverage ratio (%)	**155.37**	165.86

Affected by the macro-economic slowdown, some companies were faced with operating difficulties and decreasing financing capacity with the emergence of overdue loans and interest, causing the non-performing and special mention loans of the banking industry to climb. As at the end of 2016, Ping An Bank's carrying amount of non-performing loans was RMB25,702 million; the non-performing loan ratio was 1.74%, and the provision coverage ratio was 155.37%. Ping An Bank actively adopted a series of measures to manage existing loans, and increased provision and debt recovery. As at the end of 2016, loan loss provision ratio was 2.71%, up by 0.30 percentage point from the beginning of the year. Meanwhile, it strictly controlled incremental business to prevent the asset quality from declining, and maintained relatively stable asset quality.

CAPITAL ADEQUACY RATIO

(in RMB million)	December 31, 2016	December 31, 2015
Net core tier 1 capital	**170,088**	150,070
Net tier 1 capital	**190,041**	150,070
Net capital	**234,387**	181,805
Total risk weighted assets	**2,033,715**	1,661,747
Core tier 1 capital adequacy ratio (%) (regulatory requirement>=7.5%)	**8.36**	9.03
Tie 1 capital adequacy ratio (%) (regulatory requirement >=8.5%)	**9.34**	9.03
Capital adequacy ratio (%) (regulatory requirement>=10.5%)	**11.53**	10.94

(1) Capital requirements regarding credit risk, market risk and operational risk are measured in the weighted method, standard method and basic index method, respectively.

As at December 31, 2016, the capital adequacy ratio of Ping An Bank was 11.53%, with a tier 1 capital adequacy ratio of 9.34% and a core tier 1 capital adequacy ratio of 8.36%, all of which were in compliance with the regulatory requirements.

Asset Management Business

- Ping An Trust facilitated business transformation and structure improvement, continued to optimize its risk control framework, embarked on "wealth + fund" transformation, and recorded industry-leading fees and commission income.
- Ping An Securities strengthened its differentiated advantages and outperformed peers. In terms of net profit, its ranking rose by 9 places from 2015 to the 15th.
- Ping An Asset Management recorded steady business growth, with the revenue of third-party asset management hitting a record high to RMB2,054 million.

TRUST BUSINESS

The Company offers investment and financing services through Ping An Trust to high-net-worth individuals (HNWIs), institutional clients, interbank clients and other subsidiaries of the Company. As at December 31, 2016, Ping An Trust had registered capital of RMB12 billion, net assets of RMB22,511 million, and total assets of RMB26,113 million.

Since the beginning of the year, macro-environment at home has been stable with signs of improvement, while national strategies and industry reform have brought investment opportunities. The pan asset management market worth over RMB100 trillion teemed with huge demand, and the number of HNW households maintained rapid growth. Facing new opportunities under the new circumstances, the trust industry should comply with national strategies, improve investment and financing efficiency, serve the real economy and facilitate transformation to gain new drivers of business growth and achieve sustainable development.

To adapt to economic and industry trends, Ping An Trust braved the ever-changing market and maintained steady growth. Under the new model of "wealth + fund" centering on "wealth management, asset management and private equity investment banking", it keeps developing the capabilities of wealth management and investment to "better manage the assets entrusted by customers". Ping An Trust strives to be differentiated and distinctive, so as to "adapt to the new normal, seize new opportunities and facilitate development", serve the real economy and bolster economic transformation. Moreover, it tightened risk control, operated with legality and compliance and maintained sound and steady business development.

Being customer-centric, Ping An Trust stepped up efforts in channels, products, services, systems and risk control to be more competitive in personal wealth management and develop services that cover the entire life cycle of wealth management customers. The number of active wealth customers grew steadily. As at December 31, 2016, it had 52,500 active wealth customers, up 39.4% from the beginning of the year. By optimizing products and services, its family trust business developed quickly, received recognition of customers and the market, and was recognized by *China Business Journal* as "Family Trust Manager of Competitive Excellence" in the 2016 Competitive Excellence Awards for Financial Institutions. Meanwhile, it launched insurance trust business that perfectly links wealth inheritance and management with insurance.

Armed with investment capabilities, Ping An Trust won clients such as insurers, urban commercial banks and rural commercial banks to scale up institutional asset management business. In the meantime, it develops a funds matching, asset transfer and buyout platform to provide institutional investors with professional, efficient and differentiated services.

In developing private equity investment banking and equity investment business, Ping An Trust enhanced cooperation with quality customers in line with industry trends. It provides leading domestic companies with equity, debt, mezzanine financing and fund services, and plays an active role in funding such government-backed industries as real estate, infrastructure, new energy, PPP, One Belt, One Road initiative and the mixed ownership reform of state-owned enterprises, so as to bolster the real economy. Under an effective risk management framework, Ping An Trust enhanced project screening, kept project risks under control, and provided quality and trustworthy products for investors.

Besides, Ping An Trust also sped up fund-oriented transformation to develop business in healthcare, consumption upgrade, energy-saving and environmental protection, modern services and advanced manufacturing.

Ping An Trust steadily implemented its strategic plan, and achieved safe, steady and healthy development. As at December 31, 2016, Ping An Trust recorded assets held in trust of RMB677,221 million, up 21.3% from the end of 2015. Facing the new normal, it insisted on business transformation and further adjusted its business structure. From the end of 2015, administrative trust AUM soared by 74.2% to RMB391,095 million, investment assets held in trust fell by 17.7% to RMB141,311 million, financing assets held in trust dropped by 10.6% to RMB144,815 million, and real estate financing trust decreased by 41.7% to RMB27,163 million.

Assets Held in Trust

(in RMB million)	December 31, 2016	December 31, 2015
Investment category		
Securities investment	**30,129**	66,688
Financial institutions' investment	**48,824**	33,717
Other investments(1)	**62,358**	71,393
Subtotal	**141,311**	171,798
Financing category		
Infrastructure industry financing	**18,257**	29,370
Real estate industry financing	**27,163**	46,611
Corporate loans	**86,334**	67,008
Other financing(2)	**13,061**	19,087
Subtotal	**144,815**	162,076
Administrative category(3)	**391,095**	224,561
Total	**677,221**	558,435

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

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

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

Risk Management

In 2016, adhering to the risk management principle of "risks creating value and winning with market-leading risk control", Ping An Trust, by combining the expertise of trust business with the refined risk control system of commercial banks, established a risk management framework featured by full participation, full-process control and full coverage of business.

In risk management, always attaching great importance to risk management in business, Ping An Trust continued to optimize its risk governance structure, created a risk strategy framework covering all business segments, improved quantitative risk management, enhanced data transparency and record-based management, and created a sound risk control environment for business development. In asset monitoring, Ping An Trust always prioritizes rule development, keeps standardizing procedures during and after investment, unveiled multiple rules and regulations, and bettered the processes of loan disbursement review, credit reference and face-to-face contract signing. It adopted tiered post-investment management, while its risk classification and control began to yield good results. Besides, it carried out rounds of risk screening, and monitored and checked implementation of trust projects in an all-round manner. In compliant operations, Ping An Trust keeps enhancing the effectiveness and level of operational risk management, and facilitating development of the compliance culture, the mechanism of connected transaction management and the anti-money laundering (AML) system.

With remarkable performance and good reputation, Ping An Trust secured a considerable number of authoritative awards in 2016. It was recognized by *Securities Times* as the "Best Chinese Trust Company" for the seventh consecutive year. It was again named "Trust Company of the Year" in *Financial News* Chinese Financial Institution Awards. It was named Excellent Charitable Trust Product Platform of the Year in the Economic Observer China Finance Excellence Awards.

Results of Operation

(in RMB million)	2016	2015
Fees and commission income	**3,600**	5,331
Investment income	**1,673**	2,356
Other income	**422**	320
Total operating income	**5,695**	8,007
Fees and commission expenses	**(615)**	(1,082)
Finance costs	**(374)**	(580)
General, administrative expenses and others	**(1,955)**	(2,448)
Total operating expenses	**(2,944)**	(4,110)
Income tax	**(429)**	(1,009)
Net profit	**2,322**	2,888

Note: The above figures are presented at segment level of trust business, including Ping An Trust and its subsidiaries which carry on trust business.

In 2016, the trust business generated net profit of RMB2,322 million, a decrease of 19.6% year on year.

Net Fees and Commission Income

(in RMB million)	2016	2015
Fees and commission income		
Management fees income of trust products	**3,382**	5,157
Income from intermediary business	**218**	174
Total fees and commission income	**3,600**	5,331
Fees and commission expenses		
Fees and commission expenses	**(615)**	(1,082)
Net fees and commission income	**2,985**	4,249

Fees and commission income fell by 32.5% year on year. As trust business grew steadily in 2016, fixed-rate management fee income climbed by 11.5% year on year. Because of the capital market weakness, floating-rate management fee income of trust products fell by 64.3% year on year.

The year-on-year decline of 43.2% in fees and commission expenses mainly resulted from the efforts to improve sales channels.

SECURITIES BUSINESS

The Company conducts securities business through Ping An Securities and its subsidiaries, which are Ping An Futures, Ping An Caizhi, Ping An Securities (Hong Kong), and Ping An Pioneer Capital, providing securities brokerage, futures brokerage, investment banking, asset management, and financial advisory services. As at December 31, 2016, Ping An Securities had registered capital of RMB13,800 million, net assets of RMB25,649 million and total assets of RMB91,079 million.

The year 2016 saw volatility in secondary stock and bond markets. Despite slow recovery from a sharp two-month fall at the start of the year, the CSI 300 lost 11.3% in 2016; the daily average trading volume dropped by 50.4% year on year. The bond market was volatile in the second and fourth quarters. The primary market maintained growth and refinancing and bond issuance experienced rapid year-on-year growth though regulations tightened up.

In 2016, as a result of market volatility and declined brokerage volumes, the industry suffered a decrease of 49.6% in net profit compared with the prior year. Ping An Securities continued to pursue its strategic transformation and build its differentiation advantages, outperforming the industry with a year-on-year decrease of 10.6% in net profit. Its rankings in respect of major operating indicators continued to improve. It ranked No. 14 and No. 15 in terms of operating income and net profit respectively, up 4 and 9 places respectively from the end of 2015. Its rating given by the CSRC was raised three notches back to A in 2016.

In terms of internet brokerage business, backed by the Group's fast-expanding internet finance eco-system and its own technologies and expertise, Ping An Securities kept improving its brokerage service and customer experience to attract massive customers and boost customer activity. With an increased market share and a higher proportion of non-channel products, Ping An Securities realized net profit of RMB1,070 million from its brokerage business, down only 13.5% year on year despite a fall of 50.4% in the daily average trading volume on the stock market. As at the end of December 2016, the number of its brokerage customers reached 10.08 million, up 138.4% from a year earlier, representing a market share of 5.7%. Ping An Securities ranked high in the industry in terms of brokerage customer base. The Ping An Securities app enjoyed a steady growth in its active users. It had 4.34 million monthly active users, ranking No. 2 among securities firms, up 12 places from the end of the prior year, and had 1.06 million daily active users, ranking No. 4, up 8 places from a year earlier. Ping An Securities kept diversifying its offerings to provide a wider variety of quality financial products. As at the end of December 2016, its customers held RMB58,743 million worth of products, up 197.5% from the start of the year. Combining internet technologies and research expertise, Ping An Securities explored smart, customized wealth management services and developed intelligent asset allocation systems. It pioneered the use of big data to precisely identify customer needs, and employed professional asset allocation models to provide dynamic customized allocation plans. Customers have access to its one-stop asset allocation services guided by the smart robot. Ping An Securities was named the "Best Internet Securities Firm" in *Securities Times*' 2016 China Best Wealth Manager Awards.

In institutional business, Ping An Securities captured market opportunities and continued to extend its advantages in the upstream, midstream and downstream of the fixed income business. It ranked No. 3 by the number of bonds lead-underwritten. Its bond trading business sustained a high yield of 13% amid high market volatility. Ping An Securities remained No. 1 among securities firms in bond market-making and interest rate swap market-making. It provided retail and institutional customers with ready access to its trading expertise. As at December 31, 2016, the scale of its active investment management business and investment consulting business amounted to RMB206,037 million, up 72.2% from the beginning of the year; its net income from investment advising for financial institutions ranked No. 1 in the industry. Ping An Securities also made breakthroughs in innovative fixed income products, and issued the first green renewable corporate bond and the first ABS for real estate supply chain financing in China. Ping An Securities was recognized as the "Best Fixed Income Investment Team" in *Securities Times*' 2016 China Best Wealth Manager Awards.

In equity business, Ping An Securities deepened its transformation, and streamlined product operation processes to bolster the synergies between account managers and product managers. On the basis of refinancing, it explored touch-points at the sales end to develop equity business. In 2016, Ping An Securities completed seven secondary equity offerings. It ranked No. 11 in terms of share pledge business size, up 8 places from the end of 2015. With enhanced sales capability, Ping An Securities completed the largest offshore privatization project in China. In investment banking business, it strengthens coordination with investment business lines to build presence in industry development funds, private placement and M&A funds; it also keeps enhancing cooperation with the Group's banking business to exploit the advantages of integrated finance and pursue its differentiation strategy.

In 2016, amid wild market volatility and tighter regulations, Ping An Securities exercised constant vigilance against compliance risks and continuously improved its compliance risk management system. In quick response to changing market environments, it monitored key business risks to avoid material compliance risk events. Adopting prudent risk policies, it weathered market volatility and kept enhancing its asset-liability management and improving its financing instruments and financing scale. It successfully issued RMB2,500 million worth of privately-offered bonds in addition to its beneficiary certificates, subordinated bonds and other financing classes.

Going forward, Ping An Securities will deepen its transformation and continue to enhance its capability for sourcing quality assets for its investment banking business and improve coordination with its investment business. It will further build its advantages in trading expertise and boost output to asset management business. It aims to provide its fast growing number of retail and institutional internet brokerage customers with a wider range of products and better services, turn its strength in internet brokerage customer acquisition into business growth, and build itself into a leading internet securities firm with a focus on retail business.

Results of Operation

(in RMB million)	2016	2015
Fees and commission income	**4,966**	6,165
Investment income	**2,591**	3,327
Other income	**1,293**	627
Total operating income	**8,850**	10,119
Fees and commission expenses	**(818)**	(804)
Finance costs	**(514)**	(565)
Other expenses	**(1,130)**	(672)
General, administrative expenses and others	**(3,676)**	(4,924)
Total operating expenses	**(6,138)**	(6,965)
Income tax	**(497)**	(676)
Net profit	**2,215**	2,478

Investment income declined as a result of persistent weakness of capital markets in 2016. Meanwhile, net fees and commission income also dropped due to the decreased trading volume in the A-share secondary market. Securities business saw a year-on-year decrease of 10.6% in net profit in 2016.

Net Fees and Commission Income

(in RMB million)	2016	2015
Fees and commission income		
Brokerage fees income	**2,303**	4,035
Underwriting commission income	**1,178**	1,043
Others	**1,485**	1,087
Total fees and commission income	**4,966**	6,165
Fees and commission expenses		
Brokerage fees expenses	**(655)**	(754)
Others	**(163)**	(50)
Total fees and commission expenses	**(818)**	(804)
Net fees and commission income	**4,148**	5,361

In 2016, our brokerage fees income decreased by 42.9% compared with 2015, primarily attributable to a sharp fall in the trading volume in the A-share market. The underwriting commission income grew by 12.9% compared with 2015 as Ping An Securities maintained its advantages in the bond underwriting market and thus achieved steady growth in bond underwriting income.

Investment income

Investment income of our securities business was 22.1% lower than last year, mainly attributable to the persistent weakness of capital markets in 2016.

General, administrative expenses and others

In 2016, the general, administrative expenses and others of securities business dropped by 25.3% year on year, which was mainly due to strengthened cost control and labour cost control.

INVESTMENT MANAGEMENT BUSINESS

The Company provides investment management services primarily through Ping An Asset Management and Ping An Asset Management (Hong Kong).

Ping An Asset Management is responsible for domestic investment management business. It is entrusted to manage the insurance funds of the Group as well as the investable assets of other subsidiaries of the Group. It also provides investment products and third-party asset management services to other investors through various channels. As at December 31, 2016, Ping An Asset Management had RMB1,500 million in registered capital.

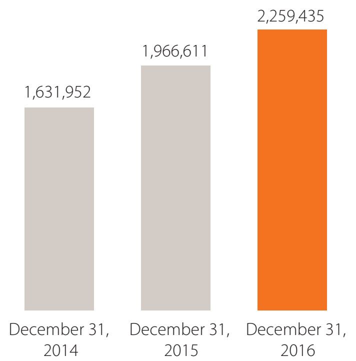
In 2016, China's economy maintained stability on the whole. Fixed asset investment growth steadied, consumption growth was broadly stable, and prices rebounded slightly. Following the Renminbi's depreciation and the triggering of circuit breakers at the start of the year, stock markets saw slowly rising troughs throughout the year. The Shanghai Composite fell by 12.3%, CSI 300 lost 11.3%, and ChiNext was down by 27.7% in the year. Despite a fall in April, the bond market was on a bull run overall in the first three quarters before corrections came in the fourth quarter as the economy warmed up, inflation expectations rose and funding conditions tightened.

In an ever-changing market, with its long-term comprehensive asset allocation capabilities and outstanding investment capabilities spanning different asset classes, Ping An Asset Management combined its investment expertise and market insights to maximize investment returns with controlled risks. In third-party asset management business, Ping An Asset Management gave full play to its scale and brand advantages and integrated resources to expand the business and drive innovation, thereby delivering maximum value to customers and achieving sustainable, stable growth in scale and income. As the first of its kind to implement risk management throughout the entire investment process, Ping An Asset Management adopted a comprehensive, strict, efficient risk management system to ensure stable and compliant asset operation and safeguard customer interests.

Asset Management Business

In 2016, Ping An Asset Management realized net profits of RMB2,221 million. As at December 31, 2016, the assets under management had amounted to RMB2,259,435 million, up 14.9% from the end of 2015, among which the third-party assets under management had reached RMB280,035 million, up 14.0% compared with the end of 2015; its third-party asset management fees income was RMB2,054 million, up 47.9% year on year.

***Assets under investment management* (in RMB million)**



Going forward, Ping An Asset Management will adhere to its prudent investment style and the philosophy of creating value with expertise. It will not only fully support the Group's insurance funds but also endeavor to expand its third-party asset management business, aiming to provide investors with comprehensive, one-stop asset management services and solutions and build a professional investment brand.

Ping An Asset Management (Hong Kong) operates the overseas investment management business of the Company. Apart from managing overseas investments of the Group's insurance funds, it also provides a diverse range of overseas investment products and third-party asset management and investment advisory services to institutional and retail investors at home and abroad. The investment team of Ping An Asset Management (Hong Kong) has built an international investment platform. With strong capabilities for offshore investment research and portfolio management, the team is responsible for overseeing research on global macroeconomics, investment in Hong Kong and overseas stocks, fixed income investments and other core functions. In 2016, Ping An Asset Management (Hong Kong) further enhanced its overseas investment capability and vigorously built and maintained client relationships. As at December 31, 2016, the assets under management of Ping An Asset Management (Hong Kong) had amounted to HKD48,094 million.

Going forward, Ping An Asset Management (Hong Kong) will capture investment opportunities in offshore markets, diversify its investment portfolios and enhance its risk management to maintain stable returns. Meanwhile, it will closely watch developments in domestic and foreign policies and regulations and deepen its insights into the macro-economy, industry trends and policies to press home the advantages of its cross-border platform, sharpen its competitive edge and build itself into a professional offshore investment brand of the Group.

FUND MANAGEMENT

Ping An-UOB Fund primarily engages in securities investment fund raising, distribution, and asset management, providing specialized investment products and services to retail and institutional investors.

In 2016, Ping An-UOB Fund maintained growth momentum across all businesses. Its mutual fund business grew rapidly and, as at the end of 2016, the assets under management amounted to RMB83,700 million, up 117.4% compared with the end of 2015. The scale of its mutual fund business ranked No. 30 in the industry, up 18 places from a year earlier. Money market funds managed by Ping An-UOB Fund proved to be excellent cash management instruments with their subscriptions exceeding RMB530,000 million in the year. As indicated by data from Wind, the performances of money market funds under Ping An-UOB Fund were remarkable. Ping An-UOB Caifubao ranked among top 11% in the industry in terms of performance in 2016. Shenzhen Ping An-UOB Huitong Wealth Management, a subsidiary of Ping An-UOB Fund, experienced stable growth in its segregate account business, ranking high in the industry in terms of assets under management, and established itself as a leader in product innovation. It was recognized as the "2016 New Third Board Best Institutional Investor" by *Securities Times*, as

"2016 ABS Manager with Most Potential" by *21st Century Business Herald* in the 2016 China PE/Funds Golden Sail Awards, and as "2016 China Best Private Equity Fund Platform (Fund Subsidiary)" by *Chinafund*.

FINANCIAL LEASING BUSINESS

The Company conducts financial leasing business through Ping An Financial Leasing. Established in September 2012 with a registered capital of RMB9,300 million, Ping An Financial Leasing leads the sector with 19 major business lines, ranking No. 1 in healthcare, engineering and construction, education and culture, and energy and metallurgy areas. Headquartered in Shanghai, Ping An Financial Leasing now has eight subsidiaries and 17 offices across the country. It is committed to becoming the world's leading capital-light leasing company to provide customers with more flexible and diversified financial products and comprehensive value-added services.

In 2016, Ping An Financial Leasing pioneered the imaging center in China, which processed the first case and a successful tele-consultation in September 2016. With an international team of experts, Ping An Financial Leasing forayed into the aircraft leasing market and enabled the aircraft asset trading model, operating proprietary assets and assets under management side by side. It successfully issued multiple ABS products across multiple classes, and continued to explore the leasing asset management business.

As at the end of 2016, Ping An Financial Leasing's total assets topped RMB100,000 million, up 50.7% from the start of the year, ranking high among foreign-funded financial leasing companies. In 2016, its operating income reached RMB6,817 million, up 48.1% year on year and its net profit reached RMB1,352 million, up 108.6% year on year. Meanwhile, Ping An Financial Leasing maintained a high level of asset quality with a non-performing asset ratio of 1.04%.

Business Analysis
Internet Finance

- Lufax Holding has integrated Lufax, CQFAE, QEX and Ping An Puhui Financial, and strengthened its presence in wealth management, institutional trading of financial assets, and consumer finance. In 2016, the trading volume of retail channels hit RMB1,535,163 million, ending retail assets under management (AUM) reached RMB438,379 million, the number of active investors was 7.4 million, and the institutional trading volume amounted to RMB4,199,925 million.
- Ping An Good Doctor completed A-round financing of USD500 million, and its valuation hit USD3,000 million. It has provided health management services for 130 million users, with the peak number of monthly active users exceeding 26 million and the peak number of daily inquiries hitting 440,000.
- The Finance One Account platform boasted 185 million users, up 78.0% from the beginning of the year, in which the number of monthly active users soared by 62.7% year on year and exceeded 30 million.

LUFAX HOLDING

As a leading internet finance transaction information service platform in China and one of the flagships of Ping An to implement the philosophy of "Technology-driven Finance", Lufax Holding integrates profound experience in the financial industry with innovative technology application. By consolidating online and offline channels and resources, it uses the internet as a bridge between supply and demand and is committed to enhancing asset liquidity for wealth increase of the general public, and catering for various needs through its financial transaction information service platform.

In 2016, Lufax Holding completed restructuring with Puhui Financial and CQFAE, and hence the landscape of "three exchanges (Lufax, CQFAE and QEX) + Puhui" took shape. Through the restructuring, Lufax Holding enhanced the capability of sourcing consumer finance and third-party institutional products. It aims to satisfy investment and financing needs with advanced internet technologies and philosophies, and become a leading internet finance transaction information service platform in China featured by independence and openness.

Armed with profound industry experience and innovative technology, Lufax helps individuals manage and increase their wealth online, and strives to provide them with one-stop financial services nationwide. It boasts industry-leading capability of asset sourcing. On Lufax's online platform, individuals have access to a great variety of products for investment, and tailored services driven by data technology. Lufax proactively diversifies its products and develops a risk rating and management system based on data technology, to better meet different wealth management needs of Chinese at all levels. In this way, it can acquire more investors users and scale up the investor users base.

As at December 31, 2016, Lufax had 28.38 million registered users, up 55.0% from the end of 2015. The number of active users soared by 103.9% from the end of 2015 to 7.4 million. In 2016, the number of new investors grew by 33.3% year on year to 4.45 million. Assets traded on Lufax's platforms maintained rapid growth. The trading volume of retail channels surged by 137.5% year on year to RMB1,535,163 million. Ending retail AUM jumped by 74.7% from the end of 2015 to RMB438,379 million, still leading in the industry. Among retail channels, the app for mobiles contributed over 82% of all retail transactions. Lufax has become a convenient wealth management platform preferred by internet users.

Lufax, CQFAE and QEX provide institutions with financial asset trading services, while QEX and CQFAE are developing cross-border business and asset-fund matching among institutions, respectively. Since its establishment, Lufax Holding's institutional trading volume had amounted to RMB5,280,605 million by December 31, 2016. In 2016, the institutional trading volume soared by 377.9% year on year to RMB4,199,925 million.

As one of China's largest providers of consumer finance services, Puhui Financial caters for needs of individuals in consumer finance. In 2016, Puhui Financial recorded new loans of RMB172,919 million, jumping by 257.7% year on year. The ending balance of loans under management hit RMB146,640 million. Since its establishment, a total of 3.77 million customers have borrowed RMB271,997 million from Puhui Financial, in which unsecured loans and secured loans amounted to RMB175,364 million and 96,633 million respectively. In 2016, with its business scale and credit risks being on the rise, Puhui Financial proactively managed the quality of loan portfolios. While laying equal stress on business scale and risk management, Puhui Financial preemptively planned for the future. To improve operating efficiency and customer experience, it has made breakthroughs in offline store innovation, whole-process online approval and implementation of the capital-light model. In 2017, Puhui Financial will push ahead with the sales reform based on offline store innovation, and the reform in approval and collection. Besides, it will support quick penetration of business in tier 3 and 4 cities, and continue to boost business and optimize cost.

Number of users

(in thousand)	December 31, 2016	December 31, 2015
Lufax		
Registered users	**28,380**	18,310
Investor users	**8,130**	3,680
Active investor users	**7,400**	3,630
Puhui Financial		
Borrowers	**3,770**	1,240

Transaction volume

(in RMB million)	2016	2015
Lufax/CQFAE/QEX		
Retail	**1,535,163**	646,492
Institutional	**4,199,925**	878,780
Puhui Financial		
New loans	**172,919**	48,343

Assets Under Management

(in RMB million)	December 31, 2016	December 31, 2015
Lufax/CQFAE/QEX		
Retail customers' assets under management	**438,379**	250,977
Puhui Financial		
Balance of loans under management	**146,640**	41,796

PING AN GOOD DOCTOR

Focusing on improving user experience and closed-loop services, Ping An Good Doctor lays equal stress on health management and mobile healthcare services, and provides businesses and consumers with comprehensive and diversified health management products and services. Through the "Ping An Good Doctor" app, it provides online consulting, appointment making, online medicine purchase, health livecast, health information and health plans etc. For offline business, it keeps expanding its service network and diversifying services, which now include such O2O services as health checkups, gene tests, glasses purchase, dental care and door-to-door medical care. In the first half of 2016, Ping An Good Doctor completed A-round financing of USD500 million, and its valuation hit USD3,000 million.

As of the end of 2016, Ping An Good Doctor built a medical team of about 1,000 members, providing 24/7 advisory services online. More than 60,000 contracted external doctors provide follow-up advice. Appointment making at about 2,300 hospitals is available on the app, which has also been in cooperation with over 700 checkup institutions in 150 plus cities nationwide. Moreover, Ping An Good Doctor has B2C medicine distribution nationwide, and O2O medicine delivery within 1 hour in 13 tier-1 cities. About 30,000 common drugs and dietary supplements are available on the app. It has provided health management services for 130 million users. The peak number of monthly active users hit 26.25 million, while that of daily inquiries reached 440,000.

(in thousand)	December 31, 2016	December 31, 2015
Registered users	131,500	30,260
Peak number of monthly active users	26,250	9,200
Peak number of daily inquiries	440	120

FINANCE ONE ACCOUNT

Finance One Account, committed to providing comprehensive services for individuals and institutions, stepped up efforts to develop an open platform in the ecosystem of serving financial institutions. Targeting individual users, Finance One Account continued to develop scenarios of account, wealth, credit and life management. The Finance One Account platform boasted 185 million users, up 78.0% from the beginning of the year, in which the number of monthly active users soared by 62.7% year on year and exceeded 30 million. Financial products saw migration of 7.59 million person times, jumping by 792.9% year on year. Besides, through its cloud service platform, it provides e-banking, account services, credit reference, loans and interbank trading for such financial institutions as small- and medium-sized banks. As of the end of 2016, it cooperated with 258 banks and 1,135 non-banking financial and quasi-financial institutions. The interbank trading volume exceeded RMB1 trillion. With over 360 million credit inquiries, its credit reference system has become an effective supplement to the PBOC's Credit Reference Center.

WANJIA HEALTHCARE

Wanjia Healthcare, engaged in improving grassroots medical institutions' operating and management capabilities, aims to be China's No.1 platform integrating a chain of healthcare services. It leads the industry with 16,575 clinics available on its platform. Wanjia Healthcare pushed ahead with development and launch of its cloud clinic system. Its clinic operation and accreditation criteria, integrating "international standards with local practices", received recognition from the government and industry experts. To help clinics on its platform improve operations and management, it launched the "Empowerment Program" providing customer referral, training, medical products, information systems, promotion and well-known doctors.

PING AN HEALTHCARE MANAGEMENT

Ping An Healthcare Management Co., Ltd. aims to be China's largest open platform for managed care services. Centering on major areas of the medical reform and partnering with healthcare service providers, it is developing a targeted, sound and convenient ecosystem integrating the reforms in medical treatment, social health insurance (SHI) and drug distribution. Armed with world-class medical, health and illness management technologies, Ping An Healthcare Management has developed the City One Account platform. As of the end of 2016, the platform covered about 60% of cities and a population of 500 million nationwide. It provides 200 plus cities in over 20 provinces with SHI services, cost control, social security account management and health records. Ping An Healthcare Management will step up efforts to develop the urban disease control and prevention framework and the online service platform, help the government improve medical services and cut medical cost, and provide convenience in doctor visiting, online consulting and health management for the general public.

E-WALLET

With payment as the bridge between finance and living, E-wallet is developing an O2O life and financial service platform integrating prepaid cards with E-wallet app. With the clear positioning of "loyalty points + payment", it aims to forge the brand "Ping An E-wallet" consisting of the "E-wallet" app, payment plug-ins and loyalty point management. At the end of 2016, E-wallet boasted 76,812 thousand registered users, in which the number of monthly active users exceeded 6.5 million, and the number of annual trading users hit 20.6825 million. The total transaction volume grew by 75.9% year on year to RMB2,803,913 million, in which the app generated RMB2,082,876 million, up 95.7% from 2015.

The "E-wallet" app keeps innovating on quality e-commerce, wealth management products and life services to set up a novel shopping scenario integrating wealth management, life services and shopping. Besides, while providing efficient and stable payment services for other Ping An affiliates, the business unit providing plug-ins also enhanced cooperation with external partners. In 2016, E-wallet provided payment services for transactions worth RMB2,780,525 million, soaring by 77.0% year on year. In loyalty point management, E-wallet is engaged in providing membership benefit solutions for a variety of industries. Loyalty points worth RMB14,245 million were granted in 2016, up 119.1% year on year. The transaction volume driven by loyalty points climbed by 10.2% year on year to RMB23,387 million.

Going forward, Ping An will continue to apply such new technologies as the mobile internet, big data and cloud services to better satisfy customers' needs for "health, food, housing, and transportation". It will optimize customer experience and create more value for customers.

Analysis of Embedded Value

As at December 31, 2016, the embedded value of the Company was RMB637,703 million, and the value of one year's new business of life insurance sold during 2016 was RMB50,805 million.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON THE ANALYSIS OF EMBEDDED VALUE DISCLOSURES

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

We have reviewed the Analysis of Embedded Value of Ping An Insurance (Group) Company of China, Ltd. ("The Company") as at December 31, 2016 ("the EV results"). The EV results include embedded value, value of one year's new business after cost of solvency ("VNB"), valuation methodology and assumptions, first year premium of new business, profit margin of new business, interest margin, embedded value movement, sensitivity analysis, residual margin and solvency related data.

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

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

- Review the embedded value, value of new business and interest margin of the Company as at December 31, 2016;
- Review the sensitivity analysis of the embedded value of life insurance business and VNB of the Company;
- Review the embedded value movement analysis, and
- Review the residual margin and solvency related data of Ping An Life.

Our review procedures included, but were not limited to, considering whether the methodology and assumptions are consistent with the Standards and available market information, validating actuarial models on the basis of sample policies, inspecting related documentation. In forming our conclusion, we have relied on the audited and unaudited data and information provided by the Company.

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

Opinion:

- Based on our review procedures, we have concluded that the methodology and assumptions used in preparing the EV results are in compliance with the Standards and consistent with available market information;
- The EV results, in all material aspects, are consistent with the methodology and assumptions stated in the Analysis of Embedded Value chapter in the 2016 annual report.

We also confirm that the EV results disclosed in the Analysis of Embedded Value chapter in the 2016 annual report is consistent with the results we reviewed.

PricewaterhouseCoopers Consultants (Shenzhen) Limited

Peng Jin, Actuary
March 22, 2017

ANALYSIS OF EMBEDDED VALUE REPORT OF PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD. 2016

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 holding the required capital. The embedded value excludes the value of future new business.

In accordance with the related provisions of the Rules for the Compilation of Information Disclosures by the Companies Offering Securities to the Public (No. 4) – Special Provisions on Information Disclosures by Insurance Companies, the Company has engaged PricewaterhouseCoopers Consultants (Shenzhen) Limited to review the reasonableness of the methodology, the assumptions and the calculation results of the Company's analysis of embedded value as at December 31, 2016.

The calculation of the analysis of embedded value relies on 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.

The "*Standards for Actuarial Practice: Valuation Standard for Embedded Value of Life Insurance*" (the "Standards") issued by the China Association of Actuaries became effective in November 2016. The Company has disclosed the embedded value for 2016 in accordance with the standards and China Risk Oriented Solvency System (C-ROSS). Retrospectively, the embedded value of 2015 on equivalent basis was evaluated for disclosure.

Components of Economic Value

(in RMB million)	2016 December 31	2015 December 31
Risk discount rate	**11.0%**	11.0%
Adjusted net asset value	**407,340**	348,194
Including: Adjusted net asset value of life insurance business	**129,949**	122,154
Value of in-force insurance business written prior to June 1999	**16,515**	25,488
Value of in-force insurance business written since June 1999	**249,382**	205,776
Cost of holding the required capital	**(35,535)**	(27,944)
Embedded value	**637,703**	551,514
Including: Embedded value of life insurance business	**360,312**	325,474

(in RMB million)	2016 December 31	2015 December 31
Risk discount rate	**11.0%**	11.0%
Value of one year's new business	**66,321**	47,964
Cost of holding the required capital	**(15,516)**	(9,544)
Value of one year's new business after cost of holding the required capital	**50,805**	38,420

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 in compliance with the Standards. 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.

Analysis of Embedded Value

Key Assumptions

The assumptions used in the embedded value calculation in 2016 have been made on a "going concern" basis, assuming continuation of the economic and legal environment currently prevailing in China. The calculation is in line with the Standards and capital requirement under C-ROSS. Certain portfolio assumptions were based on the Company's own recent experience as well as considering the more general China market and other life insurance markets' experience. The principal bases and assumptions used in the calculation are described below:

1. **Risk discount rate**
   The discount rate for calculating the value of in-force life insurance business and the value of new business is assumed to be 11.0%.

2. **Investment return**
   For non-investment-linked insurance funds, the future investment return is assumed to be 4.75% in the first year and increased by 0.25% annually up to the ultimate investment rate at 5.0%. 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 be increased by 2% annually up to 16%.

4. **Mortality**
   The experience mortality rates have been based on 65% and 65% of China Life (2000-2003) table for male and female respectively for non annuitants. For annuitants, the experience mortality rates for the grant period have been based on 60% and 50% of China Life Annuity (2000-2003) table for male and female respectively.

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

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

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

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

Value of New Business

The new business volumes measured by first year premium and value of one year's new business by segment was:

(in RMB million)	FYP used to calculate value of new business 2016	2015	Change (%)	Value of one year's new business 2016	2015	Change (%)
Individual business	**110,506**	77,486	42.6	**50,527**	38,050	32.8
Agency	**90,357**	62,544	44.5	**46,413**	34,393	34.9
Long-term protection	**45,637**	31,697	44.0	**37,848**	26,812	41.2
Saving (short-PPP)	**32,158**	20,536	56.6	**4,905**	3,900	25.8
Saving (long-PPP)	**6,370**	5,848	8.9	**1,977**	2,616	(24.4)
Short-term	**6,193**	4,462	38.8	**1,683**	1,065	58.0
Telemarketing, internet marketing and others	**8,837**	7,258	21.8	**3,800**	3,339	13.8
Bancassurance	**11,311**	7,684	47.2	**314**	318	(1.4)
Group business	**25,216**	21,625	16.6	**278**	370	(24.8)
Total	**135,722**	99,110	36.9	**50,805**	38,420	32.2

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

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

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

The profit margin of one year's new business by segment was:

	By FYP 2016	2015	By ANP 2016	2015
Individual business	**45.7%**	49.1%	**50.7%**	53.7%
Agency	**51.4%**	55.0%	**53.8%**	56.3%
Long-term protection	**82.9%**	84.6%	**83.2%**	85.0%
Saving (short-PPP)	**15.3%**	19.0%	**17.1%**	20.1%
Saving (long-PPP)	**31.0%**	44.7%	**33.5%**	45.7%
Short-term	**27.2%**	23.9%	**27.3%**	24.0%
Telemarketing, internet marketing and others	**43.0%**	46.0%	**40.8%**	44.9%
Bancassurance	**2.8%**	4.1%	**8.1%**	14.3%
Group business	**1.1%**	1.7%	**1.6%**	2.6%
Total	**37.4%**	38.8%	**43.5%**	45.3%

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

Analysis of Embedded Value

Proportions of interest margin and other margins (include mortality margin and expense margin) in value of new business are as follows:

	Interest Margin as % of VNB	Other margins as % of VNB
Life insurance business	33.9%	66.1%
Including: Long-term protection business	22.0%	78.0%

Note: The interest margin of traditional and participating insurance products has been defined as a portion of the investment return beyond the minimum guaranteed return for customers and attributable to the Company. The interest margin of universal and investment-linked insurance products has been defined as the present value of the investment spread collected by the Company from customers.

Embedded Value Movement

The table below shows how the Company's embedded value changed to RMB637,703 million as at December 31, 2016.

(in RMB million)	2016	Note
Embedded value of life insurance business as at December 31, 2015	**325,474**	
Expected return on year-start embedded value	27,346	Expected embedded value growth in 2016
Value of one year's new business after risk diversification, including:	68,720	
Value of one year's new business before risk diversification	50,805	Value of new business written in 2016. Cost of capital are calculated at the policy level
Risk diversification effect within new business	7,311	There is risk diversification effect among different new policies, which lowers the capital requirements and relative costs
Risk diversification effect between new business and in-force business	10,604	There is a risk diversification effect between new business and in-force business, which lowers the capital requirements and relative costs
Assumptions and model changes	(42,115)	A decrease in embedded value mainly due to change in investment return assumption
Market value adjustment	(1,020)	Change in market value from the beginning to the end of the period
Investment return variance	(547)	Actual investment return calculated on the basis of comprehensive income in 2016 was slightly lower than the assumed return
Experience variances and others	(259)	
Embedded value of life insurance business before capital changes	**377,601**	Embedded value of life insurance business before capital changes increased by 16.0%

(in RMB million)	2016	Note
Shareholder dividends	(17,289)	The effect of dividends paid by Ping An Life to shareholders
Embedded value of life insurance business as at December 31, 2016	**360,312**	
Adjusted net asset of other business as at December 31, 2015	**226,040**	
Net Profit of other business	37,550	
Market value adjustment and other variances	6,567	
Adjusted net asset of other business before capital change as at December 31, 2016	**270,156**	
Dividends received from subsidiaries	17,289	Dividends paid by Ping An Life to the Company was RMB17,289 million
Shareholder dividends paid by the Company	(10,054)	Dividends paid by the Company to shareholders
Adjusted net asset of other business as at December 31, 2016	**277,391**	
Embedded value as at December 31, 2016	**637,703**	
Embedded value per share as at December 31, 2016 (in RMB)	**34.88**	

Note: Figures may not match totals due to rounding.

Sensitivity Analysis

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

- Investment return and risk discount rate
- Assumptions used in 2015 retaining C-ROSS methodology
- A 10% increase in mortality, morbidity, accident rates and etc.
- A 10% increase in policy discontinuance rates
- A 10% increase in maintenance expenses
- A 5% increase in the policyholders' dividend payout ratio

Sensitivity of embedded value of life insurance business to investment return and risk discount rate

(in RMB million)	Risk discount rate 10.5%	11.0%	11.5%
Investment return increased by 50bps per annum	402,554	391,035	380,422
Central case	370,180	360,312	351,213
Investment return decreased by 50bps per annum	337,675	329,463	321,881

Sensitivity of value of new business to investment return and risk discount rate

(in RMB million)	Risk discount rate 10.5%	11.0%	11.5%
Investment return increased by 50bps per annum	58,808	55,614	52,650
Central case	53,694	50,805	48,118
Investment return decreased by 50bps per annum	48,561	45,976	43,566

Sensitivity to other assumptions

(in RMB million)	Embedded value of life insurance business	Value of one year's new business
Central case	360,312	50,805
Assumptions used in 2015 retaining C-ROSS methodology	411,150	57,289
10% increase in mortality, morbidity, accident rates, etc.	349,240	46,568
10% increase in policy discontinuance rates	354,229	48,654
10% increase in maintenance expenses	357,993	50,345
5% increase in the policyholders' dividend payout ratio	353,477	50,059

Comparison of Embedded Value under C-ROSS and China Solvency I

The valuation system of embedded value under C-ROSS is similar with that of China Solvency I, which are based on the traditional embedded value valuation method. The distributable earning has been calculated in line with the Standards and capital requirement under C-ROSS. The assumptions used in cash flow projection are equivalent with those under China Solvency I.

(in RMB million)	December 31, 2016 C-ROSS	December 31, 2016 China Solvency I	December 31, 2015 C-ROSS	December 31, 2015 China Solvency I
Adjusted net asset value	**407,340**	**369,561**	348,194	327,926
Including: Adjusted net asset value of life insurance	**129,949**	**92,170**	122,154	101,887
Value of in-force business	**230,363**	**258,978**	203,320	224,927
Embedded value	**637,703**	**628,539**	551,514	552,853
Including: Embedded value of life insurance	**360,312**	**351,148**	325,474	326,814
Value of new business	**50,805**	**39,290**	38,420	30,838
Including: New business value of Long-term protection	**37,848**	**26,161**	26,812	19,797

In the final part of this section, the residual margin and solvency results of Ping An Life were disclosed to assist investors in assessment of Ping An Life' ability to continuously create value for shareholders.

Residual Margin of Ping An Life

According to the "*No.2 Interpretation of Accounting Standards for Business Enterprises*" (Cai Kuai [2008] No.11) and "*Regulations regarding the Accounting Treatment of Insurance Contracts*" (Cai Kuai [2009] No.15) issued by the Ministry of Finance, as well as general actuarial principles, the profit of a life insurance company consists of 4 components, which are amortization of residual margin, investment return variance, operating deviation (including amortization of risk margin), and changes in accounting estimate. Among which, the amortization of residual margin is the most significant source of the accounting profit. The residual margin is the present value of future profits with the amortization pattern locked-in at the time of policy issuance, resulting stable amortization and immunity to capital market volatility.

As at December 31, 2016, Ping An Life's residual margin was RMB454,677 million, which rose by 37.4% from the end of 2015 due to strong growth of new business. The amortization of residual margin in 2016 was RMB38,198 million, an increase of 30.5% from 2015.

Solvency of Ping An Life

A stable solvency position ensures that the Company meets capital requirements specified by external institutions such as regulators and rating agencies, while supports the Company in developing business and creating value for shareholders. Ping An Life's solvency margin ratio as at December 31,2016 is as below:

(in RMB million)	December 31, 2016
Actual capital	533,710
Minimum capital	236,304
Comprehensive solvency margin ratio	225.9%

The Company has estimated the effects of declines in interest rate and equity value on its solvency margin ratio as at December 31, 2016:

	Solvency margin ratio
Central case	225.9%
100bps decease in 750-day moving average of CGB yields	209.0%
30% decrease in fair value of equity asset	216.6%

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, 2016, the solvency of the Group was adequate.

GENERAL PRINCIPLES

Liquidity refers to the availability of cash assets or cash supply to meet the financial requirements of the Company whenever needed. The aim of the Group's liquidity management is to meet the liquidity requirements of operations, investment and financing activities of the Group while 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. The Budget Management Committee, Risk Management Executive Committee and Investment Management Committee under the Group Executive Committee are overseeing these essentials at group level. In addition, as the Group's liquidity management execution unit, the Treasury Division is responsible for the management of cash, liquidity, funding and capital and so forth.

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

All operating, investing and financing activities should follow the requirements of liquidity management. Ping An Group and its insurance subsidiaries implement separate management of their operating cash inflows and outflows. Through the pooling of cash inflows and outflows, allocation and deployment of funds are centralized. The Company and its subsidiaries are therefore able to monitor cash flow status in a timely manner. In 2016, the Group maintained net cash inflows in its operating cash flows.

CAPITAL STRUCTURE

As at December 31, 2016, equity attributable to shareholders of the parent company of the Group was RMB383,449 million, up by 14.7% compared with the end of 2015.

The Group's long-term capital stability stems from the profit continuously generated by its various businesses. The parent company's capital mainly comprised contributions from shareholders as well as proceeds from issuance of H shares and A shares. Further, the Group ensures capital adequacy by using capital market and debt market instruments, issuing equity securities, subordinated debts, hybrid capital bonds and tier-2 capital bonds to raise capital. Adjustments were made to surplus capital through dividend distribution.

The following table indicates the balances of subordinated debts, hybrid capital bonds and tier-2 capital bonds issued by the Group and main subsidiaries as at the end of 2016 (par value):

(in RMB million)	Subordinated debts [1]	Hybrid capital bonds	Tier-2 capital bonds
Ping An Property & Casualty	8,000	–	–
Ping An Life	32,000	–	–
Ping An Bank	–	5,150	25,000
Ping An Securities	3,000	–	–

(1) Including subordinated bonds and capital supplement bonds.

AVAILABLE CAPITAL OF THE PARENT COMPANY

The available capital of the parent company includes bonds, equity securities, bank deposits and cash equivalents that the parent company holds. It can be invested into subsidiaries or used in daily operations. As at December 31, 2016, the parent company's available capital was RMB35,570 million, up by RMB8,279 million compared with the beginning of this year.

(in RMB million)	December 31, 2016	December 31, 2015
Available capital	**35,570**	27,291

In 2016, for the parent company's available capital, the major cash inflow was dividend from subsidiaries of RMB28,474 million, while the major cash outflows were dividend to shareholders of RMB10,054 million and capital injection into subsidiaries of RMB14,142 million.

LIQUIDITY RISK MANAGEMENT

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

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

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

The Group and its subsidiaries have built liquidity reserves and maintain stable, convenient, and diversified sources of financing to ensure that they have adequate liquidity to tackle possible impacts from adverse situations; moreover, the Group and its major subsidiaries have developed robust liquidity contingency plans for handling any significant liquidity events. The Group has set up internal firewalls to prevent intra-group contagion of the liquidity risk.

CASH FLOW ANALYSIS

(in RMB million)	2016	2015
Net cash flows from operating activities	**227,821**	135,618
Net cash flows from investing activities	**(330,616)**	(273,732)
Net cash flows from financing activities	**133,004**	204,976

Net cash inflows from operating activities increased by 68.0% year on year. This was mainly caused by soaring net cash flow of insurance business.

Net cash outflows from investing activities increased by 20.8% year on year. This was mainly due to the expansion of investment scale caused by business development.

Liquidity and Financial Resources

Net cash inflows from financing activities decreased by 35.1% year on year. This was mainly due to the decrease in net cash inflow from interbank deposit business of Ping An Bank.

CASH AND CASH EQUIVALENTS

(in RMB million)	December 31, 2016	December 31, 2015
Cash	**301,557**	228,633
Financial assets purchased under reverse repo agreements to mature within 3 months	**58,766**	101,469
Bonds to mature within 3 months	**7,229**	3,223
Total cash and cash equivalents	**367,552**	333,325

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

GROUP SOLVENCY MARGIN

The insurance group solvency margin represents the consolidated solvency margin calculated as if the parent company and its subsidiaries, 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.

In response to increasingly diverse, complicated risks in China's fast-growing insurance market, the CIRC released in February 2015 the C-ROSS Regulatory Rules (No.1-17) with effect from January 2016.

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

(in RMB million)	December 31, 2016	December 31, 2015
Core capital	**889,883**	730,052
Actual Capital	**929,883**	764,677
Minimum capital	**442,729**	373,186
Core solvency margin ratio (regulatory requirement >=50%)	**201.0%**	195.6%
Comprehensive solvency margin ratio (regulatory requirement >=100%)	**210.0%**	204.9%

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

Risk Management

We strive to become a "world-leading personal financial services provider". To achieve this goal, we continuously optimize the risk control system and strengthen the risk management platform. Through identification and evaluation of risks, along with mitigation measures, we achieve a balance between risks and returns which ultimately contributes to the sustainable growth of the Group.

RISK MANAGEMENT OBJECTIVES

Over the past two decades, Ping An has regarded risk management as an integral part of its operations and business activities. We take steady steps to build an enterprise risk management system aligned with the Group's strategies and the nature of our business. By continuously optimizing our risk management framework, standardizing our risk management procedures, and adopting both qualitative and quantitative risk management methodologies to identify, evaluate and mitigate risks, we maintain robust risk management to support our decision-making and facilitate the effective, sustainable and healthy growth of the Group, helping the Group to become a world-leading personal financial services provider.

In November 2016, Ping An was again designated by the Financial Stability Board (FSB) and the International Association of Insurance Supervisors (IAIS) as one of the Global Systemically Important Insurers (G-SIIs). Ping An has actively participated in development of international insurance regulations by keeping regulators informed of the realities in the Chinese insurance and financial markets, so as to create a more favorable international regulatory environment for developing countries and China's insurance industry. In 2016, according to the requirements of FSB and IAIS, Ping An updated its Systemic Risk Management Plan (SRMP), and Recovery and Resolution Plan (RRP) including Liquidity Risk Management Plan (LRMP). On the basis of changes in systemic risk assessment indicators, Ping An reviewed the changes in its business and risk profile. According to the comprehensive review and assessment, Ping An has effectively kept risks under control with its specialized enterprise risk management framework, and the Group's potential systemic impact on the financial market has been limited. The RRP including LRMP for 2016 has been approved by executive directors authorized by the Board of Directors and agreed by the CIRC. Ping An also cooperated with regulators in the Resolvability Assessment Process (RAP) for 2016 centering on feasibility and credibility, which proved that the potential systemic impact of the Group was extremely limited, and the Group was capable of managing internal and external risks and maintaining continuity of critical functions without harm to public interests. In addition to meeting the G-SII and the China Risk Oriented Solvency System (C-ROSS) regulatory requirements, Ping An takes the G-SII projects as an opportunity to incorporate global best practices into its risk management and business procedures, effectively prevents risks and risk contagion, provides its integrated financial business (in particular the innovative business) with strong risk protection, and acts as a stabilizer of financial markets to make greater contributions to China's financial innovation and development.

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

RISK APPETITE SYSTEM

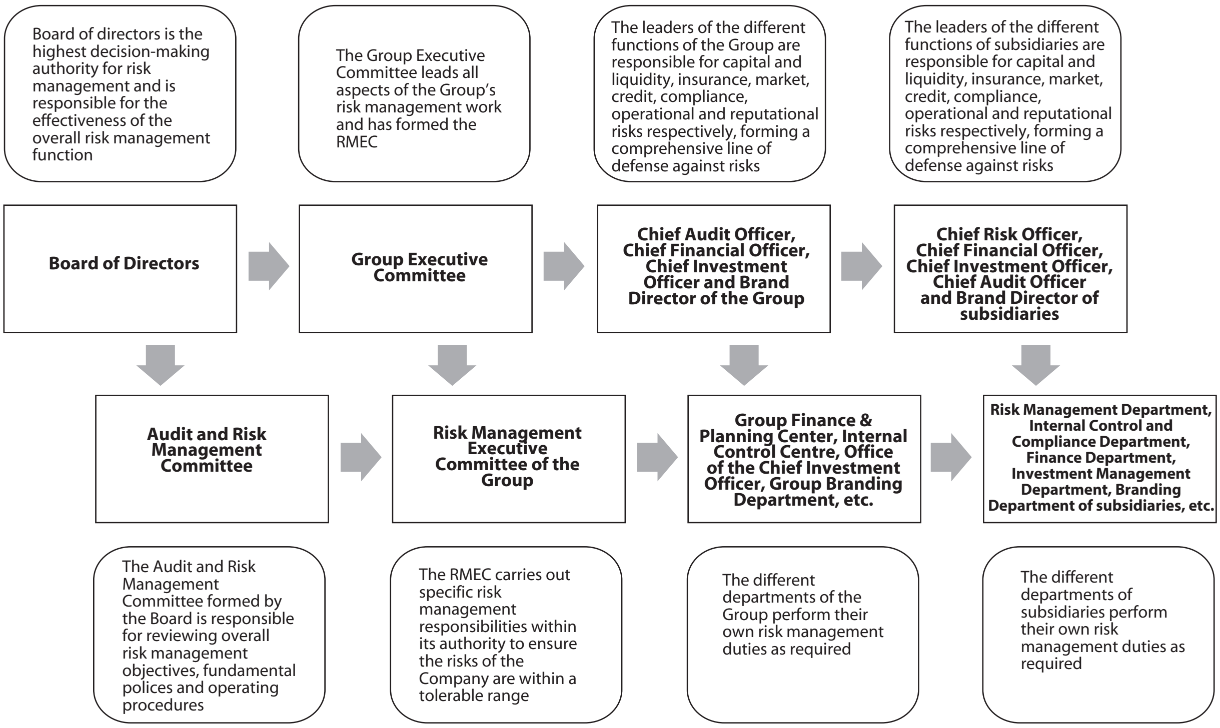
A risk appetite system is central to Ping An's overall strategy and enterprise risk management. In line with the Group's overall strategy and in consideration of the subsidiaries' development needs, the Group has built a risk appetite system that matches its business strategies, and combined risk appetites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

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

Risk Management

RISK MANAGEMENT FRAMEWORK

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



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

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

The Group Executive Committee leads all aspects of the Group's risk management. Formed by the Group Executive Committee, the Group Risk Management Executive Committee (RMEC) is mainly responsible for the Group's overall risk management, developing overall objectives, risk appetites and tolerance, basic policies and operating procedures for risk management, monitoring the Company's risk exposure and available capital, overseeing establishment of risk management organizations in subsidiaries and monitoring their performance, supervising implementation of the risk management system in each subsidiary or business line, and promoting a culture of comprehensive risk management across the Group.

The RMEC consists of the Group's Chief Audit Officer, President, Chief Financial Officer, Chief Investment Officer, Chief Insurance Business Officer, Chief Operating Officer, General Counsel, Brand Director, etc., responsible for the management of strategic risk, capital and liquidity risk, insurance risk, market risk, credit risk, compliance risk, operational risk, reputation risk, etc.

In 2016, the Group closely followed domestic and foreign regulatory trends such as G-SIIs, the New Basel Capital Accord and C-ROSS. It continued to strengthen its enterprise risk management system, and upgraded the risk management structure and risk management policies of the Group and its subsidiaries. It also strengthened its risk appetite system after reviewing the risk appetite framework, developed risk management guidelines, evaluated risk management capabilities, standardized risk management requirements, reviewed business progress, and optimized capital utilization, to strike a balance between business development and risk management. The Group implemented risk management responsibilities and continued to step up risk monitoring and reporting mechanisms. Through the Risk Dashboard, the Group and its subsidiaries have identified, classified and evaluated risks in a systematic manner, ensuring that all the risks are effectively controlled and managed on a timely basis.

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

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

MAJOR MEASURES OF RISK MANAGEMENT

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

- The Group has established an optimal risk governance framework and risk management reporting mechanism, as well as promoted the inclusion of risk indicators in performance evaluation which integrates risk management culture into its corporate culture. This lays a foundation for the healthy, sustainable and steady development of the Group's business.
- The Group is actively exploring and formulating a risk appetite framework in line with its business development strategy. It also formulates risk management guidelines and standardizes risk management requirements of subsidiaries.
- The Group has established a risk management system on risk concentration, which strengthens its ability to manage concentrated risks, ranging from policy formulation to risk limit management, system building and risk reporting, so as to improve the Group's overall capability of risk management for its integrated financial service business.

- The Group has established an effective risk warning mechanism, providing timely and effective alerts on industry developments, regulatory information or risk events, effectively guarding against potential risk;
- The Group utilized tools and methods such as the risk dashboard, scenario analysis, stress tests and risk limits to continuously develop and optimize quantitative techniques and models of risk management, analyse risk exposures and evaluate their quantitative and qualitative impacts on our risk bottom lines. Such measures enable us to plan ahead and take necessary precautions in a timely manner to mitigate risks and to reduce potential losses;
- The Group manages risks of its subsidiaries through integrated management, risk management capabilities evaluation and improved risk measurement. By improving the risk management platform of the Group, we have enhanced the efficiency of risk management.

Insurance Risk

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

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

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

December 31, 2016 (in RMB million)	Change in assumptions	Impact on insurance liability reserve (after reinsurance) increase/(decrease)
Discount rate/ investment yield	+10bps	(8,568)
Discount rate/ investment yield	-10bps	8,910
Mortality, morbidity, accident rates, etc*	+10%	22,304
Surrender rate	+10%	7,131
Policy maintenance expense ratio	+5%	2,160

* Mortality, morbidity, accident rates, etc. change refers to a 10% increase in the mortality rate, morbidity rate, accident rate and other incident rate of life insurance policies (a 10% increase in mortality rate of annuity policies prior to the payment period, and a 10% decrease during the payment period).

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

December 31, 2016 (in RMB million)	Change in average claim cost	Impact on outstanding claims reserve (after reinsurance) increase/ (decrease)
Property and casualty insurance	+5%	2,770
Short-term life insurance	+5%	228

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

- Develop insurance risk policies and a scientific and consistent insurance risk management framework within the Group;
- Develop a set of key insurance risk indicators, closely monitor them, analyze abnormal changes and take management measures;
- Establish model management policies, standardize actuarial models of the Group and strictly control model risks;
- Implement effective product development and management policies, develop products with proper insurance coverage and fair pricing, and control product pricing risks;
- Implement prudent underwriting policies, establish relevant guidelines for policy contracting and underwriting, effectively control and reduce adverse selection risks;
- With strict claim investigation and settlement procedures, identify and prevent questionable and fraudulent claims;
- With effective product management procedures, carry out experience and trend analysis with the latest and the most accurate and reliable data, well manage the product mix and control insurance risks;
- Evaluate unearned premium reserves and outstanding claims reserves using effective reserve assessment procedures and methods, and assess the reserve adequacy on a regular basis;

- With effective reinsurance management procedures, properly set self-retained risk limits, use reinsurance as an effective risk transfer tool to transfer the excess risks to reinsurers with a high level of solvency, and control insurance risks.

Market Risk

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

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

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

- Market risks are managed in a top-down manner by the RMEC, the Group's Investment Management Committee and the risk management committees of subsidiaries;

- Investment and asset risk management guidelines are developed to manage market risks in a forward-looking manner while ensuring safety, comprehensiveness and effectiveness, and matching up assets and liabilities;

- A multi-layered risk limit system was established on the basis of risk bottom lines and asset-liability management strategies to keep market risks under control. While setting risk limits, the Group takes risk management strategies and the impacts on financial strength into account;

- Methods such as value at risk (VaR), sensitivity analysis and stress tests are applied based on the characteristics of investment and market risk management, for scientific and effective assessment and management of market risks;

- The risk monitoring and reporting mechanism is standardized. Risk reports are issued regularly to provide suggestions on risk management and ensure market risks are within the Company's tolerance.

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

Market Risk – Interest Rate Risk

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

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

December 31, 2016 (in RMB million)	Change in interest rate	Decrease in profit	Decrease in equity
Bond investments classified as financial assets carried at fair value through profit or loss and available-for-sale financial assets	+50 bps	257	5,664

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

Risk Management

Market Risk – Equity Risk

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

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

As at December 31, 2016, the VaR for listed equity securities and securities investment funds is as follows:

December 31, 2016 (in RMB million)	Impact on equity
Listed equity securities and securities investment funds classified as financial assets carried at fair value through profit or loss and available-for-sale financial assets	8,297

Market Risk – Foreign Exchange Risk

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

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

December 31, 2016 (in RMB million)	Decrease in profit	Decrease in equity
Net exposure to fluctuations in exchange rates assuming a simultaneous and uniform 5% depreciation rate of all foreign currency denominated monetary assets and liabilities and non-monetary assets and liabilities measured at fair value against the Renminbi	840	2,813

In the case above, if the currency appreciates by the same proportion, it will have an inverse effect of the same amount on profit before tax and equity in the table.

Credit Risk

Credit risk is the risk of losses resulting from the default of any debtors or counterparties 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, bond investments, reinsurance arrangements with reinsurance companies, policy loans, margin trading and off-balance-sheet related activities.

The Group manages credit risk through various measures, including:

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

The Group carries out consolidated analysis, monitoring and reporting of the credit exposures of lending and investment businesses at the group level. The Group specifies credit risk limits for different accounts and products. To manage high risk exposures and the concentration of risk after consolidating the Group's financial statement, it also provides forward-looking insights and analysis of potential credit risks and their impacts on the Group.

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

December 31, 2016	The ratio to total corporate debts/financial debts
Corporate bonds held by the Group with the domestic credit rating of AA and A-1 or above	99.23%
Financial bonds held by the Group with the domestic credit rating of A or above	99.55%

Operational Risk

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

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

Risk Management

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

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

Strategic Risk

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

On the basis of deep understanding of macroeconomic conditions at home and abroad, the state's industry policies and regulations, market competition and development trends, the Group has thoroughly verified its high-level plans and development strategies and coordinated strategy development across the Group to align the strategic targets of the Group and its subsidiaries, and adjusted and optimized strategic plans in response to the actual business development and external environment. The Group regularly makes its 3-year development plans and annual business plans, proactively implements these strategies and annual plans, regularly monitors and assesses the implementation of the Group and subsidiaries' strategies and annual business plans, specifies strategic focuses, and guides the subsidiaries in management of strategic risks for realization of overall strategic plans and targets.

Reputation Risk

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

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

Group-level Risk

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

Risk Contagion

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

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

The Group has built robust risk firewalls. The Group has built robust firewalls between the Group and its subsidiaries and among its subsidiaries, including legal-entity firewalls, finance firewalls, and information firewalls, and personnel management firewalls to prevent risk contagion. First, the legal-entity firewalls. The Group and its subsidiaries have complete governance structures. The Group itself engages in no specific business activity. It manages the subsidiaries through shareholding, but neither participates in nor intervenes in the subsidiaries' routine business. The subsidiaries carry out business activities independently, and are supervised by their respective regulators. Second, the finance firewalls. The Group and its subsidiaries have finance functions respectively; senior finance managers may not take concurrent offices at different entities within the Group. Each entity has clear accounts, with independent accounting, assets, and liabilities. Third, the information firewalls. The Group has built an efficient and safe information security system, and constantly optimized the system, with well-developed information protection policies, standard information management procedures, and clear accountabilities. The subsidiaries manage the Company's information assets in strict accordance with the information security rules, and strictly protect the Company's business information, trade secrets, intellectual properties, and other information assets. Each subsidiary manages its information assets independently and strictly in line with the Group's information security management rules for effective information segregation. The Group attaches great importance to customer data protection, and the cyber-security of products and businesses. The Group has established strict rules and procedures for customer data protection at the group and subsidiary levels. Moreover, to ensure effective customer data protection, the Group has developed pre-cautions related to the entry, transfer, storage and application of customer data, and taken a series of countermeasures against potential data leak. Furthermore, the Group has developed a contingency center and business risk management platform, etc. for active detection of information security threats and quick responses to provide clients with stable information security protection. Fourth, the personnel management firewalls. The Group and its subsidiaries have separate management structures, with clear roles and responsibilities so that personnel do not perform roles with potential conflict of interests. Meanwhile, an insurance subsidiary's senior management may not serve as the senior management of non-insurance subsidiaries (unless otherwise stipulated by laws, administrative regulations and the CIRC).

The Group has constantly improved its approach to management of CPTs. The Group and its subsidiaries engaging in insurance, banking, trust, securities, funds, asset management and other businesses are all subject to CPT-related laws, regulations and regulatory requirements. Regulators tightened monitoring on CPTs and issued stricter standards in 2016. The Group attaches great importance to CPT management, strictly abides by laws, regulations, and regulatory requirements. The Group's Connected-Party Transaction Committee functioned effectively, which has coordinated Group-wide CPTs management, constantly optimized management policies and procedures, enhanced CPT identification, review and fair value-based pricing to ensure fair pricing for CPTs and prevent improper transfer of benefits. The Group continued to improve transparency in CPTs, disclosed and reported CPT-related information in strict accordance with relevant rules and procedures. The Group has developed a culture of strong compliance awareness for CPTs. The Group has constantly enhanced the systems for CPT management to increase efficiency. The Group's CPT management systems and mechanisms have been improved and effectively operated.

The Group has improved its approach to outsourcing. Currently, the Group's four centres (Administration, Internal Control, HR, and Finance) outsource IT services to Ping An Technology, including IT advisory services, development, application system operation, call centre services, office support, and information security; they outsource financial operations to Ping An Financial Services, including financial review and accounting, financial system configuration, cash collection and payment, financial voucher filing, tax processing, sale/purchase and payment of foreign exchanges, and personal income tax declaration. The Group has specified the information security requirements in the outsourcing management rules and procedures; going forward, the Group will improve the rules and procedures for approval, contract signing, and filing of outsourcing. In particular, the process for approval by the Board of Directors or a body delegated by the Board of Directors will be formalized, and the Group's outsourcing contracts will be filed with the CIRC 20 business days before contract signing.

The Group has enhanced its cross-selling management. Retail cross-selling businesses are mainly done by agent distribution. Such agents should enter into agency agreements with Ping An Group and agree to distribute products of the Group only. Moreover, agents should observe relevant laws and regulations for compliant and organized product distribution. If customers need products beyond agents' offering, customers may use specific apps or visit platforms of other Ping An subsidiaries for product information and purchase. Group Integrated Finance Committee coordinates and promotes cross-selling within Ping An Group. The business is done through insurance agent distribution and business recommendation. The agent-related businesses strictly follow the rules on agent distribution, and business recommendation only involves matching both sides' intentions of cooperation strictly following the market rules. All businesses are evaluated independently by each subsidiary's risk function in line with the firewall system.

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

Risk of Opaque Organization Structure

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

Risk Management

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

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

Concentration Risk

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

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

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

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

Risks in Non-insurance Areas

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

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

SOLVENCY MANAGEMENT

Solvency refers to the Group's ability to settle its liabilities. The key objective of solvency management is to meet statutory capital requirements and to maintain a healthy capital ratio to support business growth and maximize shareholder value.

In response to increasingly diverse, complicated risks in China's fast-growing insurance market, the CIRC released in February 2015 the *C-ROSS Regulatory Rules (No.1-17)* with effect from January 2016. Compared with the scale-oriented China Solvency I C-ROSS is a risk-oriented solvency regulatory rule and is aligned to the international regulatory framework. C-ROSS consists of three pillars, which are quantitative capital requirements, qualitative regulatory requirements, and market discipline mechanisms. C-ROSS effectively prevents systemic risks and regional risks, and encourages capital efficiencies. Compared with China Solvency I, C-ROSS enables insurers to identify and assess risks more effectively and strike a balance between risk prevention and value growth.

Qualitative supervisory requirements, as the second pillar of C-ROSS, are mainly based on the CIRC's Solvency Aligned Risk Management Requirements and Assessment (SARMRA). The SARMRA results are linked with an insurer's control risk minimum capital, so as to adjust the minimum capital requirement based on the first pillar. As per the SARMRA results for 2016 unveiled by the CIRC, Ping An Life scored 86.06, ranking the first among 72 life insurers in China. The score allowed Ping An Life's minimum capital requirement under C-ROSS to reduce by RMB7,384 million as at December 31, 2016. Ping An Property & Casualty scored 83.58, ranking the third among 77 property & casualty insurers in China. Because of the score, Ping An Property & Casualty's minimum capital requirement under C-ROSS reduced by RMB485 million as at December 31, 2016.

As at December 31, 2016, the Group's comprehensive solvency margin ratio stood at 210.0% which fully met regulatory requirements.

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

- The impacts on solvency must be evaluated when we develop key initiatives such as strategies, business plans, investment decisions, and dividend distribution plans;
- The solvency target is a key indicator for the Company's risk management, and an emergency reporting and response mechanism is in place for significant changes in the solvency to ensure the solvency is maintained at an appropriate level;
- The solvency indicator has been included as a KPI in performance appraisal at the Company level to be instituted with the top down approach;
- We adopt a prudent asset and liability management policy, constantly enhance asset quality and business operations, strengthen capital management, and focus on capital requirements supporting rapid business growth;
- We conduct solvency assessments and dynamic solvency tests on a regular basis, and closely monitor changes in the solvency;
- We conduct sensitivity and scenario stress testing to generate warnings for potential changes in solvency.

As one of the G-SIIs, Ping An is required to follow a series of solvency regulations which are being developed by the IAIS from 2019 in addition to C-ROSS. With the encouragement and support from the CIRC, Ping An has actively worked with the IAIS to develop solvency regulations for G-SIIs. With better understanding of China's insurance industry and Ping An's features, the IAIS is able to reflect such understanding in the regulations. Positive progress has been made with Ping An's participation.

Corporate Social Responsibility

Cherishing the idea of social commitment, we are dedicated to fulfilling our duties to our shareholders, living up to the trust of our customers, benefiting our employees and contributing, with gratitude to society.

We adhere to the philosophy of "Expertise Creates Value". While delivering value to our shareholders, customers and employees, we are also concerned about social well-being and always fulfill our social responsibility, creating a win-win situation with all stakeholders. Leveraging "Internet + Finance" development model and innovative technology approaches, we build an even stronger open internet finance service platform, providing customers with ready access and better experience, and realize the overall improvement of health management and wealth management. Over the past years, we have continued our commitment to education, environment protection, disaster relief, poverty relief and other worthy causes, and upgraded the volunteer teaching campaign utilizing the internet. In response to hot social issues, we encourage our employees and customers as well as the general public to participate in public welfare activities. Ping An has thus received numerous honors and awards in recognition of its social contributions, among which are the "Most Respected Company in China" for the 15th consecutive year and the "International Carbon-Value Award" for the 4th consecutive year. In 2016, it competed for "2016 CSR China Education Awards", the only official award in the field of China's education, and was awarded the "Best Sustainable Development Award" and the "CSR Special Award for Video on New Media".

Economic benefits

2016 basic earnings per share of RMB3.50

Up by +17.4% compared with 2015

Total assets nearly RMB 5.58 trillion

Employees

Benefits RMB11,544 million

Remuneration RMB45,542 million

Mobile learning platform "Zhi Niao"

Over 71,163 courses

Viewed 48.66 million times

Registered users of our internet finance platforms

As at December 31, 2016:

Ping An Life "Jin Guan Jia" app 98.09 million users

"Ping An Good Doctor" app Over 130 million users

Finance One Account 185 million users

Society and environment

Carbon emissions reduced by 36,433 tons in 2016 with technology-driven services

Initial funding of the first "Education Charity Trust Plan" RMB 10.07 million

Credit lines granted through green credit services RMB 59,035 million

Volunteer teaching at Hope Primary Schools 28,665 hours

Scholarships granted to Hope Primary Schools RMB 1,848.5 thousand

Life insurance agents participated in "Reunion with Love" activity during the Spring Festival 550,000 persons

Customer experience

We introduced the Net Promotor Score (NPS) to monitor customer experience and Ping An Group's NPS grew by 30%

Ping An Life overall customer satisfaction 93.5%

Ping An Property & Casualty auto insurance claim payment rate 99.9%

Partners

Ping An Good Doctor has partnered with 60,000 external doctors

Ping An Good Doctor has contracted 5,000 famous doctors at 3A hospitals

YI qianbao's annual trading volume RMB 2,803,913 million

Prospects of Future Development

BUSINESS PLAN FOR 2017

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.

In 2016, the Company was committed to driving and implementing its business plans, enhancing the operation of individual customers and improving the value of individual business. The four pillar businesses – insurance, banking, asset management and internet finance maintained sound operation and sustainable growth. The profitability of the Company steadily improved, and the performance targets of all business plans set out last year were achieved.

In 2017, the Company will remain resolute and continue to forge ahead with the development plans formulated by the Board of Directors. It strives to create greater value for customers and improve the value of the Group leveraging its professional strength. Meanwhile, it is actively preparing for the future with close attention to global technological development trends and focus on pan financial assets and pan healthcare. Starting with customer demand and centering on services in finance-related "health, food, housing and transportation" areas, the Company strives to achieve "one customer, multiple products and one-stop services" and become "a world-leading personal financial services provider".

- With the vision of "becoming the most respected life insurance company in China", Ping An Life focuses on "product + technology". Driven by innovation, it builds its core competitive advantages in the Ping An 3.0 Era, and promotes the synergistic development of multiple channels, namely sales agents, bancassurance, telemarketing and internet marketing. Ping An Life also strives to achieve the sustained, healthy and stable development of its embedded value and business scale. Leveraging technology and the mobile internet, Ping An Property & Casualty will continue to foster innovations and build differentiated competitive advantages, and enhance the capability of risk screening and cost control. Meanwhile, it aims to provide better customer experience and improve customer satisfaction through matching specific products and services with customer attributes, and further increase the Net Promoter Score. Utilizing its professional strength, Ping An Annuity will develop business centering on the government's livelihood projects and the social security system. It will also play an active role in corporate annuity, occupational annuity, pension asset management, tax-preferred insurance, tax-deferred insurance and group medical health insurance, and contribute to the aim that "elders have access to good care, patients have access to medical treatment, and the poor have access to assistance". Ping An Health will strengthen the integration of health insurance and health management to create the No.1 brand of health insurance and services in China.

- Ping An Bank will place "transformation into a retail bank" at the core, and implement the strategies taking the opportunity of "reform of business units" and "transformation of branches". Insisting on being asset-light and capital-light, it will develop intermediary business vigorously, and improve the percentage of net non-interest income. In the reform of business units, it adopts a new cooperation model of "C+SIE+R (core customers + supply chain, industry chain and ecosystem + retail customers)" to promote the joint efforts on retail business throughout the Bank, and increase the percentage of retail business in overall business. While ensuring the sound development of corporate business, we also promotes its positive effects on retail business. Ping An Bank will make continuous efforts to ensure the promotion of strategic business, and the sustainable and reasonable growth of profits.

- In the asset management business, we will continue to build a leading investment management platform. We offer customers a comprehensive range of services which include share and bond financing, security brokerage, financial advisory and asset management, improving customer experience. We will enhance the market value of our investment projects by strengthening post-investment management and output of experience. In managing our insurance funds, we will borrow global experience to further improve our investment management system.

Prospects of Future Development

- In the internet finance business, we will utilize new technologies such as the mobile internet, big data and cloud services to optimize financial and daily life scenarios focused on customer needs, and promote the innovation of business and service models. Continuous efforts will be made to improve customer experience and build a stronger internet finance ecosystem, providing customers with more diverse convenient and personalized financial products and life services.

- Adhering to the concept of "customer-centric", we will continuously upgrade customer operation models, unlock customer value and promote customer migration to further implement "one customer, multiple products and one-stop services".

It is expected that the Company will maintain steady growth in its performance in 2017. The insurance business is expected to maintain stable growth; the banking business is to deepen its strategic transformation; more diversified returns are expected from the asset management business; the internet finance business is expected to experience rapid development. In light of changes in the macroeconomic environment, market competition, investment market conditions and other factors, the Company will make dynamic and timely adjustments to its business objectives to ensure the continuous improvement of its competitive edge.

MAJOR INDUSTRY TRENDS AND THE MARKET LANDSCAPE

In 2016, the first year of the 13th Five-year Plan, the insurance industry fully implemented the resolutions of the 18th National Congress of the Communist Party of China (CPC), and insisted on the belief that "insurance should be protection-oriented". Achievements of the industry include the nearly full coverage of critical illness insurance, insurance funds supporting implementation of key national strategies, full implementation of the China Risk Oriented Solvency System (C-ROSS), the nationwide premium rate reform in auto insurance, the number of online insurance customers exceeding 300 million and approval of mutual insurance. Insurers proactively adapted to the new normal of China's economy, pushed ahead with the supply-side reform, played an increasingly important role in social and economic development, and further supported the economic growth and improvement of people's livelihood. China's insurance industry recorded total premiums of RMB3.10 trillion, up 27.5% year on year, consisting of RMB1,744,222 million from life insurance, RMB872,450 million from property and casualty insurance, and RMB404,250 million from health insurance. Assets of insurers totalled RMB15.12 trillion, up 22.3% from the end of 2015. In terms of premium, both Ping An Life and Ping An Property & Casualty ranked 2nd among peers in China. Insurance is one of the fastest growing sectors in China's economy. With the steady growth in economy and national wealth, the insurance market's size and social influence will increase, and the Company expects its insurance business to maintain rapid and healthy growth.

Over the past year, implementation of the deposit insurance system, development of internet finance and liberalization of private banks have brought challenges to the banking industry. However, growth-stabilizing policies, new philosophies of the 13th Five-year Plan, reform in financial regulation, upgrade of individual financial consumer demand and development of new technologies have provided a number of opportunities. In 2016, the banking industry saw steady growth in assets and liabilities. At the end of 2016, assets of banking institutions in China denominated in domestic and foreign currencies totalled RMB232 trillion, up 15.8% year on year, while total liabilities denominated in domestic and foreign currencies grew by 16.0% year on year to RMB215 trillion. In 2017, the macro-economy will grow moderately. Positive and efficient fiscal policies bring opportunities to banks to facilitate the construction of infrastructure and creative PPP; prudent monetary policies will further facilitate commercial bank's asset-liability and liquidity management. As national income soars, people's financial consumer needs will move to diversified and international asset allocation, and comprehensive individual and family asset-liability management, which means huge room for banks to develop retail business especially wealth management. Meanwhile, with the development of the internet, internet of things, blockchains and big data, smart apps, social networking services and remote service are becoming more important. Commercial banks can utilize new technologies to lower customer acquisition cost and develop new risk control models. Facing opportunities and challenges, Ping An Bank aims to be different and develop into a smart retail bank centering on "SAT (social media + applications + remote service teams). Insisting on the corporate business strategy of being asset-light, capital-light, industry-oriented and professional with investment banking attributes, it will step up efforts to develop business along the industry chain and in the ecosystem, and create synergy between corporate business and retail business, and between commercial banking and investment banking.

In 2016, China's asset management industry maintained good momentum, with the assets under management hitting a record high. In 2017, as China's economic transformation and upgrade deepens, the asset management industry will play a special and significant role in improving the capital market's efficiency and facilitating the economic transformation. Besides, as national wealth continues to grow and financial market reform speeds up, there is still huge room for China's asset management industry. There will be unprecedented opportunities. The Company will continue to strengthen its investment capabilities, enhance interaction between investment and research, improve risk management, and proactively seize opportunities in the asset management industry. By fully leveraging the Group's advantages in integrated finance, it aims to build a leading asset management platform in China.

In recent years, the internet industry has developed quickly and brought new momentum for all industries and more convenience to people's life. Integration of the internet with traditional industries has become the norm. Going forward, the internet finance industry will refine user operation and conduct precision marketing step by step through user profiling. Besides, centering on serving users, it will continue to optimize user experience. The Company will enhance its presence in the internet ecosystem to meet the market and users' needs. Focusing on pan financial assets and pan healthcare, it aims to provide more diversified products for users.

In 2017, complexities will remain in the global economy, with on-going downward pressure on China's economy. Thus, it is a key task for China to stabilize economic growth. Because of fast-developing new technologies enabled by the internet, nearly all traditional industries including finance will face tremendous changes. Against this backdrop, Ping An will insist on diversified development, center on integrated financial services for "one customer, multiple products and one-stop services", and make unremitting efforts to become a world-leading personal financial services provider. By providing more and more customers with simple and optimum services, the Company aims to prove that "expertise makes life easier".

Changes in the Share Capital and Shareholders' Profile

INFORMATION DISCLOSED UNDER A SHARES REGULATORY REQUIREMENTS

Changes in Share Capital

Statement of shareholding changes

Unit: Shares	January 1, 2016		Changes during the reporting period					December 31, 2016	
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Transfer from reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Selling-restricted shares	-	-	-	-	-	-	-	-	-
II. Selling-unrestricted circulating shares									
1. RMB ordinary shares	10,832,664,498	59.26	-	-	-	-	-	10,832,664,498	59.26
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	7,447,576,912	40.74	-	-	-	-	-	7,447,576,912	40.74
4. Others	-	-	-	-	-	-	-	-	-
Total	18,280,241,410	100.00	-	-	-	-	-	18,280,241,410	100.00
III. Total number of shares	18,280,241,410	100.00	-	-	-	-	-	18,280,241,410	100.00

Security issuance and listing

Security issuance of the Company

There was no issuance of securities during the reporting period.

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

During the reporting period, there was no change in the total number of shares and shareholding structure of the Company. As at December 31, 2016, the total share capital of the Company was 18,280,241,410 shares, consisting of 10,832,664,498 A shares and 7,447,576,912 H shares.

Staff shares

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

Shareholders' Information

Number of shareholders and their shareholdings

Total number of shareholders

Unit: Shareholder	As at the end of the reporting period (December 31, 2016)	As at the end of the month prior to publication of the annual report (February 28, 2017)
Total number of shareholders	291,473 (including 286,724 domestic shareholders)	301,090 (including 296,340 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	Type of shares	Number of selling-restricted shares held	Number of pledged or frozen shares
Hong Kong Securities Clearing Company Nominees Limited(1)	Overseas legal person	32.09	5,866,696,672	-881,374	H share	-	unknown
Shenzhen Investment Holdings Co., Ltd.	State	5.27	962,719,102	-	A share	-	380,060,000 pledged shares
All Gain Trading Limited	Overseas legal person	4.32	789,001,992	-	H share	-	789,001,992 pledged shares
Huaxia Life Insurance Co., Ltd. - Universal Insurance Products	Others	4.31	788,319,315	+166,732,876	A share	-	-
China Securities Finance Corporation Limited	State-owned legal person	3.79	692,271,799	+314,609,134	A share	-	-
Bloom Fortune Group Limited	Overseas legal person	2.77	505,772,634	-	H share	-	505,772,634 pledged shares
Central Huijin Asset Management Ltd.	State	2.65	483,801,600	-	A share	-	-
Business Fortune Holdings Limited	Overseas legal person	1.43	261,581,728	-	H share	-	169,463,933 pledged shares
Shum Yip Group Limited	State-owned legal person	1.41	257,728,008	-	A share	-	-
Hong Kong Securities Clearing Company Limited(2)	Overseas legal person	1.21	221,026,586	+32,046,835	A share	-	-

Note: (1) Shares held by Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited") are held on behalf of its clients. The shares owned by All Gain Trading Limited, Bloom Fortune Group Limited and Business Fortune Holdings Limited have been registered under the name of HKSCC Nominees Limited. In order to avoid double counting, the shares owned by these three companies have been deducted from the shares held by HKSCC Nominees Limited.

(2) Hong Kong Securities Clearing Company Limited acts as a nominee shareholder of A-shares on behalf of Hong Kong investors under the Shanghai-Hong Kong Stock Connect Program.

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

All Gain Trading Limited, Business Fortune Holdings Limited and Bloom Fortune Group Limited are wholly-owned subsidiaries of CP Group Ltd., and they are of connected relationship or acting-in-concert relationship since they are under common control.

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

Particulars of controlling shareholder and de facto controller

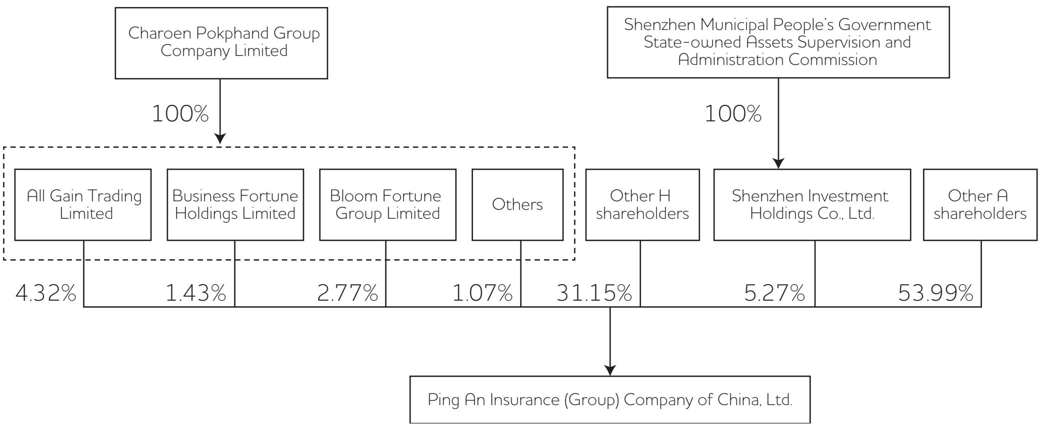
The shareholding structure of the Company is relatively scattered. There is no controlling shareholder, nor de facto controller.

Changes in the Share Capital and Shareholders' Profile

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

As at December 31, 2016, CP Group Ltd. indirectly held 1,752,331,636 H shares of the Company in total, representing 9.59% of the total issued shares of the Company; Shenzhen Investment Holdings Co., Ltd. held 962,719,102 A Shares of the Company, representing 5.27% of the total issued shares of the Company.

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



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

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

INFORMATION DISCLOSED UNDER H SHARES REGULATORY REQUIREMENTS

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

As far as is known to any Directors or Supervisors of the Company, as at December 31, 2016, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which shall be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

Name of substantial shareholder	H/A Shares	Capacity	Notes	Number of H/A Shares	Nature of interest	Percentage of total number of H/A shares in issue (%)	Percentage of total shares in issue (%)
Charoen Pokphand Group Company Limited	H	Interest of controlled corporations		2,357,656,226	Long position	31.66	12.90
		Party to s317 agreement		100,000,000	Long position	1.34	0.55
		Total:	(1),(2)	2,457,656,226		33.00	13.44
		Interest of controlled corporations	(1)	605,324,590	Short position	8.13	3.31
Dhanin Chearavanont	H	Party to s317 agreement		2,357,656,226	Long position	31.66	12.90
		Interest of controlled corporations		100,000,000	Long position	1.34	0.55
		Total:	(1),(2)	2,457,656,226		33.00	13.44
		Party to s317 agreement	(2)	605,324,590	Short position	8.13	3.31
King Ace International Limited	H	Party to s317 agreement		2,357,656,226	Long position	31.66	12.90
		Interest of controlled corporations		100,000,000	Long position	1.34	0.55
		Total:	(1),(2)	2,457,656,226		33.00	13.44
		Party to s317 agreement	(2)	605,324,590	Short position	8.13	3.31

Interests and short positions of other substantial shareholders

Name of substantial shareholder	H/A Shares	Capacity	Notes	Number of H/A Shares	Nature of interest	Percentage of total number of H/A shares in issue (%)	Percentage of total shares in issue (%)
All Gain Trading Limited	H	Beneficial owner	(1)	789,001,992	Long position	10.59	4.32
Easy Boom Developments Limited	H	Beneficial owner	(1)	605,324,590	Long position	8.13	3.31
				605,324,590	Short position	8.13	3.31
Bloom Fortune Group Limited	H	Beneficial owner	(1)	505,772,634	Long position	6.79	2.77
JPMorgan Chase & Co.	H	Beneficial owner		303,215,405	Long position	4.07	1.66
		Investment Manager		163,535,997	Long position	2.20	0.89
		Trustee		17,362	Long position	0.00	0.00
		Custodian		204,619,496	Lending pool	2.75	1.12
		Total:	(3)	671,388,260		9.01	3.67
		Beneficial owner	(3)	64,234,059	Short position	0.86	0.35

CORPORATE GOVERNANCE

Changes in the Share Capital and Shareholders' Profile

Name of substantial shareholder	H/A Shares	Capacity	Notes	Number of H/A Shares	Nature of interest	Percentage of total number of H/A shares in issue (%)	Percentage of total shares in issue (%)
UBS AG	H	Beneficial owner		667,735,354	Long position	8.97	3.65
		Person having a security interest in shares		165,093,247	Long position	2.22	0.90
		Interest of controlled corporations	(4)	101,096,520	Long position	1.36	0.55
		Total:	(4)	933,925,121		12.54	5.11
		Beneficial owner	(4)	1,189,596,046	Short position	15.97	6.51
UBS Group AG	H	Person having a security interest in shares		162,357,789	Long position	2.18	0.89
		Interest of controlled corporations	(5)	898,387,989	Long position	12.06	4.91
		Total:	(5)	1,060,745,778		14.24	5.80
		Interest of controlled corporations	(5)	1,245,339,562	Short position	16.72	6.81
Deutsche Bank Aktiengesellschaft	H	Beneficial owner		352,442,594	Long position	4.73	1.93
		Person having a security interest in shares		1,278,265	Long position	0.02	0.01
		Interest of controlled corporations	(6)	22,300,327	Long position	0.30	0.12
		Custodian		16,376,442	Lending pool	0.22	0.09
		Other		662,500	Long position	0.01	0.00
		Total:	(6)	393,060,128		5.28	2.15
		Beneficial owner	(6)	295,713,046	Short position	3.97	1.62
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		962,719,102	Long position	8.89	5.27

Notes:

(1) CP Group Ltd. was deemed to be interested in a total of 2,357,656,226 H shares (Long position) and 605,324,590 H shares (Short position) in the Company by virtue of its control over several corporations.

According to the disclosure form filed by CP Group Ltd. on November 4, 2015, the following interests in H shares were held by CP Group Ltd. through its controlled corporations, the details of which are as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of interest	Number of shares
CPG Overseas Company Limited	Chareon Pokphand Group Company Limited	100.00	N	Long position	2,357,656,226
CT Bright Group Company Limited (Formerly known as "Chia Tai Resources Holdings Limited")	CPG Overseas Company Limited	100.00	N	Long position	2,357,656,226
Chia Tai Giant Far Limited	CT Bright Group Company Limited (Formerly known as "Chia Tai Resources Holdings Limited")	100.00	N	Long position	2,357,656,226
Chia Tai Primrose Holdings Limited	Chia Tai Giant Far Limited	100.00	Y	Long position	8,360,200
Chia Tai Primrose Holdings Limited	Chia Tai Giant Far Limited	100.00	N	Long position	2,349,296,026
Chia Tai Primrose Investment Limited	Chia Tai Primrose Holdings Limited	100.00	N	Long position	2,349,296,026

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of interest	Number of shares
Easy Boom Developments Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	605,324,590
				Short position	605,324,590
All Gain Trading Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	789,001,992
Business Fortune Holdings Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	261,581,728
Bloom Fortune Group Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	505,772,634
Jubilee Success Holdings Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	47,352,072
Majestic Junilee Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	20,730,730
Ewealth Global Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	76,858,634
King Beyond Global Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	42,673,646

The entire interests of CP Group Ltd. in the Company included 605,324,590 H shares (Short position) which were held through derivatives, the category of which was through physically settled unlisted securities. In addition, CP Group Ltd. was also deemed to be interested in 100,000,000 H shares (Long position) by virtue of section 317 of the SFO.

(2) Boom Dragon Limited and Long Growth Global Limited held 88,000,000 H shares (Long position) and 12,000,000 H shares (Long position) in the Company respectively; the two companies were wholly owned by King Ace International Limited, which was in turn wholly owned by Dhanin Chearavanont. In addition, King Ace International Limited and Dhanin Chearavanont were also deemed to be interested in 2,357,656,226 H shares (Long position) and 605,324,590 H shares (Short position) by virtue of section 317 of the SFO.

(3) JPMorgan Chase & Co. was deemed to be interested in a total of 671,388,260 H shares (Long position) and 64,234,059 H shares (Short position) in the Company by virtue of its control over several corporations.

According to the disclosure form filed by JPMorgan Chase & Co. on January 5, 2017, the following interests in H shares were held by JPMorgan Chase & Co. through its controlled corporations, the details of which are as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of interest	Number of shares
J.P. Morgan Securities LLC	J.P. Morgan Broker-Dealer Holdings Inc	100.00	Y	Long position	152,543,452
				Short position	67,000
JF International Management Inc.	JPMorgan Asset Management (Asia) Inc.	100.00	Y	Long position	479,500
				Short position	0
JF Asset Management Limited	JPMorgan Asset Management (Asia) Inc.	100.00	Y	Long position	68,312,000
				Short position	0
JPMorgan Asset Management (Japan) Limited	JPMorgan Asset Management (Asia) Inc.	100.00	Y	Long position	3,357,500
				Short position	0
JPMorgan Asset Management (Taiwan) Limited	JPMorgan Asset Management (Asia) Inc.	100.00	Y	Long position	4,914,500
				Short position	0
J.P. Morgan Investment Management Inc.	JPMorgan Asset Management Holdings Inc	100.00	Y	Long position	55,795,568
				Short position	0
J.P. Morgan GT Corporation	JPMorgan Chase & Co.	100.00	Y	Long position	650,000
				Short position	0
J.P. Morgan Trust Company of Delaware	J.P. Morgan Equity Holdings, Inc.	100.00	Y	Long position	13,766
				Short position	0

Changes in the Share Capital and Shareholders' Profile

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of interest	Number of shares
Bank One International Holdings Corporation	J.P. Morgan International Inc.	100.00	N	Long position	283,904,183
				Short position	114,062,807
J.P. Morgan International Inc.	JPMorgan Chase Bank, N.A.	100.00	N	Long position	283,904,183
				Short position	114,062,807
J.P. Morgan Chase International Holdings	J.P. Morgan Chase (UK) Holdings Limited	100.00	N	Long position	133,882,230
				Short position	49,895,748
J.P. Morgan Whitefriars Inc.	J.P. Morgan Overseas Capital Corporation	100.00	Y	Long position	15,632,529
				Short position	12,011,311
J.P. Morgan Securities plc	J.P. Morgan Capital Financing Limited	0.59	Y	Long position	133,882,230
				Short position	49,895,748
J.P. Morgan Securities plc	J.P. Morgan Chase International Holdings	99.41	Y	Long position	133,882,230
				Short position	49,895,748
JPMorgan Chase Bank, N.A.	JPMorgan Chase & Co.	100.00	Y	Long position	211,236,121
				Short position	0
J.P. Morgan Chase Bank Berhad	J.P. Morgan International Finance Limited	100.00	Y	Long position	507,194
				Short position	2,260,000
JPMorgan Asset Management (UK) Limited	JPMorgan Asset Management Holdings (UK) Limited	100.00	Y	Long position	20,171,400
				Short position	0
China International Fund Management Co Ltd	JPMorgan Asset Management (UK) Limited	49.00	Y	Long position	3,892,500
				Short position	0
J.P. Morgan Capital Financing Limited	JPMorgan Chase & Co.	100.00	N	Long position	133,882,230
				Short position	49,895,748
J.P. Morgan Broker-Dealer Holdings Inc	JPMorgan Chase & Co.	100.00	N	Long position	152,543,452
				Short position	67,000
J.P. Morgan Capital Holdings Limited	J.P. Morgan Overseas Capital Corporation	27.27	N	Long position	133,882,230
				Short position	49,895,748
J.P. Morgan Capital Holdings Limited	J.P. Morgan International Finance Limited	72.73	N	Long position	133,882,230
				Short position	49,895,748
JPMorgan Asset Management Holdings Inc	JPMorgan Chase & Co.	100.00	N	Long position	156,922,968
				Short position	0
JPMorgan Asset Management (Asia) Inc.	JPMorgan Asset Management Holdings Inc	100.00	N	Long position	77,063,500
				Short position	0
J.P. Morgan Chase (UK) Holdings Limited	J.P. Morgan Capital Holdings Limited	100.00	N	Long position	133,882,230
				Short position	49,895,748
JPMorgan Asset Management Holdings (UK) Limited	JPMorgan Asset Management International Limited	100.00	N	Long position	24,063,900
				Short position	0
J.P. Morgan Overseas Capital Corporation	J.P. Morgan International Finance Limited	100.00	N	Long position	149,514,759
				Short position	61,907,059

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of interest	Number of shares
JPMorgan Asset Management International Limited	JPMorgan Asset Management Holdings Inc	100.00	N	Long position	24,063,900
				Short position	0
JPMorgan Chase Bank, N.A.	JPMorgan Chase & Co.	100.00	N	Long position	283,904,183
				Short position	114,062,807
J.P. Morgan Equity Holdings, Inc.	JPMorgan Chase & Co.	100.00	N	Long position	13,766
				Short position	0
J.P. Morgan International Finance Limited	Bank One International Holdings Corporation	100.00	N	Long position	283,904,183
				Short position	114,062,807
JPMorgan Asset Management (UK) Limited	JPMorgan Asset Management Holdings (UK) Limited	100.00	N	Long position	3,892,500
				Short position	0

The entire interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 204,619,496 H shares (Long position). Besides, 58,096,703 H shares (Long position) and 48,200,572 H shares (Short position) were held through derivatives as follows:

25,017,839 H shares (Long position) and 10,107,517 H shares (Short position)	–	through physically settled listed securities
1,179,000 H shares (Long position) and 21,931,450 H shares (Short position)	–	through cash settled listed securities
365,405 H shares (Long position) and 3,090,072 H shares (Short position)	–	through physically settled unlisted securities
31,534,459 H shares (Long position) and 13,071,533 H shares (Short position)	–	through cash settled unlisted securities

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

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

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of interest	Number of shares
UBS Fund Management (Switzerland) AG	UBS AG	100.00	Y	Long position	13,347,500
				Short position	0
UBS Fund Services (Luxembourg) S.A.	UBS AG	100.00	Y	Long position	22,604,966
				Short position	0
UBS Global Asset Management (Americas) Inc.	UBS AG	100.00	Y	Long position	2,503,000
				Short position	0
UBS Global Asset Management (Australia) Ltd	UBS AG	100.00	Y	Long position	370,000
				Short position	0
UBS Global Asset Management (Canada) Inc.	UBS AG	100.00	Y	Long position	4,440,000
				Short position	0
UBS Global Asset Management (Hong Kong) Limited	UBS AG	100.00	Y	Long position	12,470,936
				Short position	0
UBS Global Asset Management (Japan) Ltd	UBS AG	100.00	Y	Long position	1,964,104
				Short position	0

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of interest	Number of shares
UBS Global Asset Management (Singapore) Ltd	UBS AG	100.00	Y	Long position	26,022,000
				Short position	0
UBS Global Asset Management Trust Company	UBS AG	100.00	Y	Long position	64,000
				Short position	0
UBS Global Asset Management (UK) Ltd	UBS AG	100.00	Y	Long position	16,052,000
				Short position	0
UBS Global Asset Management (Deutschland) GmbH	UBS AG	100.00	Y	Long position	29,000
				Short position	0
UBS Financial Services Inc.	UBS AG	100.00	Y	Long position	34,814
				Short position	0
UBS Bank (Canada)	UBS AG	100.00	Y	Long position	13,700
				Short position	0
UBS Swiss Financial Advisers AG	UBS AG	100.00	Y	Long position	510,000
				Short position	0
UBS Global Asset Management Life Ltd	UBS AG	100.00	Y	Long position	12,000
				Short position	0
UBS Switzerland AG	UBS AG	100.00	Y	Long position	622,000
				Short position	0
UBS O' Connor Limited	UBS AG	100.00	Y	Long position	36,500
				Short position	0

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

9,955,876 H shares (Long position) and 9,967,000 H shares (Short position)	–	through physically settled listed securities
1,252,878 H shares (Long position) and 29,279,768 H shares (Short position)	–	through cash settled listed securities
182,785,280 H shares (Long position) and 51,911,643 H shares (Short position)	–	through physically settled unlisted securities
450,524,751 H shares (Long position) and 998,751,061 H shares (Short position)	–	through cash settled unlisted securities

(5) UBS Group AG was deemed to be interested in a total of 898,387,989 H shares (Long position) and 1,245,339,562 H shares (Short position) in the Company by virtue of its control over several corporations.

According to the disclosure form filed by UBS Group AG on December 9, 2016, the following interests in H shares were held by UBS Group AG through its controlled corporations, the details of which are as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of interest	Number of shares
UBS AG	UBS Group AG	100.00	Y	Long position	734,652,077
				Short position	1,244,476,841
UBS Asset Management (Americas) Inc.	UBS Group AG	100.00	Y	Long position	3,313,422
				Short position	0

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of interest	Number of shares
UBS Asset Management (Australia) Ltd	UBS Group AG	100.00	Y	Long position	2,500
				Short position	0
UBS Asset Management (Canada) Inc.	UBS Group AG	100.00	Y	Long position	5,893,500
				Short position	0
UBS Asset Management (Deutschland) GmbH	UBS Group AG	100.00	Y	Long position	29,000
				Short position	0
UBS Asset Management (France) SA	UBS Group AG	100.00	Y	Long position	206,000
				Short position	0
UBS Asset Management (Hong Kong) Ltd	UBS Group AG	100.00	Y	Long position	14,778,666
				Short position	386,721
UBS Asset Management (Japan) Ltd	UBS Group AG	100.00	Y	Long position	2,236,104
				Short position	0
UBS Asset Management Life Limited	UBS Group AG	100.00	Y	Long position	12,000
				Short position	0
UBS Asset Management (Singapore) Ltd	UBS Group AG	100.00	Y	Long position	40,474,000
				Short position	0
UBS Asset Management Trust Company	UBS Group AG	100.00	Y	Long position	214,500
				Short position	0
UBS Asset Management (UK) Limited	UBS Group AG	100.00	Y	Long position	25,259,500
				Short position	0
UBS Fund Management (Luxembourg) S.A.	UBS Group AG	100.00	Y	Long position	32,629,300
				Short position	0
UBS Fund Management (Switzerland) AG	UBS Group AG	100.00	Y	Long position	18,475,500
				Short position	0
UBS O' Connor Limited	UBS Group AG	100.00	Y	Long position	49,500
				Short position	26,000
UBS Third Party Management Company S.A.	UBS Group AG	100.00	Y	Long position	53,000
				Short position	0
UBS Securities LLC	UBS Group AG	100.00	Y	Long position	450,000
				Short position	450,000
UBS Switzerland AG	UBS Group AG	100.00	Y	Long position	19,222,296
				Short position	0
UBS Financial Services Inc.	UBS Group AG	100.00	Y	Long position	67,316
				Short position	0
UBS Bank (Canada)	UBS Group AG	100.00	Y	Long position	48,808
				Short position	0
UBS Swiss Financial Advisers AG	UBS Group AG	100.00	Y	Long position	321,000
				Short position	0

Besides, 747,488,543 H shares (Long position) and 1,214,117,303 H shares (Short position) were held through derivatives as follows:

16,037,554 H shares (Long position) and 6,019,496 H shares (Short position)	–	through physically settled listed securities
243,000 H shares (Long position) and 10,656,300 H shares (Short position)	–	through cash settled listed securities
302,328,876 H shares (Long position) and 171,680,218 H shares (Short position)	–	through physically settled unlisted securities
428,879,113 H shares (Long position) and 1,025,761,289 H shares (Short position)	–	through cash settled unlisted securities

(6) Deutsche Bank Aktiengesellschaft was deemed to be interested in a total of 22,300,327 H shares (Long position) in the Company by virtue of its control over several corporations.

According to the disclosure form filed by Deutsche Bank Aktiengesellschaft on November 9, 2016, the following interests in H shares were held by Deutsche Bank Aktiengesellschaft through its controlled corporations, the details of which are as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of interest	Number of shares
DB Valoren S.à r.l.	Deutsche Bank Aktiengesellschaft	100.00	N	Long position	1,615,606
				Short position	0
Deutsche Asia Pacific Holdings Pte Ltd	DB Valoren S.à r.l.	100.00	N	Long position	1,615,606
				Short position	0
Deutsche Asset Management (Asia) Limited	Deutsche Asia Pacific Holdings Pte Ltd	100.00	Y	Long position	1,615,606
				Short position	0
DB UK PCAM Holdings Limited	Deutsche Bank Aktiengesellschaft	100.00	N	Long position	4,073,394
				Short position	0
Deutsche Asset Management Group Limited	DB UK PCAM Holdings Limited	100.00	N	Long position	4,073,394
				Short position	0
Deutsche Asset Management (Korea) Company Limited	Deutsche Asset Management Group Limited	100.00	Y	Long position	31,000
				Short position	0
Deutsche Asset Management (UK) Limited	Deutsche Asset Management Group Limited	100.00	Y	Long position	4,042,394
				Short position	0
Deutsche Bank Luxembourg S.A.	Deutsche Bank Aktiengesellschaft	100.00	N	Long position	1,286,969
				Short position	0
Deutsche Asset Management S.A.	Deutsche Bank Luxembourg S.A.	100.00	Y	Long position	1,286,969
				Short position	0
DB Finanz-Holding GmbH	Deutsche Bank Aktiengesellschaft	100.00	N	Long position	11,618,159
				Short position	0
DWS Holding & Service GmbH	DB Finanz-Holding GmbH	99.38	N	Long position	11,618,159
				Short position	0

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of interest	Number of shares
Deutsche Asset Management Investment GmbH	DWS Holding & Service GmbH	100.00	Y	Long position	11,618,159
				Short position	0
DB Capital Markets (Deutschland) GmbH	Deutsche Bank Aktiengesellschaft	100.00	N	Long position	3,954,183
				Short position	0
Deutsche Asset Management International GmbH	DB Capital Markets (Deutschland) GmbH	100.00	Y	Long position	3,815,983
				Short position	0
Sal. Oppenheim jr. & Cie. AG & Co. Kommanditgesellschaft auf Aktien	DB Capital Markets (Deutschland) GmbH	100.00	N	Long position	138,200
				Short position	0
Sal. Oppenheim jr. & Cie. Luxembourg S.A.	Sal. Oppenheim jr. & Cie. AG & Co. Kommanditgesellschaft auf Aktien	100.00	N	Long position	138,200
				Short position	0
Oppenheim Asset Management Services S.à r.l.	Sal. Oppenheim jr. & Cie. Luxembourg S.A.	100.00	Y	Long position	138,200
				Short position	0
DB USA Corporation	Deutsche Bank Aktiengesellschaft	100.00	N	Long position	16
				Short position	0
Deutsche Bank Americas Holding Corp.	DB USA Corporation	100.00	N	Long position	16
				Short position	0
Deutsche Investment Management Americas Inc.	Deutsche Bank Americas Holding Corp.	100.00	N	Long position	16
				Short position	0
Deutsche X-trackers FTSE Emerging Comprehensive Factor ETF	Deutsche Investment Management Americas Inc.	73.00	Y	Long position	16
				Short position	0

The entire interests and short positions of Deutsche Bank Aktiengesellschaft in the Company included a lending pool of 16,376,442 H shares (Long position). Besides, 319,061,036 H shares (Long position) and 278,097,533 H shares (Short position) were held through derivatives as follows:

3,728,060 H shares (Long position) and 3,708,556 H shares (Short position)	–	through physically settled unlisted securities
315,332,976 H shares (Long position) and 274,388,977 H shares (Short position)	–	through cash settled unlisted securities

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

Save as disclosed above, the Directors and Supervisors of the Company are not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interest or short position in the shares and underlying shares of the Company as at December 31, 2016 which shall be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Directors, Supervisors, Senior Management and Employees

BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Positions	Gender	Age	Period of appointment
MA Mingzhe	Chairman and Chief Executive Officer	Male	61	2015.06-2018 election
SUN Jianyi	Vice Chairman and Executive Vice President	Male	64	2015.06-2018 election
REN Huichuan	Executive Director and President	Male	47	2015.06-2018 election
YAO Jason Bo	Executive Director, Executive Vice President, Chief Financial Officer and Chief Actuary	Male	46	2015.06-2018 election
LEE Yuansiong	Executive Director, Executive Vice President and Chief Insurance Business Officer	Male	51	2015.06-2018 election
CAI Fangfang	Executive Director, Chief Human Resources Officer	Female	43	2015.06-2018 election
LIN Lijun	Non-executive Director	Female	54	2015.06-2018 election
Soopakij CHEARAVANONT	Non-executive Director	Male	53	2015.06-2018 election
YANG Xiaoping	Non-executive Director	Male	53	2015.06-2018 election

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

Name	Positions	Gender	Age	Period of appointment
XIONG Peijin[(1)]	Non-executive Director	Male	51	2016.01-2018 election
LIU Chong[(1)]	Non-executive Director	Male	57	2016.01-2018 election
WOO Ka Biu Jackson	Independent Non-executive Director	Male	54	2015.06-2018 election
Stephen Thomas MELDRUM	Independent Non-executive Director	Male	74	2015.06-2018 election
YIP Dicky Peter	Independent Non-executive Director	Male	69	2015.06-2018 election
WONG Oscar Sai Hung	Independent Non-executive Director	Male	61	2015.06-2018 election
SUN Dongdong	Independent Non-executive Director	Male	57	2015.06-2018 election
GE Ming	Independent Non-executive Director	Male	65	2015.06-2018 election
FAN Mingchun[(1)]	Resigned Vice Chairman, resigned Non-executive Director	Male	54	2015.06-2016.01
LU Hua[(1)]	Resigned Non-executive Director	Male	52	2015.06-2016.01

Directors, Supervisors, Senior Management and Employees

Name	Positions	Gender	Age	Period of appointment
GU Liji	Chairman of Supervisory Committee (Independent Supervisor)	Male	69	2015.06-2018 election
HUANG Baokui[1]	Independent Supervisor	Male	74	2016.06-2018 election
ZHANG Wangjin	Shareholder Representative Supervisor	Female	37	2015.06-2018 election
PAN Zhongwu	Employee Representative Supervisor	Male	47	2015.06-2018 election
GAO Peng	Employee Representative Supervisor	Male	40	2015.06-2018 election
PENG Zhijian[1]	Resigned Independent Supervisor	Male	68	2015.06-2016.06
TAN Sin Yin[1]	Executive Vice President, Chief Operation Officer and Chief Information Officer	Female	39	2015.06-
IP So Lan	Senior Vice President, Chief Internal Auditor, Compliance Officer and Person-in-charge of Auditing	Female	60	2011.01-
CHEN Kexiang	Senior Vice President	Male	59	2007.01-
CAO Shifan	Senior Vice President	Male	61	2007.04-
XIE Yonglin[1]	Senior Vice President	Male	48	2016.09-
YAO Jun	Chief Legal Officer, Company Secretary	Male	51	2008.05-
JIN Shaoliang	Secretary of the Board	Male	56	2012.02-

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

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

Directors

Executive Directors

MA Mingzhe, founder of the Company. Mr. Ma founded Ping An Insurance Company in March 1988, and is currently the Chairman and CEO of the Company. Since the establishment of the Company, Mr. Ma has served as President, Director, Chairman and CEO of the Company, and has been fully involved in the operation and management of the Company. Prior to founding the Company, Mr. Ma was the Deputy Manager of China Merchants Shekou Industrial Zone Social Insurance Company. Mr. Ma has a Doctorate degree in Money and Banking from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

SUN Jianyi, has been serving as an Executive Director of the Company since March 1995, the Vice Chairman of the Board since October 2008 and the Executive Vice President of the Company since February 2003. Mr. Sun is the Director of Ping An Life, Ping An Property & Casualty, Ping An Annuity and Ping An Asset Management, and is also a Non-executive Director of China Vanke Co., Ltd. and China Insurance Security Fund Co., Ltd., and an Independent Non-executive Director of Haichang Holdings Ltd. Since joining the Company in July 1990, Mr. Sun has been the General Manager of the Management Department, Senior Vice President, Executive Vice President and Vice Chief Executive Officer and the Chairman of the board of directors of Ping An Bank. Prior to joining the Company, Mr. Sun was the Head of the Wuhan Branch of the PBOC, the Deputy General Manager of the Wuhan Branch Office of the People's Insurance Company of China and the General Manager of Wuhan Securities Company. Mr. Sun has a Diploma in Finance from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

REN Huichuan, has been an Executive Director of the Company since July 2012, and is currently the President of the Company, the Chairman of the board of directors of Ping An Trust, the Director of a number of controlled subsidiaries of the Company including Ping An Property & Casualty, Ping An Life and Ping An Asset Management. Mr. Ren is also a member of Council of the Shenzhen Finance Institute. Mr. Ren joined the Company in 1992, and served as the Senior Vice President of the Company between June 2010 and March 2011, Chief Insurance Business Officer between June 2010 and December 2010, the Chairman and CEO of Ping An Property & Casualty between April 2007 and May 2011, and was appointed as an Employee Representative Supervisor of the Company from March 2009 to March 2010, and has been the Chairman and CEO of WanLiTong between February 2015 and December 2015. Before that, Mr. Ren had been the assistant to the President and Financial Director of the Company, the Assistant Director of the Development and Reform Centre, Senior Vice President of Ping An Property & Casualty and the Assistant Manager of the property & casualty insurance business of the Company. Mr. Ren holds an MBA degree from Peking University.

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

Directors, Supervisors, Senior Management and Employees

LEE Yuansiong, has been an Executive Director of the Company since June 2013, and is currently the Executive Vice President and Chief Insurance Business Officer of the Company, and is also the Director of a number of controlled subsidiaries of the Company including Ping An Property & Casualty, Ping An Life, Ping An Annuity and Ping An Health. Mr. Lee joined the Company in 2004 and served as the Special Assistant to the Chairman of Ping An Life from February 2004 to March 2005, President of Ping An Life from March 2005 to January 2010 and Chairman of Ping An Life from January 2007 to February 2012. Mr. Lee holds a Master's degree in Finance from The University of Cambridge. He is a fellow of the Society of Actuaries (FSA).

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

Non-executive Directors

LIN Lijun, has been a Non-executive Director of the Company since May 2003 and is currently the Vice Chairman of the Labour Union of the Company. Ms. Lin served as the Chairman and President of Linzhi New Horse Investment Development Co. Ltd. from 2000 to 2013. Ms. Lin previously served as the Deputy General Manager of the Human Resources Department of Ping An Property & Casualty from 1997 to 2000. Ms. Lin holds a Bachelor's degree in Chinese Language and Literature from South China Normal University.

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

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

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

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

Independent Non-executive Directors

WOO Ka Biu Jackson, has been an Independent Non-executive Director of the Company since July 2011, and is currently 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 Hung Kai Properties Limited. Mr. Woo is also the chief executive officer of Challenge Capital Management Limited and a consultant of Guantao & Chow Solicitors and Notaries. Mr. Woo was a partner of Ashurst Hong Kong, 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. Mr. Woo 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's 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 plc from 2008 to March 2012. Mr. Meldrum was the Consultant to Chief Actuary of the Company from January 2007 to January 2009, was the Senior Vice President and Chief Actuary of the Company from February 2003 to January 2007, and served as the Chief Actuary of the Company from 1999 to 2003. Mr. Meldrum was a Vice President and the Director of International Strategies of Lincoln National, Fort Wayne USA and International Development, respectively, from 1995 to 1998. Mr. Meldrum served as the Investment Director at Lincoln National (UK) plc. from 1986 to 1995. Mr. Meldrum served as the Appointed Actuary, Finance Director and Chairman of Mortgage Lender of ILI (UK), Cannon Assurance, Cannon Lincoln and Lincoln National (UK), respectively, from 1969 to 1986. Mr. Meldrum has a Master's degree in Computer Science from the University of London and a Master's degree in Mathematics from the University of Cambridge.

Directors, Supervisors, Senior Management and Employees

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

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

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

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

Supervisors

GU Liji, has been an Independent Supervisor and the Chairman of Supervisory Committee of the Company since June 2009, and is currently an Independent Non-executive Director of Maxphotonics Co., Ltd., an Independent Non-executive Director of Shenzhen Changhong Technology Co., Ltd., a Non-executive Director of Xiangtan Electric Manufacturing Group Co., Ltd (XEMC), an Independent Non-executive Director of Bosera Asset Management Co., Limited and Professor of Graduate School at Shenzhen, Tsinghua University. Mr. Gu was a Director of ERGO China Life Insurance Co., Ltd. from May 2013 to August 2014, and was an Executive Director of China Merchants Technology Holdings Co., Ltd. and China Merchants Technology Investment Co., Ltd. (Shenzhen) from November 2008 to October 2010. Before retirement in October 2008, Mr. Gu had served as the Managing Director of China International Marine Containers Co., Ltd., the Chairman and President of China Merchants Shekou Port Services Co., Ltd., the Vice Chairman of the Company, a Director of China Merchants Bank and China Merchants Group Ltd., the Managing Director of China Merchants Shekou Industrial Zone Co., Ltd., Hoi Tung Marine Machinery Suppliers Limited (Hong Kong) and China Merchants Technology Group, respectively, and the Chairman of China Merchants Technology Holdings Co., Ltd. Mr. Gu is also an expert on Applicable Electronics of Shenzhen Expert Association. Mr. Gu has obtained the Advanced Management Program AMP (151) certificate from Harvard Business School. Mr. Gu also holds a Master's degree in Engineering from Management Science Department of University of Science and Technology of China and a Bachelor's degree in Engineering from Tsinghua University.

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

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

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

Directors, Supervisors, Senior Management and Employees

GAO Peng, has been an Employee Representative Supervisor of the Company since June 2015, and is currently the General Manager of the Remuneration Planning and Management Department of the Company, and is also currently a Director of a number of controlled subsidiaries of the Company including Ping An Asset Management. Mr. Gao joined the Company in October 2000, and has served as the Deputy General Manager of the Talent Performance Management Department and the Deputy General Manager of the Employee Services Management Department of the Company successively. Mr. Gao holds a Bachelor's degree in Finance from Zhejiang University.

Senior Management

See "Executive Directors" for working experiences, positions and concurrent positions of Mr. Ma Mingzhe, Mr. Sun Jianyi, Mr. Ren Huichuan, Mr. Yao Jason Bo and Mr. Lee Yuansiong.

TAN Sin Yin, has been the Senior Vice President of the Company since June 2015 and has been redesignated as the Executive Vice President of the Company in January 2016. Ms. Tan joined Ping An in January 2013, and has been the Chief Information Officer and the Chief Operation Officer of the Company since January 2013 and December 2013, respectively. She is also the Chairman and CEO of Ping An Technology and Vice Chairman of Ping An Financial Technology. Ms. Tan is currently a director of a number of controlled subsidiaries of the Company including Ping An Property & Casualty, Ping An Life, Ping An Annuity and Ping An Asset Management. Prior to this, she was a Vice Chairman and Global Director (Partner) of McKinsey & Company. Ms. Tan graduated from the Massachusetts Institute of Technology (MIT) with two Bachelor's degrees in Electrical Engineering and Economics and a Master's degree in Electrical Engineering and Computer Science.

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 Assistant to the President of Ping An Life from February 2004 to March 2006, Vice President of the Company from March 2006 to January 2011. Ms. Ip has been the Non-executive Director of Ping An Bank since June 2010. Prior to that, Ms. Ip worked with AIA and Prudential Hong Kong etc. She holds a Bachelor's Degree in Computing from the Polytechnic of Central London.

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

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

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

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

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. 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, from Norwegian Institute of Technology.

Chief Actuary

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

Company Secretary

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

Chief Investment Officer

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

Directors, Supervisors, Senior Management and Employees

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

Name	Name of corporate shareholder	Position	Period of engagement
XIONG Peijin	Shenzhen Investment Holdings Co., Ltd.	Director, General Manager, Deputy Secretary of the Party Committee	May 2014-June 2016
LIU Chong	Shum Yip Group Limited	Vice President	April 2010-Present
Soopakij CHEARAVANONT	All Gain Trading Limited	Chairman	October 2012-Present
	Bloom Fortune Group Limited	Chairman	October 2012-Present
YANG Xiaoping	All Gain Trading Limited	President	October 2012-Present
	Bloom Fortune Group Limited	President	October 2012-Present

APPOINTMENT OR REMOVAL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Due to personal work arrangement, Mr. Fan Mingchun and Mr. Lu Hua have tendered their resignations as Non-executive Directors of the Company. As deliberated at the 2nd Extraordinary General Meeting of 2015 of the Company held on December 17, 2015, Mr. Xiong Peijin and Mr. Liu Chong were elected as Non-executive Directors of the Company in place of Mr. Fan Mingchun and Mr. Lu Hua, respectively. The qualifications of Mr. Xiong Peijin and Mr. Liu Chong as Directors of the Company were obtained from the CIRC on January 8, 2016, on which day the appointment of Mr. Xiong Peijin and Mr. Liu Chong in place of Mr. Fan Mingchun and Mr. Lu Hua as Non-executive Directors of the Company became effective.

2. The Supervisory Committee of the Company received a letter of resignation from Mr. Peng Zhijian on November 12, 2015. Mr Peng Zhijian proposed to resign as a supervisor of the Company due to personal work arrangement. As deliberated at the Annual General Meeting of 2015 of the Company held on June 15, 2016, Mr. Huang Baokui was elected as an Independent Supervisor of the Company in place of Mr. Peng Zhijian. The qualification of Mr. Huang Baokui as a Supervisor of the Company was obtained from the CIRC on June 28, 2016, on which day the appointment of Mr. Huang Baokui and the resignation of Mr. Peng Zhijian as an Independent supervisor of the Company became effective.

3. Ms. Tan Sin Yin, a senior executive of the Company, has been redesignated as the Executive Vice President of the Company (previously the Senior Vice President) since January 12, 2016.

4. As considered and approved at the 8th meeting of the 10th Board of Directors of the Company held on August 17, 2016, Mr. Xie Yonglin was appointed as the Senior Vice President of the Company. The qualification of Mr. Xie Yonglin as the Senior Vice President was obtained from the CIRC on August 29, 2016, and his appointment became effective on September 8, 2016.

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

1. Mr. Sun Jianyi, the Executive Director of the Company, has not served as the Chairman of the board of directors of Ping An Bank since November 2016.

2. Mr. Ren Huichuan, the Executive Director of the Company, has served as the Chairman of the board of directors of Ping An Trust since April 2016, and has served as a member of Council of the Shenzhen Finance Institute since January 2017.

3. Mr. Yao Jason Bo and Mr. Lee Yuansiong, the Executive Directors of the Company, have been redesignated as the Executive Vice Presidents of the Company (previously the Senior Vice Presidents) since January 2016.

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

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

6. Mr. Xiong Peijin, the Non-executive Director of the Company, has served as Chairman and Secretary of the Party Committee of Shenzhen Energy Group Co., Ltd.; he has not served as the Director, General Manager and Deputy Secretary of the Party Committee of Shenzhen Investment Holdings Co., Ltd. since June 2016; he has not served as the Non-executive Director of Guotai Junan Securities Co., Ltd. since May 2016.

7. Mr.Woo Ka Biu Jackson, the Independent Non-executive Director of the Company, ceased to be the Chairman (International) of Guantao Law Firm effective in April 2016.

8. Mr. Wong Oscar Sai Hung, the Independent Non-executive Director of the Company, has not served as an Independent Non-executive Director of the Hong Kong Exchanges and Clearing Limited since April 2016 and has been redesignated as the Vice Chairman of China Regenerative Medicine International Limited (previously the Chairman) since October 2016.

9. Mr. Ge Ming, the Independent Non-executive Director of the Company, has served as an Independent Non-executive Director of the Focus Media Information Technology Co., Ltd. since January 2016 and no longer served as the Independent Non-executive Director of Shanghai Zhenhua Heavy Industries Co., Ltd. since November 2016.

10. Mr. Gu Liji, the Chairman of Supervisory Committee, has served as a professor of Graduate School at Shenzhen, Tsinghua University since January 2016.

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

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

Directors, Supervisors, Senior Management and Employees

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at December 31, 2016, the interests of the current Directors, Supervisors and Senior Management of the Company and those who resigned during the reporting period in the shares of the Company which shall be disclosed pursuant to the "Standard No. 2 Concerning the Contents and Formats of Information Disclosed by Listed Companies – The Contents and Formats of Annual Report (Revised in 2016)" issued by CSRC; and the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) shall have been notified to the Company and HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors, Supervisors or chief executive of the Company are taken as or deemed to have under such provisions of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified by the Directors, Supervisors and chief executive to the Company and HKEx pursuant to the Model Code, were as follows:

Change in the number of shares held in the Company

Name	Position	Capacity	H/A shares	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Change	Reason for the change	Nature of interest	Percentage of total issued H/A shares (%)	Percentage of total issued shares (%)
Ma Mingzhe	Chairman, Chief Executive Officer	Beneficial owner	A	-	176,710	+176,710	Share Purchase Plan	Long position	0.00163	0.00097
		Interest of his spouse	H	20,000	20,000	-	-	Long position	0.00027	0.00011
Sun Jianyi	Vice Chairman and Executive Vice President	Beneficial owner	A	3,796,560	3,844,368	+47,808	Share Purchase Plan	Long position	0.03549	0.02103
Ren Huichuan	Executive Director and President	Beneficial owner	A	200,000	247,808	+47,808	Share Purchase Plan	Long position	0.00229	0.00136
Yao Jason Bo	Executive Director, Executive Vice President, Chief Financial Officer and Chief Actuary	Beneficial owner	A	-	11,921	+11,921	Share Purchase Plan	Long position	0.00011	0.00007
		Beneficial owner	H	24,000	24,000	-	-	Long position	0.00032	0.00013
		Interest of his spouse	H	44,000	44,000	-	-	Long position	0.00059	0.00024
Cai Fangfang	Executive Director and Chief Human Resource Officer	Beneficial owner	A	-	8,157	+8,157	Share Purchase Plan	Long position	0.00008	0.00004
Xiong Peijin	Non-executive Director	Interest of his spouse	A	102,000	102,000	-	-	Long position	0.00094	0.00056
Pan Zhongwu	Employee Representative Supervisor	Beneficial owner	A	-	2,581	+2,581	Share Purchase Plan	Long position	0.00002	0.00001
Gao Peng	Employee Representative Supervisor	Beneficial owner	A	-	6,165	+6,165(1)	Share Purchase Plan and Sell	Long position	0.00005	0.00003
Peng Zhijian	Resigned Independent Supervisor	Beneficial owner	A	13,200	13,200	-	-	Long position	0.00012	0.00007
IP So Lan	Senior Vice President, Chief Internal Auditor, Compliance Officer and Person-in-charge of Auditing	Beneficial owner	A	-	5,822	+5,822	Share Purchase Plan	Long position	0.00005	0.00003
Chen Kexiang	Senior Vice President	Beneficial owner	A	-	6,211	+6,211	Share Purchase Plan	Long position	0.00006	0.00003
Cao Shifan	Senior Vice President	Beneficial owner	A	-	6,211	+6,211	Share Purchase Plan	Long position	0.00006	0.00003
Yao Jun	Chief Legal Officer, Company Secretary	Beneficial owner	A	-	5,822	+5,822	Share Purchase Plan	Long position	0.00005	0.00003
Jin Shaoliang	Secretary of the Board	Beneficial owner	A	-	6,211	+6,211	Share Purchase Plan	Long position	0.00006	0.00003
		Beneficial owner	H	20,000	20,000	-	-	Long position	0.00027	0.00011

(1) During the reporting period, Mr. Gao Peng received 8,165 shares under the Key Employee Share Purchase Plan and sold 2,000 shares in the secondary market, with a net increase of 6,165 shares.

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

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

Name	Position	Associated Corporation	Capacity	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Change	Reason for the change	Nature of interest	Percentage of total issued shares in associated corporation (%)
Xiong Peijin	Non-executive Director	Ping An Bank	Interest of his spouse	159,072	190,886	+31,814	Dividend[1]	Long position	0.00111

(1) Regarding the 2015 final dividend distribution plan, Ping An Bank paid a cash dividend of RMB1.53 per 10 shares (inclusive of applicable tax) to all shareholders. Also, capital common reserves were capitalized and 2 bonus shares were issued for every 10 shares to all shareholders.

Save as disclosed above, as at December 31, 2016, none of the Directors, Supervisors and 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 recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors, Supervisors and chief 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.

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 is to characterize a clear orientation, reflect differences, motivate performances, respond to the market and optimize cost. The remuneration package for the Company's employees is based on the following aspects: the salary shall be determined according to its post value; 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.

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

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

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

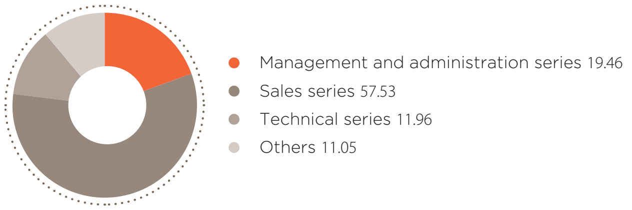
Directors, Supervisors, Senior Management and Employees

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

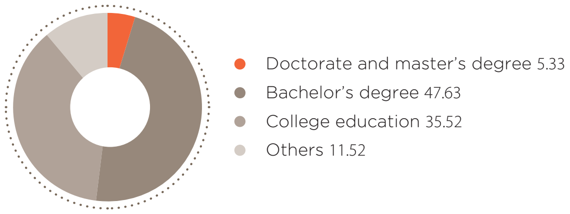
NUMBER OF EMPLOYEES, PROFESSIONAL QUALIFICATION AND EDUCATION BACKGROUND

As at December 31, 2016, the Company had a total of 318,588 active staff, of which 61,991 were management and administration personnel, representing 19.46%; 183,275 were sales personnel, representing 57.53%; 38,093 were technical personnel, representing 11.96%; 35,229 were other personnel, representing 11.05%. Among all the staff, 16,983 hold doctorate or master's degree, representing 5.33%; 151,731 hold bachelor's degree, representing 47.63%; 113,173 attained college education, representing 35.52% and 36,701 with other qualification, representing 11.52%.

By profession structure
(%)



By degree
(%)



STAFF TRAINING PROGRAM

Committed to providing the best training, Ping An School of Financial Management has constantly devoted its resources in optimizing its training operating system and promoting talent development to facilitate business development with training by "turning knowledge into value". The learning and management training platform, established by Ping An School of Financial Management, joined hands with the training departments of the Group's subsidiaries (including branches and sub-branches) to fully cover implementation of training on managerial skills, occupational skills, professional skills and sales skills. Training is not only an important means for the company to build its culture and attract talent, but also an important way to improve our brand.

In 2016, Ping An School of Financial Management kept promoting mobile learning to all staff, continued to optimize its face-to-face courses and online ones, designed courses in line with business demands, enhanced operations of online courses, standardized the training, strengthened development and management of lecturers to support company strategies. In 2016, Ping An's Zhi Niao platform achieved a monthly activity rate of 77.57%. Over 70,000 courses have been launched on Zhi Niao and viewed more than 48.66 million times; 34.3 online courses per capita have been completed. The Group now has 694 face-to-face courses; Ping An School of Financial Management provided 37,022 employees with 1,318 face-to-faces training classes across the country.

Corporate Governance Report

The board of directors of the Company (the "Board") is pleased to report to the shareholders on the corporate governance of the Company for the year ended December 31, 2016 (the "Reporting Period").

CORPORATE GOVERNANCE

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

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

Shareholders and the General Meetings

During the Reporting Period, the Company convened 4 general meetings, i.e. the 2015 Annual General Meeting held on June 15, 2016, the 2016 first extraordinary general meeting, the 2016 first A shareholders' class meeting and the 2016 first H shareholders' class meeting held on August 15, 2016. The notice, convocation and procedures for convening and voting at the general meetings have complied with the requirements of the Company Law of the PRC and the Articles of Association. The general meeting established and expanded effective channels for communication between the Company and the shareholders, and through listening to their opinions and advices, their information rights, participation rights and voting rights on the significant events of the Company can be ensured.

The announcements regarding the resolutions of the above 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 June 16, 2016, and August 16, 2016, respectively. The poll results announcements have also been published on the website of HKEx (www.hkexnews.hk) on the same date of the general meetings.

Attendance of Directors at the General Meetings

During the Reporting Period, the Directors have been doing their best to participate in general meetings in person and have actively developed 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[2]/General Meetings required to attend	% of attendance in person (%)
Executive Directors			
MA Mingzhe (Chairman)	March 21, 1988	4/4	100
SUN Jianyi	March 29, 1995	4/4	100
REN Huichuan	July 17, 2012	3/4	75
YAO Jason Bo	June 9, 2009	4/4	100
LEE Yuansiong	June 17, 2013	4/4	100
CAI Fangfang	July 2, 2014	4/4	100
Non-executive Directors			
LIN Lijun	May 16, 2003	3/4	75
Soopakij CHEARAVANONT	June 17, 2013	3/4	75
YANG Xiaoping	June 17, 2013	4/4	100
XIONG Peijin[1]	January 8, 2016	0/4	0
LIU Chong[1]	January 8, 2016	4/4	100
FAN Mingchun (Resigned)[1]	March 8, 2012	0/0	–
LU Hua (Resigned)[1]	June 17, 2013	0/0	–
Independent Non-executive Directors			
WOO Ka Biu Jackson	July 22, 2011	4/4	100
Stephen Thomas MELDRUM	July 17, 2012	4/4	100
YIP Dicky Peter	June 17, 2013	4/4	100
WONG Oscar Sai Hung	June 17, 2013	3/4	75
SUN Dongdong	June 17, 2013	4/4	100
GE Ming	June 30, 2015	4/4	100

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

(2) Some Directors did not attend certain general meetings due to business schedules.

Shareholders' Rights

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

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

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

For putting forward any enquiries as set out in Article 58(5) of the Articles of Association, shareholders may send their enquiries or requests in 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, 2016, the Board consisted of 17 members, among whom there were 6 Executive Directors, 5 Non-executive Directors and 6 Independent Non-executive Directors, and the profile of each Director has been included in the section headed "Directors, Supervisors, Senior Management and Employees" of this Annual Report. The number of Directors and composition of the Board are in compliance with the regulatory requirements and provisions of the Articles of Association. As provided in the Articles of Association, Directors should be elected at the general meeting with a term of 3 years, and are eligible for re-election upon expiry of the term; however, the Independent Non-executive Directors should not hold office for more than 6 consecutive years.

Continuous Professional Development of the Directors

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

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

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

As at December 31, 2016, all Directors of the Company attended the professional training with the topics covering "the State Council's Opinions about Accelerating the Development of Modern Insurance Industry", "Chinese Economic and Financial Prospects under the New Normal State and the Challenges of Ping An", "Experience from the Japanese Retirement Market and Implications for Ping An", corporate governance, regulations and the Company's business; in addition, Mr. Woo Ka Biu Jackson attended the professional training related to laws, regulations and information security, Mr. Stephen Thomas Meldrum attended the professional training related to actuarial science, Mr. Wong Oscar Sai Hung attended the professional training related to audit, Mr. Ge Ming attended the professional training with the topics covering "China Risk Oriented Solvency System (C-ROSS)".

The Board

The Board is responsible for the management of the Company and accountable to the shareholders for their entrusted assets and resources. They represent and owe a duty to act in the interests of the shareholders as a whole. The Board recognises its responsibility to prepare the Company's financial statements. The principal responsibilities of the Board and the types of decisions 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, 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 Meetings

During the Reporting Period, the Board held 6 meetings. All such meetings were convened in accordance with the Articles of Association, and were attended in person or by proxy or through electronic means of communication by all Directors entitled to be present. All the Directors have 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/ Board Meetings required to attend	% of attendance in person (%)	Board Meetings attended by proxy/ Board Meetings required to attend	% of attendance by proxy (%)
Executive Directors				
MA Mingzhe (Chairman)	6/6	100	0/6	0
SUN Jianyi	6/6	100	0/6	0
REN Huichuan	5/6	83.3	1/6	16.7
YAO Jason Bo	6/6	100	0/6	0
Lee Yuansiong	6/6	100	0/6	0
Cai Fangfang	5/6	83.3	1/6	16.7
Non-executive Directors				
LIN Lijun	6/6	100	0/6	0
Soopakij CHEARAVANONT	5/6	83.3	1/6	16.7
YANG Xiaoping	6/6	100	0/6	0
XIONG Peijin(1)	6/6	100	0/6	0
LIU Chong(1)	6/6	100	0/6	0
FAN Mingchun (Resigned)(1)	0/0	–	0/0	–
LU Hua (Resigned)(1)	0/0	–	0/0	–
Independent Non-executive Directors				
WOO Ka Biu Jackson	6/6	100	0/6	0
Stephen Thomas MELDRUM	6/6	100	0/6	0
YIP Dicky Peter	6/6	100	0/6	0
WONG Oscar Sai Hung	5/6	83.3	1/6	16.7
SUN Dongdong	6/6	100	0/6	0
GE Ming	6/6	100	0/6	0

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

The Specialized Committees under the Board

The Board has established four specialized committees, i.e. the Strategy and Investment Committee, the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee. The details of the roles 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 suggestions to the Board for their consideration in relation to major investments, property transactions, financing, major capital operations, asset management projects, production and operation projects, etc. and also to promptly monitor and follow the tracks of the implementation of investment projects approved by the general meeting or the Board, and promptly notify all Directors of its significant progress or changes in process.

As at December 31, 2016, the Strategy and Investment Committee comprised 5 Directors, which included 3 Independent Non-executive Directors, and the ratio of Independent Non-executive Directors was 60%. The committee had one chairman, which was served by the Chairman of the Board and the chairman presided over the Committee.

In 2016, the Strategy and Investment Committee held 1 meeting, which was convened in accordance with the requirements of the Articles of Association and the Charter of the Strategy and Investment Committee. The 2016 Working Plan of the Company, the Company's 2015 Annual Plan Implementation Evaluation Report, the Development Plan of the Company in 2016-2018, and the Resolution on the Grant of General Mandate to the Board to Issue Additional H Shares were deliberated and approved. The attendance records of each member of the Strategy and Investment Committee are as follows:

Members	Meetings attended in person/Meetings required to attend	% of Attendance in person (%)	Meetings attended by proxy/Meetings required to attend	% of Attendance by proxy (%)
Executive Director				
MA Mingzhe (Chairman)	1/1	100	0/1	0
Independent Non-executive Directors				
WONG Oscar Sai Hung	1/1	100	0/1	0
YIP Dicky Peter	1/1	100	0/1	0
GE Ming	1/1	100	0/1	0
Non-executive Director				
YANG Xiaoping	1/1	100	0/1	0

Audit and Risk Management Committee

The primary duties of the Audit and Risk Management Committee are to review and supervise the Company's financial reporting process and conduct risk management. The Audit and Risk Management Committee is also responsible for reviewing any matters relating to the appointment or removal, and remuneration of the external auditors. In addition, the Audit and Risk Management Committee also examines the effectiveness of the Company's internal controls, which 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.

As at December 31, 2016, the Audit and Risk Management Committee comprised 4 Independent Non-executive Directors and 1 Non-executive Director, and the ratio of Independent Non-executive Directors was 80%. None of the members was involved in the day-to-day management of the Company. The Audit and Risk Management Committee was chaired by an Independent Non-executive Director who also possesses the appropriate professional qualifications or accounting or related financial management expertise.

In 2016, the Audit and Risk Management Committee held 6 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, 2015, the first quarterly financial statements for the three months ended March 31, 2016, the interim financial results for the six months ended June 30, 2016 and the third quarterly financial statements for the nine months ended September 30, 2016. Furthermore, the Audit and Risk Management Committee convened the meeting to review the unaudited financial report for the year 2016 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, 2016 at the first meeting in 2017 and was satisfied with the 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 are as follows:

Members	Meetings attended in person/Meetings required to attend	% of Attendance in person (%)	Meetings attended by proxy/Meetings required to attend	% of Attendance by proxy (%)
Independent Non-executive Directors				
GE Ming (Chairman)	6/6	100	0/6	0
Stephen Thomas MELDRUM	6/6	100	0/6	0
YIP Dicky Peter	6/6	100	0/6	0
SUN Dongdong	6/6	100	0/6	0
Non-executive Director				
YANG Xiaoping	5/6	83.3	1/6	16.7

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 objectiveness of the Company's auditors.

According to the resolutions of the 2015 Annual General Meeting of the Company, the Company reappointed PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers (hereinafter refer to as "PricewaterhouseCoopers") as the auditors of the Company's financial statements under CAS and IFRS, respectively for the year 2016. During the Reporting Period, the remuneration to be paid to the Company's auditors PricewaterhouseCoopers is set out as follows:

(in RMB million)	Fees payable
Audit services for financial statements – audits, reviews and agreed upon procedures	65
Audit services for internal control	8
Other assurance services	8
Non-assurance services	9
Total	90

Remuneration Committee

The primary duties of the Remuneration Committee is to determine, with delegated responsibility by the Board, the specific remuneration packages of the Company's Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, and making recommendations to the Board on the remuneration of Non-executive Directors. The Remuneration Committee also advises the Board in relation to establishing a formal and transparent procedure for developing remuneration policy in respect of 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 at December 31, 2016, the Remuneration Committee comprised 4 Independent Non-executive Directors and 1 Non-executive Director, and the ratio of Independent Non-executive Directors was 80%. None of the members was involved in the day-to-day management of the Company. The Remuneration Committee was chaired by an Independent Non-executive Director.

In 2016, the Remuneration Committee held 3 meetings, which were all convened in accordance with the requirements of the Articles of Association and the Charter of the Remuneration Committee. The Committee considered and approved the Proposal on Reviewing the Remuneration of the Company's Senior Management, Proposal on Reviewing the Participation in the 2016 Key Employee Share Purchase Scheme, Proposal on Reviewing the Company's 2015 Corporate Governance Report – Incentive and Restriction Mechanism and the Proposal of Adjusting Remunerations of Non-executive Directors. In addition, the Committee also reviewed the Report on the Settlement of Bonus for the Company's Senior Management for 2015, the Duty Performance Report of the Remuneration Committee of the Board in 2015, the Report on Awarding Long-term Incentive of 2015 to the Company's Senior Management and the Report on the Settlement of the 2013 Long-term Incentives for the Senior Management of Ping An. Attendance of meetings by the members of the Remuneration Committee is set out below:

Members	Meetings attended in person/Meetings required to attend	% of Attendance in person (%)	Meetings attended by proxy/Meetings required to attend	% of Attendance by proxy (%)
Independent Non-executive Directors				
YIP Dicky Peter (Chairman)	3/3	100	0/3	0
WOO Ka Biu Jackson	3/3	100	0/3	0
SUN Dongdong	3/3	100	0/3	0
GE Ming	3/3	100	0/3	0
Non-executive Director				
Soopakij CHEARAVANONT	2/3	66.7	1/3	33.3

Nomination Committee

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

The nomination of Directors is considered with reference to an individual's business acumen and undertakings, academic and professional achievements and qualifications, experience and independence, having regard to the Company's activities, assets and management portfolio. The Nomination Committee is delegated with the task of actively considering the needs of the Company at the Directors' level and senior management's level, studying the criteria and procedure for selecting directors and senior management, 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 are to ensure that there remains a dedicated, professional and accountable Board to serve the Company and its shareholders.

As at December 31, 2016, the Nomination Committee comprised 3 Independent Non-executive Directors and 2 Executive Directors, and the ratio of Independent Non-executive Directors was 60% and it was chaired by an Independent Non-executive Director.

In 2016, the Nomination Committee held 2 meetings, which were all convened in accordance with the requirements of the Articles of Association and the Charter of the Nomination Committee. The meeting considered and recommended Mr. Xie Yonglin as the Senior Vice President of the Company, and also reviewed the Review Report of the Structure of the Board in 2015. Besides the nomination of director and senior management candidates, the Nomination Committee also formed the Policy Concerning Diversity of Board Members after reviewing the structure, size and composition of the Board in accordance with the business activities, assets and management combinations of the Company, so as to ensure the Board members reach a balance in terms of skills, experience and diversified visions, to elevate the efficiency of the Board and maintain a high level of corporate governance. All appointments under the Board will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. The attendance records of each member of the Nomination Committee are as follows:

Members	Meetings attended in person/Meetings required to attend	% of Attendance in person (%)	Meetings attended by proxy/Meetings required to attend	% of Attendance by proxy (%)
Independent Non-executive Directors				
SUN Dongdong (Chairman)	2/2	100	0/2	0
WONG Oscar Sai Hung	2/2	100	0/2	0
WOO Ka Biu Jackson	2/2	100	0/2	0
Executive Directors				
MA Mingzhe	2/2	100	0/2	0
REN Huichuan	2/2	100	0/2	0

Supervisors and the Supervisory Committee

As at December 31, 2016, the Supervisory Committee consisted of 5 members, among which there were 2 Independent Supervisors, 1 Shareholder Representative Supervisor and 2 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 the 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.

The details of the duty performance of the Supervisory Committee are set out in the "Report of the Supervisory Committee".

The Executive Committee

The Company has established an Executive Committee, which is the highest execution authority under the Board. The primary duty of the Executive Committee is to review the Company's internal business reports, the Company's policies in relation to investment and profit distribution and the Company's management policies, development plans and resource allocation plans. The Executive Committee is also responsible for making management decisions in relation to matters such as the material development strategies, compliance risk control, capital allocation, synergy and brand management. In addition, the Executive Committee is also responsible for reviewing the business plans of the subsidiaries of the Company and evaluating the financial performance of the subsidiaries. The Company has also established 7 management committees under the Executive Committee, namely, the Investment Management Committee, the Budget Management Committee, the Investor Relations Management Committee, the Risk Management Committee, the Connected Transactions Management Committee, the Global Systemically Important Insurer Committee and the Informationalization Working Committee.

Information Disclosure and Investor Relations

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

During the Reporting Period, there were no such cases as material accounting mistakes, make-up of missing information or revision of profitability forecast.

The Company adheres to the 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.

Corporate Governance Report

The Company maintains a website at www.pingan.cn 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 for any inquiries. Inquiries are dealt with in an appropriate manner.

During the Reporting Period, the Company paid special attention to communication with the capital market in respect of its integrated financial strategy, customer management, internet finance strategy and business development, and its main business. The Company provided illustration of its annual, interim and quarterly results by means of public presentation, video and telephone conferences, onsite roadshows and online roadshows, etc. The Company resorted to telephone conferences, roadshow, gathering of stock market analysts, Corporate Strategy Day and so on, to actively promote itself in the market, so as to improve the understanding of capital market about the Company and its communication with the Company. While maintaining a 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, the E-interaction platform of SSE, corporate website, e-mail and telephone calls, so as to provide better services to them and protect the rights and interests of the Shareholders.

In 2016, the Company organized 2 onsite results announcements, 2 telephone results announcements, 1 Corporate Strategy Day, 1 gathering of stock market analysts, 14 roadshows domestically and abroad and 2 online roadshows, attended around 49 conferences of investment banks and securities brokers home and abroad, received around 112 visits of investors/analysts home and abroad. Moreover, the Company was committed to collecting capital market analysis reports and shareholders' information, and paid special attention to the investors' concerns and 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.

Amendments Made to the Articles of Association

Proposals were made to amend the Articles of Association in the 2014 Annual General Meeting and the 2nd Extraordinary General Meeting of 2015. The details of the amendments are listed in the circulars dated April 17, 2015 and November 2, 2015 which were published on the website of the HKEx (www.hkexnews.hk), and the materials of the general meetings dated April 17, 2015 and October 31, 2015 which were published on the website of SSE (www.sse.com.cn).

The abovementioned amendments to the Articles of Association have been approved by the relevant regulatory authorities and became effective during the Reporting Period.

PERFORMANCE OF DUTIES BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The 10th Board consists of 6 Independent Non-executive Directors, which is in compliance with the requirements under the regulatory rules of the Company's listed jurisdictions that the number of Independent Non-executive Directors should be one third or more of the total number of members of the Board. All Independent Non-executive Directors of the Company possess extensive experience in various fields, such as finance and accounting, law, or actuary, which is crucial to the healthy growth of the Company. All Independent Non-executive Directors of the Company meet the specific independence guidelines as set out in the regulatory rules of the Company's listed jurisdictions, and have presented their annual confirmation on independence to the Company, therefore the Company continued to believe that they are independent. The Independent Non-executive Directors owe fiduciary duties to the Company and its shareholders, and are especially responsible for protecting the minority interests. They are playing a significant check-and-balance role in the decision-making of the Board and are a key link of the corporate governance of the Company.

The Independent Non-executive Directors of the Company conscientiously performed their duties and responsibilities conferred by the Articles of Association, promptly learnt the important information of operation of the Company, paid high attention to the development of the Company and actively attended the meetings of the Board during the Reporting Period. After a due review on the external guarantees of the Company in 2015, the Independent Non-executive Directors of the Company believed that the Company had exerted stringent control on risks associated with external guarantees 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 provided independent opinions to agree with the matters such as profit distribution, significant adjustment of the accounting estimates, appointment of senior management and the remuneration of senior management during the Reporting Period.

Attendance of Independent Non-executive Directors at the Board Meetings and the General Meetings

The details of the attendance of Independent Non-executive Directors at the Board meetings and the general meetings during the Reporting Period are listed in the "Attendance of Directors at the General Meetings" and the "Attendance of Directors at the Board Meetings" of this chapter, respectively.

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

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

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

During the Reporting Period, the Independent Non-executive Directors made 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 the decision-making process. All of their opinions and recommendation were adopted by the Company.

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

The shareholding structure of the Company is scattered and there are no controlling shareholders or de facto controllers. As an integrated financial services group, the Company maintains full independence in terms of business, staff, assets, organization and finance under the supervision of the CIRC. The Company is an independent legal person responsible for its own profits and losses, runs independent and complete business and is capable of independent business operation. During the Reporting Period, no controlling shareholders or other connected parties had misappropriated the Company's funds, as provided by PricewaterhouseCoopers Zhong Tian LLP's special-purpose explanation in this respect and the Company has not given any undisclosed information to any controlling shareholder or de facto controller.

ESTABLISHMENT AND PERFECTION OF THE INTERNAL CONTROL SYSTEM

The Company has been committed to establishing internal controls in line with international standards and regulatory requirements, and improving internal controls in response to risks and environments. In its integrated finance framework and with its local advantages, the Company implements corporate governance in line with international standards, upholds the compliance philosophy of "Laws + 1", and constantly enhances its risk controls to ensure that the Group and its subsidiaries abide by laws and regulations in business activities, to keep single/accumulated residual risks at levels acceptable to the Company, and to promote sustainable growth of Insurance, Banking, Investment, Internet Finance, and the Group. In 2016, the Company continued "taking rules as the foundation, risks as the guidance, processes as the links, and internal control platforms as the tools" to continuously optimize the methodology for internal control assessment, strengthen the daily assessment of internal controls, improve the functionalities of platforms, and enhance the efficiency and effectiveness of internal control assessment. Moreover, the Company proactively integrated domestic and foreign regulatory standards, approaches, and tools for operational risk management to build an internal control and operational risk management system applicable to the whole Group.

Regarding the management framework for internal controls, the Company has a robust and well-staffed internal control management system in place with well-defined roles and responsibilities in line with applicable laws and regulations as well as business and risk control requirements. The Board is responsible for establishment, improvement, and implementation of internal controls. The Audit and Risk Management Committee under the Board monitors and assesses the implementation of internal controls, coordinates audits of internal controls, and oversees other relevant work. The Supervisory Committee supervises the establishment and implementation of internal controls. The Risk Management Executive Committee under the Group Executive Committee (the management) sets high-level risk management targets, basic policies and rules, monitors risk exposures and available capital, and supervises risk management of subsidiaries and business units. The Company has established robust internal control policies and procedures, and specified the internal control targets, framework, and procedures to provide guidelines for business activities and operations. The Company reviews and assesses its internal controls on a routine basis under an advanced methodology for internal control assessment, and assesses the effectiveness of internal controls in businesses and processes under a model where "Business and functions conduct self-assessment, Compliance promotes and supports such efforts, and Internal Audit and Supervision conduct audits and assessment independently". In this process, the Company built an internal control management platform to improve the efficiency and effectiveness of internal control assessment. The Company's compliance and internal control philosophies, systems, and operation procedures have been widely praised and recognized by regulators, peers, and the media.

Regarding internal control operations and internal control assessment, the Company continued to improve its governance structure, firewall management, CPT management, anti-money laundering management, and operational risk management. Moreover, the Company combines routine risk management with the work as one of G-SIIs. In line with the G-SII regulatory requirements, the C-ROSS requirements, and its integrated financial business requirements, the Company has conducted risk reviews and surveys, acted in response to the findings, and constantly enhanced its risk controls to prevent risks and risk contagion, lay a solid foundation for the integrated financial business, and safeguard the fast growth of innovative business. In 2016, the Company continued to act in accordance with the Basic Norms for Internal Controls of Enterprises and related guidelines, assessed its internal controls, and improved its internal control assessment methodology, risk assessment standards, assessment procedures, and internal control management platform. Apart from that, the Company focused on adopting the "Guidance for the Internal Control of Insurance Funds" and its supplementary implementation guidelines issued by the CIRC. We conducted an in-depth review on risks and controlling measures related to insurance fund, as well as strengthened the Company's internal control system, which effectively prevent risks on insurance fund and enhance the overall standard of internal control management of such risks. Moreover, the Company trained its employees to assess internal controls, held internal control contests, developed relevant online courses to facilitate learning on mobile devices, enhanced study of risk cases, implemented the compliance and internal control appraisal, and strengthened the routine operation model under which "everyone is involved in internal controls, everyone is responsible for compliance, and internal controls have been integrated in business and processes".

Regarding improvement of internal controls and management of operational risks, based on the prevailing compliance management and internal control framework, the Company has integrated domestic and foreign regulatory standards, approaches, and tools for operational risk management, optimized the framework for operational risk management, improved the rules and procedures for operational risk management, enhanced cooperation and collaboration among departments, established a routine monitoring and reporting procedure for regular reporting of high-level operational risks to the management, developed rules and standards for operational risk management, and strengthened system platforms to increase the effectiveness and efficiency of operational risk management. In 2016, the Company built and improved a comprehensive management system for identification, evaluation, monitoring, control/mitigation, and reporting of operational risks. The Company constantly improved its policies, framework, processes, system, tools to enhance its operational risk management. The Company urged its subsidiaries to implement tools for operational risk management (e.g. self-assessment of risks and controls, key risk indicators, and reporting of losses due to operational risks). Based on routine risk monitoring and analysis as well as comprehensive management, the Company strengthened targeted risk controls through risk warnings, special inspections, and compliance reviews.

Regarding the management framework for internal audit and supervision, the Company has implemented an independent, vertical, centralized approach to internal audits, applied innovative methods and new technologies to internal audits, urged the subsidiaries to strengthen their risk monitoring systems, closely monitored the asset quality risk and liquidity risk, constantly improved the risk audit strategies and whole-process risk management mechanisms for internet finance, enhanced the audit system platform and procedure framework, strengthened the big data and modeling capabilities, and further automated the system platform. The Company has established joint meetings mechanisms for crime prevention and management covering insurance, banking, and investment businesses units. The Company has improved its intra-group crime risk warning and emergency response procedures, which are in full play. The Company has strengthened its anti-money laundering, anti-embezzlement, and anti-fraud procedures to enhance risk prevention and monitoring. In 2016, the Company continued to enhance the risk-oriented internal audit and supervision mechanisms, effectively integrated its internal audit resources, adopted innovative audit approaches, and refocused its internal audits to effectively and efficiently control risk. In response to changes in external environments and internal strategies, the Company further transformed its internal audits, integrated audit advisory service with high-risk event identification, adopted innovative tools, enhanced risk monitoring and warning, built a dynamic risk prevention and inspection system, and strengthened internal controls to improve risk management and support the Company's development strategy. Moreover, the Company enhanced targeted risk controls and established an 24-hour emergency response procedure to effectively prevent and mitigate risks and to support business growth.

Corporate Governance Report

In 2016, the Company maintained the effectiveness of internal controls over financial reporting in all major aspects in accordance with the the Basic Norms for Internal Controls of Enterprises and relevant rules. The Internal Control Assessment Report for 2016 has been approved by the Board. The Company has engaged PricewaterhouseCoopers Zhong Tian LLP to audit the effectiveness of internal controls over financial reporting as well as the effectiveness of internal controls over matters other than financial reporting. PricewaterhouseCoopers Zhong Tian LLP has issued the Internal Control Audit Report.

For details of the Company's internal control, please refer to the Internal Control Assessment Report of Ping An for 2016 and the Internal Control Audit Report on Ping An for 2016 released on the same date as this Statement on the website of SSE (www.sse.com.cn).

THE COMPANY'S RISK MANAGEMENT

The Company has always taken risk management as an integral part of its day-to-day activities and operations. We take steady steps to build an enterprise risk management system that is aligned with the strategies and operations of the Company. We keep optimizing our risk management framework and standardizing our risk management procedures, adopt both qualitative and quantitative risk management methodologies to identify, evaluate and mitigate risks to facilitate healthy, sustainable development of the businesses.

For details of the Company's risk management, please refer to the section of "Risk Management" in this annual report.

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing their effectiveness at least annually through the Audit and Risk Management Committee. The Audit and Risk Management Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions.

Based on the above disclosure, appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant laws, regulations and rules are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. The systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Company regulates the handling and dissemination of inside information as set out in the various inside information disclosure procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

As disclosed above, in 2016, the Audit and Risk Management Committee held 6 meetings, in which the Group's risk management and internal control systems were reviewed. Through the Audit and Risk Management Committee, the Board has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2016, covering all material financial, operational and compliance controls, and it has considered the Group's risk management and internal control system is effective and adequate.

OUR COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

None of the Directors is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Corporate Governance Code for any part of the period from January 1, 2016 to December 31, 2016 save as disclosed below.

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

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

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

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

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

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

In light of the above, the Board is of the opinion that the Company's management structure is able to provide the Company with effective management and, at the same time, protect the shareholders' rights to the greatest extent. Accordingly, the Company does not intend to separate the roles of the Chairman of the Board and the Chief Executive Officer at the moment.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS AND SUPERVISORS OF THE COMPANY

In August 2007, the Company adopted a code of conduct regarding securities transactions by Directors and Supervisors of the Company ("Code of Conduct"), which was amended in April 2014, on terms no less exacting than the required standard set out in the Model Code. Specific enquiry has been made to all Directors and Supervisors of the Company who have confirmed that they had complied with the required standard set out in the Model Code and the Code of Conduct for the period from January 1, 2016 to December 31, 2016.

By order of the Board

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
March 22, 2017

Report of the Board of Directors

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (the "Group") comprise the provision of a wide range of financial products and services with a focus on the businesses of insurance, banking, asset management and internet finance. There were no significant changes in the nature of the Group's principal activities during 2016.

SUMMARY FINANCIAL INFORMATION

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

MAJOR CUSTOMERS

In 2016, income from the Group's five largest customers accounted for less than 1% of the total income for the year. None of the current top five customers are connected parties of the Company.

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.

RELATIONSHIP WITH CUSTOMERS

The Group believes that it is important to maintain good relationship with its customers to fulfil its long-term goal "to become a world-leading personal financial services provider". To achieve this goal and maintain the leading position in terms of brand value, the Group aims at delivering constantly high standards of quality in the financial services to its customers. During 2016, there was no material and significant dispute between the Group and its customers.

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

Cash Dividend Policy

According to Article 213 of the Articles of Association, the Company shall attach importance to the reasonable investment returns of investors in terms of its profit distribution. The profit distribution policy of the Company shall maintain its continuity and stability. The accumulated profit to be distributed in cash for any three consecutive years shall not be less than 30% of the average annual distributable profit realized in the three years, provided that the annual distributable profit of the Company (namely profit after tax of the Company after covering the losses and making contributions to the revenue reserve) are positive in value and such distributions 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 the 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 about.

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

Implementation of Profit Distribution Plan

The 2015 annual profit distribution plan of the Company was deliberated and approved at the 2015 Annual General Meeting of the Company held on June 15, 2016, according to which the Company paid in cash the 2015 final dividend of RMB0.35 (tax inclusive) per share, in a total amount of RMB6,398,084,493.50, based on its total share capital of 18,280,241,410 shares.

The 2016 interim profit distribution plan of the Company was deliberated and approved at the 8th Meeting of the 10th Board of Directors of the Company held on August 17, 2016, according to which the Company paid in cash the 2016 interim dividend of RMB0.20 (tax inclusive) per share, in a total amount of RMB3,656,048,282, based on its total share capital of 18,280,241,410 shares.

The decision-making procedure and mechanism of the above profit distribution plans were complete, and the dividend payout standards and proportions were clear. The above profit distribution plans were in line with the Articles of Association and relevant deliberation procedures and had fully protected the legitimate interests of minority shareholders. All the Independent Non-executive Directors of the Company have given independent opinions that agree with the profit distribution plans. The implementation of the above-mentioned distribution plans has been completed.

ANNUAL RESULTS AND PROFIT DISTRIBUTION

The Group's results in 2016 are set out in the section titled "FINANCIAL STATEMENTS".

As stated in the 2016 audited financial statements of the Group prepared under CAS, the net profit attributable to shareholders of the parent company was RMB62,394 million and net profit of the parent company was RMB28,678 million. Pursuant to the Articles of Association and other relevant requirements, the Company shall make an appropriation to the statutory surplus reserve based on 10% of the net profit of the Company as shown in the financial statements under CAS before determining the profit available for distribution to shareholders. Appropriation to the statutory surplus reserve may cease to apply if the balance of the statutory surplus reserve reached 50% or more of the registered capital of the Company. After making the above profit distribution and taking into account the retained profit carried forward from last year, according to the Articles of Association and other relevant requirements, the profit available for distribution to shareholders was RMB49,826 million.

The Company had distributed an interim dividend of RMB0.20 (tax inclusive) per share for 2016, which amounted to a total of RMB3,656,048,282. The Company proposes to pay in cash the 2016 final dividend of RMB0.55 (tax inclusive) per share, in a total amount of RMB10,054,132,775.50, based on its total share capital of 18,280,241,410 shares. The remaining profit will be carried forward to 2017. The retained profits are mainly for the purpose of organic capital accumulation, so as to maintain a reasonable solvency ratio as well as funding to subsidiaries so that they can maintain a reasonable solvency ratio or capital adequacy ratio.

The above plan will be implemented upon approval at the 2016 Annual General Meeting. The profit distribution plan is in line with the Articles of Association and relevant deliberation procedures and fully protects the legitimate interests of minority shareholders of the Company. All the Independent Non-executive Directors of the Company have given independent opinions that agree with the profit distribution plan.

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

	Cash dividend paid per share during the year (in RMB)	Cash dividend amount (including tax) (in RMB million)	Net profit attributable to shareholders of the parent company (in RMB million)	Ratio (%)
2016	0.75	13,710	62,394	22.0
2015	0.53	9,688	54,203	17.9
2014	0.75	6,549	39,279	16.7

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

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

(3) Except the 2016 final dividend pending approval at the 2016 Annual General Meeting, the profit distribution for other years has been completed.

DISTRIBUTABLE RESERVES

As at December 31, 2016, the Company's distributable reserves totalled RMB49,826 million, the Company has proposed to distribute the 2016 final dividend of RMB0.55 (tax inclusive) per share in cash. After the 2016 final dividend, the remaining distributable reserves were carried forward to 2017. In addition, the Company's capital reserve and surplus reserve amounted to RMB140,103 million. The remaining reserves 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".

USE OF PROCEEDS

An aggregate of 594,056,000 new H Shares were successfully allotted and issued by the Company under general mandate on December 8, 2014 and the gross proceeds raised from the placing were HK$36,831,472,000. The proceeds raised from the placing were used to develop the main business and replenish the equity and working capital of the Company, and the use of the proceeds raised was consistent with the use approved by the Board of Directors. As at December 31, 2016, HK$7,754 million from the placing is kept in the fund-raising account, and the rest had been used as intended.

PARTICULARS ON INVESTMENT DURING THE REPORTING PERIOD

The non-raised funds of the Company mainly come from its core insurance business. The Company has been strictly following the relevant requirements of the CIRC on the management of insurance funds. All the investments of insurance funds were made in the normal course of day-to-day operations.

EQUITY INVESTMENT DURING THE REPORTING PERIOD

For equity investment, please refer to the section headed "Significant Events".

SHARE CAPITAL

The change in the share capital of the Company in 2016 and the share capital structure of the Company as at December 31, 2016 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 2016 are set out in note 35 to the consolidated financial statements and in the "Consolidated Statement of Changes in Equity", respectively.

CHARITABLE AND OTHER DONATIONS

Charitable donations made by the Company during 2016 totalled RMB37 million.

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property and equipment and investment properties of the Group during 2016 are set out in notes 31 and 30 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions regarding pre-emptive rights under the Company Law of the People's Republic of China or the Articles of Association, which would oblige the Company to issue new shares to its existing shareholders in proportion to their existing shareholdings.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed shares during 2016.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION

According to the resolutions of the 25th Meeting of the 7th Board of Directors and the 2nd Meeting of the 7th Supervisory Committee of the Company, the Company entered into service contracts with all Directors of the 10th Board of Directors and all Supervisors of the 8th Supervisory Committee in August 2015. The Company entered into service contracts with newly appointed Directors, Mr. Xiong Peijin and Mr. Liu Chong, on January 28, 2016, and also with newly appointed Supervisor, Mr. Huang Baokui, on July 5, 2016. Terms, duties, remuneration expenses and confidentiality duties of Directors and Supervisors, and commencement and termination of contracts were specified in the service contracts. As at December 31, 2016, 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, 2016 are set out in note 50 to the consolidated financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Directors or Supervisors or entity connected with the Directors or Supervisors had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during 2016.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during 2016 were rights to acquire benefits by means of the acquisition of shares 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 legal entity.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

As far as the Directors are aware, none of the Directors or Supervisors has any competing interest in a business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

Report of the Board of Directors

PERMITTED INDEMNITY PROVISION
The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

POST BALANCE SHEET EVENTS
Details of the post balance sheet events of the Group are set out in note 56 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS
During 2016, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE CONTAINED IN APPENDIX 14 TO THE HKEX LISTING RULES
None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Corporate Governance Code for any part of the period from January 1, 2016 to December 31, 2016, except that Mr. Ma Mingzhe has occupied the positions of both the Chairman and Chief Executive Officer of the Company. Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out under the section headed "Corporate Governance Report".

AUDITORS
According to the resolutions of the 2015 Annual General Meeting of the Company, the Company continued to appoint PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company's financial statements under CAS and IFRS, and continued to appoint PricewaterhouseCoopers Zhong Tian LLP as the auditors of the Company for internal control in 2016.

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 22, 2017, at all times during the year ended December 31, 2016, 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 22, 2017

Report of the Supervisory Committee

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 the People's Republic of China and the Articles of Association.

THE WORK OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee held 5 meetings. All such meetings were convened in accordance with the Articles of Association, and were attended in person or by proxy or through electronic means of communication by all Supervisors entitled to be present. Details of members' attendance at meetings of the Supervisory Committee are set out as follows:

Class of Supervisors	Name	Date of Appointment	Meetings attended in person/ Meetings required to attend	% of attendance in person (%)
Independent Supervisors	GU Liji (Chairman)	June 3, 2009	5/5	100
	HUANG Baokui[1]	June 28, 2016	2/2	100
	PENG Zhijian[1] (resigned)	June 3, 2009	2/3	66.7
Shareholder Representative Supervisor	ZHANG Wangjin	June 17, 2013	5/5	100
Employee Representative Supervisors	PAN Zhongwu	July 17, 2012	5/5	100
	GAO Peng	June 30, 2015	5/5	100

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

In September 2016, all members of the Supervisory Committee conducted inspections and reviews at branches of subsidiaries such as Ping An Life, Ping An Property & Casualty, Ping An Annuity, and Ping An Health in Zhejiang. Opinions collected from the vast ground-level staff were considered and constituted the investigation report to the management of the Company. Meanwhile, a 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 Company's general meetings and meetings of the Board of Directors as non-voting participants and had no dissents.

Report of the Supervisory Committee

INDEPENDENT OPINION ON RELEVANT ISSUES FROM THE SUPERVISORY COMMITTEE

(1) Lawful Operation

During the Reporting Period, the Company operated and managed its businesses in accordance with the laws and regulations, and its operational results were objective and true. There was big development and improvement in the depth and width of internal control management, and the internal control system was complete, reasonable and effective. The Company's operational decision-making processes were lawful. The Directors and other senior management were cautious, conscientious and diligent in the business operations and management processes, and they were not found to have breached any laws, regulations, or the Articles of Association or harmed the interests of the shareholders.

(2) Authenticity of the Financial Statements

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have issued the standard unqualified auditor's reports in accordance with the PRC and international accounting principles respectively on the Company's financial statements for 2016. The financial statements truly, fairly and accurately reflected the financial condition and results of operations of the Company.

(3) Use of Proceeds

An aggregate of 594,056,000 new H Shares have been successfully allotted and issued by the Company under general mandate on December 8, 2014 and the gross proceeds raised from the placing were HK$36,831,472,000. The proceeds raised from the placing were used to develop the main business and replenish the equity and working capital of the Company, and the use of the proceeds raised was consistent with the use approved by the Board of Directors. As at December 31, 2016, HK$7,754 million from the placing is kept in the fund-raising account, and the rest had been used as intended.

(4) Connected Transactions

The Supervisory Committee considers the connected transactions of the Company to be fair and reasonable in the Reporting Period, and did not find any harm against the interests of the shareholders and the Company.

(5) Internal Control System

The Supervisory Committee has heard and reviewed the Work Report on the Internal Control of the Company for the First Half of 2016 and Assessment and Evaluation Report on Internal Control of the Company for 2016, and considered that the Company has set up a relatively complete, reasonable and effective internal control system.

(6) Implementation of the Resolutions Approved by the General Meetings

Certain members of the Supervisory Committee attended the meetings of the Board of Directors and the general meetings, and did not have any objection to the reports and proposals submitted to the general meetings by the Board of Directors. The Supervisory Committee has monitored the implementation of the resolutions approved by the general meetings and opines that the Board of Directors can duly implement the resolutions approved by the general meetings.

(7) Implementation of Cash Dividend Policy

The Supervisory Committee acknowledges that the Board of Directors strictly carried out cash dividend policies and plans for shareholders returns, performed relevant decision-making procedures for cash dividend and disclosed cash dividend policies and its execution truly, accurately and completely.

In the coming year, the Supervisory Committee will further expand its work ideas, and will continue to carry out its duties in accordance with the relevant provisions of the Company Law of the People's Republic of China, the Articles of Association and the listing rules. The Supervisory Committee will adhere to the principles of honesty, maximize its supervisory efforts with the aim of protecting the interests of the Company and its shareholders, and perform supervisory duties honestly and diligently to achieve the best results in all respects.

By order of the Supervisory Committee

GU Liji
Chairman of the Supervisory Committee

Shenzhen, PRC
March 22, 2017

Significant Events

GENERAL ANALYSIS OF EXTERNAL INVESTMENT

Ping An is an integrated financial services group, and investment business is one of its core businesses. The investment portfolio of insurance funds represents a majority of the equity investment assets of the Company. The investment of insurance funds is subject to relevant laws and regulations. For details of the asset allocation of the investment portfolio, please refer to relevant sections in the "Business Analysis".

Material Equity Investment

Subscription for Ping An Bank Preference Shares

On July 15, 2014, the 14th Meeting of the 9th Board of Directors deliberated and approved the Resolution regarding the Subscription for Ping An Bank Non-public Preference Share Issuance by Ping An Asset Management. It was decided that Ping An Asset Management would subscribe for the preference shares issued under Ping An Bank's non-public issuance through insurance funds under its management. The subscription ratio would be 50%-60% of the preference shares issued under the non-public issuance of Ping An Bank. The specific subscription ratio of preference shares should be subject to the approval of relevant regulatory authorities.

On March 15, 2016, as mentioned in the announcement of the Company, Ping An Bank had issued 200,000,000 preference shares at a price of RMB100 per share (which equals to the nominal value) and a coupon rate of 4.37%, which raised a total proceeds of RMB20 billion. Ping An Asset Management had subscribed for 116,000,000 preference shares issued under the non-public issuance by Ping An Bank at the abovementioned issue price.

Material Non-equity Investment

During the Reporting Period, there was no material non-equity investment that was required to be disclosed.

Financial Instruments recorded at Fair Value

Details of financial instruments recorded at fair value are set out in note 46 to the consolidated financial statements.

Sale of Major Assets and Equities

During the Reporting Period, there was no sale of major assets or equities that was required to be disclosed.

Major Subsidiaries and Associates of the Company

Details of major subsidiaries and associates of the Company are set out in note 5.(1) and note 29 to the consolidated financial statements respectively.

Structured Entities controlled by the Company

Details of Structured Entities controlled by the Company are set out in note 5.(2) to the consolidated financial statements.

IMPLEMENTATION OF SHARE INCENTIVE SCHEME OF THE COMPANY AND ITS EFFECTS

During the Reporting Period, the Company has not implemented any share incentive scheme.

IMPLEMENTATION OF THE KEY EMPLOYEE SHARE PURCHASE PLAN OF THE COMPANY

As deliberated at the 16th Meeting of the 9th Board of Directors held on October 28, 2014 and approved at the 1st Extraordinary General Meeting for 2015 held on February 5, 2015, the Key Employee Share Purchase Plan (the "Plan") of the Company has been officially implemented. Since the implementation of this Plan, the Company has seen sound operations; the shareholders, the Company, and the employees have shared benefits and risks, providing strong guarantee for further improvement of the Company's governance structure as well as establishing and improving the long-term incentive and restraint mechanisms to facilitate long-term sustainable and healthy development of the Company.

As at the end of the Reporting Period, two phases of the Plan had been implemented.

Implementation in 2015

The participants were 839 key employees of the Company and its subsidiaries including the directors, employee representative supervisors, and senior management. The sources of funding were legitimate salaries and performance bonuses of the employees.

The share purchase was conducted by the manager of the Plan, China Merchants Securities Co., Ltd. (changed to China Merchants Securities Asset Management Co., Ltd. on September 9, 2015 due to establishment of the subsidiary) from March 20, 2015 to March 26, 2015 in the secondary market; 4,050,253 A shares of the Company in total were purchased for a total price of RMB312,047,645 (inclusive of expenses), accounting for 0.044% of the total share capital of the Company at that time. For details of the share purchase, please refer to the Announcement regarding the Completion of Share Purchase under the 2015 Key Employee Share Purchase Plan published by the Company on the websites of the HKEx and the SSE on March 27, 2015 and March 30, 2015 respectively.

As the Company's profit distribution for 2014 included the conversion of capital reserve into share capital in a proportion of 10 shares for every 10 shares held, the total number of shares held under the Plan for this period had changed to 8,100,506 shares. The Plan for this period was unlocked on March 30, 2016, and one third of its shares were vested in two batches, the 1st batch vested to 514 employees on March 30, 2016 and the 2nd batch vested to 251 employees on April 27, 2016. As to the remaining 74 employees who did not qualify for the vesting, 588,281 shares were forfeited.

Implementation in 2016

The participants were 773 key employees of the Company and its subsidiaries including the directors, employee representative supervisors, and senior management. The sources of funding were legitimate salaries and performance bonuses of the employees.

The share purchase was conducted by the manager of the Plan, China Merchants Securities Asset Management Co., Ltd. from March 17, 2016 to March 21, 2016 in the secondary market; 14,803,850 A shares of the Company in total were purchased for a total price of RMB481,578,936.53 and an average price of RMB32.53 per share, accounting for 0.081% of the total share capital of the Company at that time. These shares are subject to a lock-up period from March 23, 2016 to March 22, 2017. For details of the share purchase, please refer to the Announcement regarding the Completion of Share Purchase under the 2016 Key Employee Share Purchase Plan published by the Company on the websites of the HKEx and the SSE on March 22, 2016 and March 23, 2016 respectively. During the Reporting Period, there was no change in equity as a result of disposal by holders of the Plan.

The manager of the Plan is China Merchants Securities Asset Management Co., Ltd.; the manager was not changed during the Reporting Period.

MATERIAL CONNECTED TRANSACTIONS

Granting credit limit to Guosen Securities Co., Ltd. by Ping An Bank

On July 1, 2015, as mentioned in the announcement of the Company, the Resolution on Granting RMB6.5 Billion Credit Limit to Guosen Securities Co., Ltd. was deliberated and approved at the 14th Meeting of the 9th Board of Directors of Ping An Bank, according to which Ping An Bank would grant RMB6.5 billion credit limit to Guosen Securities Co., Ltd. with a term of one year.

The transaction between Ping An Bank and Guosen Securities Co., Ltd. constituted a connected transaction of the Company as defined under the SSE Listing Rules, but would not be regarded as a connected transaction of the Company as defined under the HKEx Listing Rules.

Please refer to the related announcements published on the websites of SSE (www.sse.com.cn) and HKEx (www.hkexnews.hk), and in Shanghai Securities News, China Securities Journal, Securities Times and Securities Daily on July 1, 2015 for detailed information.

As at December 31, 2016, the transaction had been fulfilled and Guosen Securities Co., Ltd. did not exceed its credit limit in the period.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

Guarantee

(in RMB million)	External guarantee of the Company and its subsidiaries (excluding the guarantee in favor of its subsidiaries)
Total external guarantee incurred during the Reporting Period	–
Total external guarantee balance as at the end of the Reporting Period	–

Guarantee of the Company and its subsidiaries in favor of its subsidiaries	
Total guarantee in favor of its subsidiaries incurred during the Reporting Period	9,739
Total guarantee balance in favor of its subsidiaries as at the end of the Reporting Period	37,489

Total guarantee of the Company (including the guarantee in favor of its subsidiaries)	
Total guarantee	37,489
Total guarantee as a percentage of the Company's net assets (%)	9.8
Including: Direct or indirect guarantee for the companies with gearing ratio over 70% (as at December 31, 2016)	31,317
The amount by which the Company's total guarantee balance exceeded 50% of its net asset	–

Note: The data set out in the table above does not include those arising from financial guarantee businesses conducted by Ping An Bank (the controlled subsidiary) and other subsidiaries of the Company in strict compliance with the scope of business approved by regulatory authorities.

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 the CSRC, the Independent Non-executive Directors of the Company conducted a prudent review of the Company's external guarantee in 2016. Their specific statements and independent opinions are set out as follows:

1. During the Reporting Period, the Company did not provide any guarantee to its controlling shareholder and other connected parties in which the Company holds less than 50% shares, or any non-legal entities or individuals;

2. During the Reporting Period, the total guarantee provided by the Company and its subsidiaries amounted to RMB9,739 million. As at December 31, 2016, the total guarantee balance of the Company and its subsidiaries was RMB37,489 million, representing approximately 9.8% of the Company's net assets. The sum did not exceed 50% of the net assets as stated in the consolidated financial statements of the latest fiscal year of the Company;

3. The Company has strictly observed the approval procedures and internal control policies regarding external guarantee set out in the Articles of Association, and there existed 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 SSE Listing Rules and the Articles of Association.

ENTRUSTMENT, UNDERWRITING, LEASE, ENTRUSTED ASSET MANAGEMENT, ENTRUSTED LOAN AND OTHER MATERIAL CONTRACTS

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

SEIZURE, DISTRAINMENT OR FREEZE OF MAJOR ASSETS

During the Reporting Period, the Company had no event of seizure, distrainment or freeze of major assets that were required to be disclosed.

MATERIAL LITIGATIONS AND ARBITRATIONS

During the Reporting Period, the Company had no material litigations and arbitrations required to be disclosed.

UNDERTAKINGS

Undertakings in Respect of the Major Asset Restructuring with Shenzhen Development Bank

(1) The Company undertakes that, after the completion of the major asset restructuring with Shenzhen Development Bank, and during the period when the Company remains as the controlling shareholder of Shenzhen Development Bank, and in respect of the businesses or commercial opportunities similar to those of Shenzhen Development Bank that the Company and the enterprises under its control intend to carry out or have substantially obtained whereby the assets and businesses arising from such businesses or commercial opportunities may possibly form potential competition with those of Shenzhen Development Bank, the Company and the enterprises under its control shall not engage in the businesses identical or similar to those carried out by Shenzhen Development Bank, so as to avoid direct or indirect competition with the operations of Shenzhen Development Bank.

(2) The Company undertakes that, after the completion of the major asset restructuring with Shenzhen Development Bank, and in respect of the transactions between the Company and the enterprises under its control and Shenzhen Development Bank which constitute the connected 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 "openness, fairness and justness" 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.

(3) The Company undertakes that, after the completion of the major asset restructuring and during the period when the Company remains as the controlling shareholder of Shenzhen Development Bank, the Company shall maintain the independence of Shenzhen Development Bank and ensure that Shenzhen Development Bank is independent from the Company and the enterprises under its control in respect of personnel, assets, finance, organization and business.

As at December 31, 2016, the above undertakings were still in the process of performance and there was no violation of the above undertakings.

Undertaking in Respect of the Issuance of Ping An Convertible Bonds

During the period of issuing Ping An Convertible Bonds by the Company, in terms of certain subsidiaries engaged in construction of properties for self-use purposes and retirement communities, the Company undertakes that, now and in the future, it will strictly comply with relevant regulations in relation to the insurance funds used in real estate investment and the principle that the insurance funds should only be applied to specific property without property speculation or sale in an inappropriate form. It will not develop or sell commercial housing by means of investment in retirement communities and real estate for self-use purposes.

As at December 31, 2016, the above undertaking was still in the process of performance and there was no violation of the above undertaking.

Undertaking in Respect of the Subscription for 1,323,384,991 New Shares of Ping An Bank through Non-public Issuance

In relation to the subscription for 1,323,384,991 new shares of Ping An Bank through non-public issuance, the Company undertakes that it shall not transfer the shares within 36 months since the date of listing of the new shares (January 9, 2014), excluding the transfer among its connected organizations (i.e. any parties directly or indirectly controlling the Company or under the direct or indirect control of the Company or under the control of the same controller as that of the Company) to the extent permitted by the applicable laws. Upon expiry of the above-mentioned term, the Company will be free to dispose of such newly-issued shares pursuant to the requirements of the CSRC and the Shenzhen Stock Exchange.

As at December 31, 2016, the above undertaking was still in the process of performance and there was no violation of the above undertaking. As at the date of this report, the above undertaking had been fulfilled and related restricted shares became tradable on January 9, 2017.

Undertaking in Respect of the Subscription for 210,206,652 New Shares of Ping An Bank through Non-public Issuance

In relation to the subscription for 210,206,652 new shares of Ping An Bank through non-public issuance, the Company undertakes that it shall not transfer the shares within 36 months since the date of listing of the new shares (May 21, 2015). Such shares shall not be disposed of and transferred among its non-connected parties, nor transferred and disposed of among its connected parties during the lock-up period. In addition, no arrangement of any other disposal of interests shall be entered into with respect to such shares subject to the lock-up period.

As at December 31, 2016, the above undertaking was still in the process of performance and there was no violation of the above undertaking.

APPOINTMENT OF AUDITOR

Information on the Company's auditors and the remuneration paid to the auditors is set out in the sections entitled "Report of the Board of Directors" and "Corporate Governance Report".

APPOINTMENT OF INTERNAL CONTROL AUDITOR

Information on the Company's internal control auditors and the remuneration paid to auditors is set out in the sections entitled "Report of the Board of Directors" and "Corporate Governance Report".

PUNISHMENTS AND RECTIFICATIONS

During the Reporting Period, neither the Company nor the Directors, Supervisors, or senior management of the Company, were investigated by competent authorities, subject to coercive measures by judicial authorities or disciplinary authorities, transferred to judicial organs or held accountable for crimes, investigated, punished, barred from the market or disqualified by the CSRC, subject to major administrative punishments by environmental protection, work safety, tax or other administrative authorities, or denounced by any stock exchanges.

INTEGRITY CONDITIONS OF THE COMPANY

During the Reporting Period, the Company neither failed to abide by any material effective judicial ruling, nor defaulted on any material debt.

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 2016 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, July 18, 2017 (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 with tax authorities, the Company will not withhold any enterprise income tax when it distributes 2016 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 of the People's Republic of China) listed on the Company's register of members of H shares which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire the Company to withhold the said 10% enterprise income tax, it shall submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Wednesday, July 12, 2017 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.

Individual Income Tax Withholding of Overseas Individual Shareholders

Upon the confirmation of the Company after having made consultation with the relevant tax authorities, and pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China and its implementation regulations, the individual resident shareholders outside the PRC shall pay individual income tax upon their receipt of the distributed dividends in respect of the shares issued by domestic non-foreign investment enterprises in Hong Kong, which shall be withheld by obligors on behalf of such individual shareholders by law. Those individual resident shareholders outside the PRC may, however, enjoy relevant preferential treatments in accordance with the provisions of applicable tax agreements signed between the countries where they belong by virtue of residential identification and the PRC as well as the tax arrangements made between the Mainland China and Hong Kong (Macau).

Pursuant to relative tax regulations, the Company shall generally be obligated to withhold individual income tax at the tax rate of 10% when it distributes 2016 final dividend to individual holders of H shares appearing on the Company's register of members of H shares on the Record Date. However, if the tax regulations and relevant tax agreements state otherwise, the Company will withhold individual income tax based on the amount of the dividend at the relevant tax rate and in accordance with the procedures as stipulated.

If individual holders appear on the Company's register of members of H shares and are citizens from the countries applying a tax rate of less than 10% under tax agreements, they are not applicable in relation to the withheld individual tax at the rate of 10% by the Company, and the Company may handle applications on their behalf for preferential treatments as stipulated in relevant agreements pursuant to the Notice of the State Administration of Taxation on Issues about the Administrative Measures for Non-residents to Enjoy the Treatments of Tax Treaties (Notice of the State Administration of Taxation [2015] No. 60). Qualified shareholders are required to submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Wednesday, July 12, 2017 a written authorization and relevant evidencing documents, which shall be handed on by the Company to the applicable tax authorities for approval, and then excess portions of the tax amounts withheld can be refunded.

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

The Company will withhold the income tax for the southbound trading shareholders as required by the Notice on Tax Policies for Pilot Mechanism of Shanghai-Hong Kong Stock Connect Program (Cai Shui [2014] No. 81) on the basis of the Company's register of members of H shares on the Record Date.

All investors are requested to read this part carefully. Shareholders are recommended to consult their tax 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 Auditor's Report

To the Shareholders of
Ping An Insurance (Group) Company of China, Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Ping An Insurance (Group) Company of China, Ltd. (the 'Company') and its subsidiaries (the 'Group') set out on pages 142 to 288, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ('HKSAs') issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

BASIS FOR OPINION (CONTINUED)

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ('the Code'), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of financial instruments
- Impairment of loans and advances to customers, finance bonds, corporate bonds, asset management schemes, debt schemes and trust schemes
- Valuation of policyholders' reserves and claim reserves

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of financial instruments Refer to note 3. (11), 4. (1) and 46 to the consolidated financial statements As at 31 December 2016, the Group's financial instruments carried at fair value and classified as Level 3 represented 2% of the total assets. Management exercised judgement in selecting the valuation techniques and inputs in performing the valuation for the complex investments. It is an area which involved significant audit effort due to the application of valuation techniques involving the exercise of judgement and the use of assumptions and estimates.	We tested the design and operating effectiveness of the Group's key controls supporting the identification, measurement and oversight of valuation risks of financial instruments. Specifically we tested controls over the Group's model validation and approval processes, data feeds and inputs to valuation model processes and reporting processes. We assessed the methodologies and models used by the Group against industry practices and valuation guidelines. We compared assumptions and inputs used against relevant benchmarks and investigated significant variances. We also tested, for a selection of pricing inputs used, that they were correctly input into pricing models. Based on the work performed, the valuation methodologies and inputs adopted by the management are considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of (1) Loans and advances to customers (2) Finance bonds (3) Corporate bonds (4) Asset management schemes (5) Debt schemes and trust schemes Refer to note 3. (16), 4. (2), 20, 23 and 45. (3) to the consolidated financial statements As at 31 December 2016, the Group's loans and advances, finance bonds, corporate bonds, asset management schemes, debt schemes and trust schemes represented 53% of total assets. We focused on this area because the management exercised significant judgements on the credit risk assessment as well as both the timing of recognition of impairment and the estimation of the size of any such impairment.	We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations. These controls included those over the identification of which assets were impaired, the assumptions used and accuracy of the data input, and the calculation of the impairment. **Individual and collective assessment for loans and advances to customers:** Individual assessment – We selected a sample of loans based on our experience of the credit risk characteristics of borrowers and size of the loan to perform independent credit review, to assess whether these loans were impaired and whether the loss event was identified by management on a timely basis. – For individually assessed loan loss provisions, on a sample of selected impaired loans, we examined the forecasts of future cash flows prepared by management to support the calculation of the impairment, validated accuracy of source data, evaluated the assumptions and compared estimates to external evidence where available. Collective assessment – For the collectively assessed loan loss provisions, we independently evaluated the methodology and key assumptions used for material portfolios by reference to market practices; in particular, we evaluated the migration rate adopted by management against the macro economic data, financial and industry data issued by the government and regulators. – We tested the accuracy and completeness of loan information used in the impairment model; in particular, we evaluated and tested the accuracy of overdue periods recorded and the corresponding risk classifications. – We evaluated the overall reasonableness of the collectively assessed loan loss provision with respect to the qualitative and quantitative changes in underlying loan portfolio, such as changes in non-performing loan ratios and provision ratios to assess whether it reflected the current economic environment and was in line with recent loss experience and represented current credit risks.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of (Continued) (1) Loans and advances to customers (2) Finance bonds (3) Corporate bonds (4) Asset management schemes (5) Debt schemes and trust schemes	**Individual and collective assessment for finance bonds, corporate bonds, asset management schemes, debt schemes and trust schemes:** <u>Individual assessment</u> – We examined Group's individual assessment on sample basis, by reviewing issuers' information such as current financial condition and payment history to verify whether the management's credit ratings of selected investments reflected credit risk of those investments under current economic environment and to assess whether there was evidence of impairment and whether the loss event was identified by management on a timely basis. <u>Collective assessment</u> – We reviewed the Group's methodology for collective assessment to assess whether it was in line with market practices. – We checked the reasonableness of assumptions used in the impairment models, including loss ratio, adjustments for risks in specific industries, regions and macro-economic environment. – We tested the mathematical accuracy of the calculation. Based on the work performed, the impairment assessment approach and methodologies adopted by the management for the Group's loans and advances, finance bonds, corporate bonds, asset management schemes, debt schemes and trust schemes are considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of policyholders' reserves and claim reserves Refer to note 3. (31), 4. (4), 40 and 45. (1) to the consolidated financial statements As at 31 December 2016, the Group had significant life insurance contract liabilities (policyholders' reserve) and non-life insurance contract liabilities (claim reserves) represented 21% of the total liabilities. This is an area that involves significant judgements over the ultimate total settlement values of insurance contract liabilities. Economic assumptions, such as investment returns and associated discount rates, and operating assumptions such as mortality, persistency (including consideration of policyholder behaviour) and loss ratio are the key inputs used to estimate these insurance contract liabilities.	We involved our actuarial specialists and performed following procedures in this area: – We assessed the Group's methodology for calculating the insurance contract liabilities against recognized actuarial practices. – We evaluated assumptions used in the actuarial models for the valuation of life insurance contract liabilities; specifically we assessed economic and operating assumptions by reference to relevant company specific and industry historical data, and for future development by reference to market trends and market volatility, where applicable. – We evaluated assumptions used in the actuarial models for non-life insurance contract liabilities, such as ultimate loss ratio, claim adjustment expense and risk adjustment to company specific and industry historical data, where applicable. – For the life insurance contract liabilities, we performed independent model point testing for newly modelled products and tested the appropriateness of changes made to the actuarial models during the year. – For the non-life insurance contract liabilities, we performed independent modelling on selected classes of business. We compared our results to those booked by management and evaluated significant variances, including consideration of retrospective analysis result. – We tested the accuracy and completeness of policy data input into the actuarial models. – We also performed analysis of the movements in life insurance contract liabilities during the year, including consideration of whether the movements were in line with the assumptions adopted by the Group, our understanding of developments in the business, and our experience derived from market practice. Based on the work performed, the valuation assumptions and methodologies adopted by the management are considered acceptable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT AND RISK MANAGEMENT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit and Risk Management Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chow Sai Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2017

Consolidated Statement of Income

For the year ended 31 December 2016

(in RMB million)	Notes	2016	2015
Gross written premiums	7	**469,555**	386,012
Less: Premiums ceded to reinsurers		**(17,827)**	(25,208)
Net written premiums	7	**451,728**	360,804
Change in unearned premium reserves		**(10,108)**	(10,958)
Net earned premiums		**441,620**	349,846
Reinsurance commission income		**6,353**	9,148
Interest income from banking operations	8	**131,075**	134,635
Fees and commission income from non-insurance operations	9	**39,859**	37,995
Investment income	10	**115,053**	134,922
Share of profits and losses of associates and jointly controlled entities		**(1,370)**	(281)
Other income	11	**41,898**	26,955
Total income		**774,488**	693,220
Gross claims and policyholders' benefits	12	**(334,500)**	(304,653)
Less: Reinsurers' share and policyholders' benefits	12	**9,686**	15,143
Claims and policyholders' benefits		**(324,814)**	(289,510)
Commission expenses on insurance operations		**(78,754)**	(50,644)
Interest expenses on banking operations	8	**(52,937)**	(64,869)
Fees and commission expenses on non-insurance operations	9	**(4,392)**	(3,425)
Loan loss provisions, net of reversals	13, 23	**(45,491)**	(30,118)
Foreign exchange gains		**1,401**	256
General and administrative expenses		**(141,007)**	(135,155)
Finance costs		**(12,144)**	(7,539)
Other expenses		**(21,939)**	(18,803)
Total expenses		**(680,077)**	(599,807)
Profit before tax	13	**94,411**	93,413
Income tax	14	**(22,043)**	(28,235)
Profit for the year		**72,368**	65,178
Attributable to:			
– Owners of the parent		**62,394**	54,203
– Non-controlling interests		**9,974**	10,975
		72,368	65,178
Earnings per share attributable to ordinary equity holders of the parent:		RMB	RMB
– Basic	17	**3.50**	2.98
– Diluted	17	**3.49**	2.98

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

(in RMB million)	Note	2016	2015
Profit for the year		**72,368**	65,178
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets		**(16,026)**	2,486
Shadow accounting adjustments		**4,625**	(1,467)
Exchange differences on translation of foreign operations		**1,190**	(70)
Share of other comprehensive income of associates and jointly controlled entities		**(48)**	9
Income tax relating to components of other comprehensive income		**2,692**	(206)
Other comprehensive income for the year, net of tax	15	**(7,567)**	752
Total comprehensive income for the year		**64,801**	65,930
Attributable to:			
– Owners of the parent		**54,710**	54,565
– Non-controlling interests		**10,091**	11,365
		64,801	65,930

Consolidated Statement of Financial Position

As at 31 December 2016

(in RMB million)	Notes	31 December 2016	31 December 2015
Assets			
Cash and amounts due from banks and other financial institutions	18	**561,143**	439,327
Balances with the Central Bank and statutory deposits	19	**318,860**	299,689
Fixed maturity investments	20	**2,156,291**	1,911,871
Equity investments	21	**426,908**	370,899
Derivative financial assets	22	**8,836**	8,272
Loans and advances to customers	23	**1,458,291**	1,245,371
Premium receivables	24	**35,325**	34,072
Accounts receivable	25	**22,353**	16,778
Reinsurers' share of insurance liabilities	26	**15,269**	17,872
Finance lease receivable	27	**78,056**	57,598
Policyholder account assets in respect of insurance contracts	28	**39,706**	48,903
Policyholder account assets in respect of investment contracts	28	**4,084**	5,084
Investments in associates and jointly controlled entities	29	**48,955**	26,858
Investment properties	30	**36,568**	24,827
Property and equipment	31	**40,143**	35,158
Intangible assets	32	**63,017**	44,916
Deferred tax assets	43	**28,292**	15,663
Other assets	33	**234,806**	162,001
Total assets		**5,576,903**	4,765,159
Equity and liabilities			
Equity			
Share capital	34	**18,280**	18,280
Reserves	35	**188,910**	180,630
Retained profits	35	**176,259**	135,338
Equity attributable to owners of the parent		**383,449**	334,248
Non-controlling interests	35	**103,012**	79,323
Total equity		**486,461**	413,571
Liabilities			
Due to banks and other financial institutions	37	**584,794**	410,258
Other financial liabilities held for trading		**25,883**	8,506
Assets sold under agreements to repurchase	38	**89,166**	119,236
Derivative financial liabilities	22	**8,715**	4,527
Customer deposits and payables to brokerage customers	39	**1,894,377**	1,713,907
Accounts payable		**8,565**	4,735
Income tax payable		**22,003**	14,104
Insurance payables		**113,387**	82,485
Insurance contract liabilities	40	**1,625,473**	1,419,958
Investment contract liabilities for policyholders	41	**44,930**	42,690
Policyholder dividend payable		**39,216**	33,028
Bonds payable	42	**349,825**	264,413
Deferred tax liabilities	43	**11,274**	9,911
Other liabilities	44	**272,834**	223,830
Total liabilities		**5,090,442**	4,351,588
Total equity and liabilities		**5,576,903**	4,765,159

The financial statements on pages 142 to 288 were approved and authorized for issue by the Board of Directors on 22 March 2017 and were signed on its behalf.

MA Mingzhe	**SUN Jianyi**	**YAO Jason Bo**
Director	*Director*	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	For the year ended 31 December 2016							
	Equity attributable to owners of the parent							
(in RMB million)	Share capital	Capital reserves	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Retained profits	Non-controlling interests	Total equity
As at 1 January 2016	18,280	143,798	8,498	28,248	86	135,338	79,323	413,571
Profit for the year	-	-	-	-	-	62,394	9,974	72,368
Other comprehensive income for the year	-	(8,851)	-	-	1,167	-	117	(7,567)
Total comprehensive income for the year	-	(8,851)	-	-	1,167	62,394	10,091	64,801
Dividend declared (Note 16)	-	-	-	-	-	(10,054)	-	(10,054)
Appropriations to surplus reserves	-	-	2,868	-	-	(2,868)	-	-
Appropriations to general reserves	-	-	-	8,551	-	(8,551)	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	(1,640)	(1,640)
Acquisition of subsidiaries	-	-	-	-	-	-	6,219	6,219
Equity transactions with non-controlling interests	-	(1,927)	-	-	-	-	(3,276)	(5,203)
Contributions from non-controlling interests	-	1,835	-	-	-	-	2,059	3,894
Share purchase scheme	-	(121)	-	-	-	-	-	(121)
Other equity instruments issued by subsidiaries	-	-	-	-	-	-	10,236	10,236
Others	-	4,758	-	-	-	-	-	4,758
As at 31 December 2016	18,280	139,492	11,366	36,799	1,253	176,259	103,012	486,461

	For the year ended 31 December 2015							
	Equity attributable to owners of the parent							
(in RMB million)	Share capital	Capital reserves	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Retained profits	Non-controlling interests	Total equity
As at 1 January 2015	8,892	154,779	7,470	19,196	152	99,075	64,252	353,816
Profit for the year	-	-	-	-	-	54,203	10,975	65,178
Other comprehensive income for the year	-	428	-	-	(66)	-	390	752
Total comprehensive income for the year	-	428	-	-	(66)	54,203	11,365	65,930
Conversion of convertible bonds	248	8,871	-	-	-	-	-	9,119
Transfer of capital reserves to share capital	9,140	(9,140)	-	-	-	-	-	-
Dividend declared (Note 16)	-	-	-	-	-	(7,860)	-	(7,860)
Appropriations to surplus reserves	-	-	1,028	-	-	(1,028)	-	-
Appropriations to general reserves	-	-	-	9,052	-	(9,052)	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	(1,257)	(1,257)
Equity transactions with non-controlling interests	-	(1,193)	-	-	-	-	(1,233)	(2,426)
Contributions from non-controlling interests	-	953	-	-	-	-	6,036	6,989
Share purchase scheme	-	(127)	-	-	-	-	-	(127)
Shares held by consolidated assets management scheme	-	(13,392)	-	-	-	-	-	(13,392)
Others	-	2,619	-	-	-	-	160	2,779
As at 31 December 2015	18,280	143,798	8,498	28,248	86	135,338	79,323	413,571

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

(in RMB million)	Notes	2016	2015
Net cash flows from operating activities	49	**227,821**	135,618
Cash flows from investing activities			
Purchases of investment properties, property and equipment, and intangible assets		**(16,624)**	(16,529)
Proceeds from disposal of investment properties, property and equipment, and intangible assets		**376**	240
Proceeds from disposal of investments		**2,827,962**	1,670,438
Purchases of investments		**(3,243,364)**	(2,084,647)
Term deposits (placed)/withdrawal, net		**(23,139)**	42,286
Acquisition of non-controlling interests in subsidiaries		**(5,203)**	(2,427)
Acquisition and disposal of subsidiaries, net		**(12,558)**	(2,495)
Interest received		**116,966**	115,053
Dividends received		**35,917**	17,118
Rentals received		**1,615**	1,385
Others		**(12,564)**	(14,154)
Net cash flows used in investing activities		**(330,616)**	(273,732)
Cash flows from financing activities			
Capital injected into subsidiaries by non-controlling interests		**14,153**	7,124
Proceeds from bonds issued		**762,547**	387,982
Increase/(Decrease) in assets sold under agreements to repurchase of insurance operations, net		**(40,926)**	30,267
Proceeds from borrowed funds		**267,828**	69,649
Repayment of borrowed funds		**(848,513)**	(270,937)
Interest paid		**(13,284)**	(9,116)
Dividends paid		**(11,694)**	(9,040)
Others		**2,893**	(953)
Net cash flows from financing activities		**133,004**	204,976
Net increase in cash and cash equivalents		**30,209**	66,862
Net foreign exchange differences		**4,018**	2,503
Cash and cash equivalents at beginning of the year		**333,325**	263,960
Cash and cash equivalents at end of the year	48	**367,552**	333,325

1. CORPORATE INFORMATION

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

The registered office address of the Company is 47th, 48th, 109th, 110th, 111th and 112th Floors, Ping An Finance Center, No. 5033 Yitian Road, Futian District, Shenzhen Guangdong Province, China.

These consolidated financial statements are presented in millions of Renminbi ('RMB') unless otherwise stated.

2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS')

The Group has not applied the following new and revised standards, which have been issued but are not yet effective.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: 1) amortized cost, 2) fair value through OCI and 3) fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

The changes arising from applying IFRS 9 are likely to have a material impact on the Group and the Group is currently assessing IFRS 9's full impact. The adoption of the new standard will mainly result in more financial instruments being classified as fair value through profit and loss and will lead to a change in the measurement of these financial instruments. In addition, the new expected credit losses model mentioned above will alter the current IAS 39 approach and impact the accounting of the financial instruments.

2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS') (CONTINUED)

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The new standard is mandatory for financial years commencing on or after 1 January 2019. The Group is yet to assess IFRS 16's full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) BASIS OF PREPARATION

The financial statements have been prepared in accordance with IFRS which comprise standards and interpretations approved by the IASB and IFRS Interpretations Committee applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which have been measured at fair value and insurance contract liabilities, which have been measured primarily based on actuarial methods.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

To the extent that a topic is not covered explicitly by IFRS, the IFRS framework permits reference to another comprehensive body of accounting principles, and therefore the Group has chosen to refer to the accounting practices currently adopted by insurance companies reporting under Accounting Standards for Business Enterprises ('PRC Accounting Standards').

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Changes in accounting estimates

Material judgment is required in determining long term insurance contract liabilities and in choosing discount rates/investment return, mortality, morbidity, lapse rates, policy dividend, and expenses assumptions relating to long term life insurance contracts. Such assumptions should be determined based on current information available at the end of the reporting date. The Group has changed the above assumptions based on current information available as at 31 December 2016 (mainly due to the decrease of the benchmarking yield curve for the measurement of insurance contract liabilities) and updated estimate for future cash flows, with the corresponding impact on long term life insurance contract liabilities taken into the current year's statement of income. As a result of such changes in assumptions, long term life insurance and long term health insurance policyholders' reserves were increased by RMB28,909 million as at 31 December 2016 and the profit before tax for the year 2016 was decreased by RMB28,909 million.

(3) BUSINESS COMBINATIONS AND GOODWILL

Business combinations that are not under common control are accounted for using the acquisition method. The cost of an acquisition is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or a liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognized in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) BUSINESS COMBINATIONS AND GOODWILL (CONTINUED)

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 subsequent periods.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

(4) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2016 and for the year then ended.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends, are eliminated on consolidation in full, unless the transaction provides evidence of an impairment of the transferred asset.

Total comprehensive income within a subsidiary is still attributed to the non-controlling interest even if it results in a deficit balance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) BASIS OF CONSOLIDATION (CONTINUED)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

(5) SUBSIDIARIES

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The results of subsidiaries are included in the Company's statement of income to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

(6) STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

The Group determines whether it is an agent or a principal in relation to those structured entities in which the Group acts as an asset manager. If an asset manager is agent, it acts primarily on behalf of others and so does not control the structured entity. It may be principal if it acts primarily for itself, and therefore controls the structured entity.

The Group has determined that all of its trust products, debt investment plans, equity investment plans and asset funding plans, which are not controlled by the Group, are unconsolidated structured entities. Trust products, equity investment plans and asset funding plans are managed by affiliated or unaffiliated trust companies or asset managers and invest the funds raised in loans or equities of other companies. Debt investment plans are managed by affiliated or unaffiliated asset managers and its major investment objectives are infrastructure funding projects. Trust products, debt investment plans, equity investment plans and asset funding plans finance their operations by issuing beneficiary certificates which entitle the holders to agreed stake according to contractual terms in the respective trust products', debt investment plans', equity investment plans' and asset funding plans' income.

The Group holds beneficiary certificates in its trust products, debt investment plans, equity investment plans and asset funding plans.

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 post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment are recognized in profit or loss.

The results of associates are included in the Company's statement of income to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

(8) JOINTLY CONTROLLED ENTITIES

The Group has assessed the nature of its jointly controlled entities and determined them to be joint ventures. The Group has rights to the net assets of these jointly controlled entities. The Group's investments in its jointly controlled entities are accounted for using the equity method of accounting, less any impairment losses. Refer to Note 3. (7) for details of the equity method of accounting.

(9) FOREIGN CURRENCIES

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currency of most of overseas subsidiaries is the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of income are translated into RMB at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange differences on translation of foreign operations reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of income.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates 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)

(10) CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits, current accounts with the Central Bank and short term highly liquid investments including assets purchased under reverse repurchase agreements and others which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(11) INVESTMENTS AND OTHER FINANCIAL ASSETS

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets, as appropriate.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held-to-maturity categories are used when the relevant liabilities (including shareholders' funds) are relatively passively managed and/or carried at amortized cost.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date the Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial instruments at fair value through profit or loss have two sub-categories namely financial instruments held for trading and those designated at fair value through profit or loss at inception. Financial instruments typically bought with the intention to sell in the near future are classified as held for trading. A financial instrument can only be designated at inception as at fair value through profit or loss and cannot be subsequently changed. For financial instruments designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial asset contains an embedded derivative that needs to be separately recorded.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(11) INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

These financial instruments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Fair value adjustments and realized gains and losses are recognized in the statement of income.

Financial assets at fair value through profit or loss include derivative financial instruments.

Held-to-maturity financial assets are non-derivative financial assets that comprise fixed or determinable payments and maturities of which the Group has the positive intention and ability to hold until maturity. Investments intended to be held for an undefined period are not included in this classification. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost using the effective interest method and less any provision for impairment. The amortized cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the statement of income when the investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. It includes policy loans. Loans and receivables acquired by the Group are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost, using the effective interest method less any provision for impairment. Gains and losses are recognized in the statement of income when the investments are derecognized or impaired, as well as through the amortization process. Policy loans originated by the Group are carried at amortized cost.

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the capital reserve until the asset is derecognized, at which time, the cumulative gain or loss is recognized in investment income, or until the investment is determined to be impaired, when the cumulative loss is recognized in the statement of income in investment income and removed from the capital reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(11) INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

Reclassification of financial assets with fixed or determinable payments and fixed maturity from available for sale to held-to-maturity is permitted when the Group has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate ('EIR'). Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

(12) FINANCIAL LIABILITIES

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, minus directly attributable transaction costs.

The Group's financial liabilities mainly include investment contracts without discretionary participation features ('DPF'), net asset value attributable to unit holders, trade and other payables, borrowings, insurance payables and derivative financial instruments.

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

Loans and borrowings include subordinated debts. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) FINANCIAL LIABILITIES (CONTINUED)

Convertible bonds

Convertible bonds comprise of the liability and equity components. The liability component, representing the obligation to make fixed payments of principal and interest, is classified as liability and initially recognized at the fair value, calculated using the market interest rate of a similar liability that does not have an equity conversion option, and subsequently measured at amortized cost using the effective interest method. The equity component, representing an embedded option to convert the liability into common shares, is initially recognized in 'Others' under 'Reserves' as the difference between the proceeds received from the convertible bonds as a whole and the amount of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds.

On conversion of the bonds into shares, the amount transferred to 'Share capital' is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the carrying value of the related component of the converted bonds and the amount transferred to 'Share capital' is recognized in 'Share premium' under 'Reserves'.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The Group initially measures such contracts at fair value, being the premium received. This amount is recognized ratably over the period of the contract to fees and commission income. Subsequently, the liabilities are measured at the higher of the initial fair value less cumulative amortization recognized in the statement of income, and the fair value of the provision related to the Group's obligation under the contract.

Apart from the above financial guarantee contracts issued by the Group's banking operations which are accounted for under IAS 39, the Group has also regarded certain contracts it issued with financial guarantee element as insurance contracts and has used the accounting method applicable to insurance contracts, and accordingly has elected to apply IFRS 4 to account for such contracts (Note 3. 29.)

(13) DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments mainly include interest rate swaps, options embedded in convertible bonds purchased by the Group, equity warrants, forward currency contracts and credit related derivatives. Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Embedded derivatives are treated as separate derivatives and are recorded at fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through profit or loss. Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

Derivative financial instruments held for trading are typically entered into with the intention to settle in the near future. These instruments are initially recorded at fair value. Subsequent to initial recognition, these instruments are remeasured at fair value. Fair value adjustments and realized gains and losses are recognized in the statement of income.

(14) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business at the end of the reporting period. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar instruments. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the end of the reporting period.

When equity investments have no quoted price in active market and their fair value cannot be reliably measured, such investments are stated at cost less any impairment losses.

(15) OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(16) IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of the reporting period the carrying amount of financial assets. If there is any objective evidence that a financial asset is impaired, the Group provides for such impairment losses. The objective evidence which indicates impairment of financial assets represents events actually occurring after initial recognition of financial assets which have an impact on the financial assets' estimated future cash flows, and the impact can be reliably measured.

Available-for-sale financial assets

As at the end of each reporting period, the Group evaluates each of the available-for-sale equity instruments to determine whether the investments are impaired. If objective evidence of impairment exists, the Group records an impairment loss in the statement of income equal to the difference between the cost of the instrument and the current fair value, adjusted for losses recorded in previous periods. Any unrealized gains or losses previously recognized in the available-for-sale financial assets reserve is removed and recognized in the statement of income as part of the calculation of impairment loss described above.

For equity instruments, a significant or prolonged decline in the fair value of an equity instrument is objective evidence of impairment. In conducting an impairment analysis, the Group considers quantitative and qualitative evidence. More specifically, the Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. The Group generally considers a decline of 50% or more as significant and a period of 12 months or longer is considered to be prolonged.

The Group also considers qualitative evidence that includes, but is not necessarily limited to the following:

- ► Significant financial difficulty of the investee, including failure to comply with contractual obligations, financial restructuring, deterioration of going concern expectations;

- ► Adverse changes relative to the investee's technology, market, customer base, macroeconomic indicators relative to the business, significant legal or regulatory matters.

Impairments do not establish a new cost basis and, accordingly, to the extent an impairment loss has been previously recorded due to the significant or prolonged criteria described above, any subsequent losses, including any portion attributable to foreign currency changes, are also recognized in profit or loss until the asset is derecognized.

If after an impairment loss has been recognized on an available-for-sale debt instrument, and the fair value of the debt instrument increases in a subsequent period whereby the increase can be objectively related to an event occurring after the impairment losses were recognized, the impairment loss is reversed which is recognized in profit or loss. Impairment losses recognized for equity instruments classified as available-for-sale are not reversed through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(16) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Financial assets carried at amortized cost

If financial assets carried at amortized cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognized as an impairment loss in the statement of income. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognizes the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognized are not included 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.

(17) DERECOGNITION OF FINANCIAL INSTRUMENTS

A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

(a) the rights to receive cash flows from the asset have expired; or

(b) the Group has transferred the asset; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(17) DERECOGNITION OF FINANCIAL INSTRUMENTS (CONTINUED)

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 statement of income.

(18) ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS AND ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Assets sold under repurchase agreements continue to be recognized but a liability is presented under 'assets sold under agreements to repurchase' for the proceeds from selling such assets. The Group may be required to provide additional collateral based on the fair value of the underlying assets and such non-cash collateral assets continue to be carried on the statement of financial position at the end of the reporting period. The difference between the selling price and repurchasing price is recognized as interest expense during the term of the agreement using the effective interest method.

The Group enters into purchases of assets under reverse repurchase agreements. Assets purchased under such agreements are not recognized. The amounts advanced under these agreements are reflected as assets purchased under reverse repurchase agreements under fixed maturity investments in the statement of financial position as loans and receivables. The Group may not take physical possession of assets purchased under such agreements. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying assets. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

Sale of assets under repurchase agreements and purchase of assets under reverse repurchase agreements of bank and securities businesses are included in the operating activities of consolidated statement cash flows and sale of assets under repurchase agreements and purchase of assets under reverse repurchase agreements of insurance business are included in the financing and investing activities of consolidated statement of cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) FINANCE LEASE RECEIVABLE AND UNEARNED FINANCE INCOME

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognizes the minimum lease payments receivable by the Group, the initial direct costs and the unguaranteed residual value in the finance lease receivable. The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) the aggregate of their present values is recognized as unearned finance income. Finance lease receivable net of unearned finance income which represents the Group's net investment in the finance lease is presented as finance lease receivable in the consolidated statement of financial position. Unearned finance income is allocated over the lease term based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease.

(20) PRECIOUS METALS

The Group's precious metals represent gold and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net recoverable amount. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in statement of income.

(21) INVESTMENT PROPERTIES

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the individual investment properties.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Transfers to, or from, investment properties are made when, and only when, there is evidence of a change in use or the investment property is sold.

Investment properties are interests in land and buildings that are held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) PROPERTY AND EQUIPMENT

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of income in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of income in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal assumptions used for this purpose are as follows:

	Estimated residual values	Estimated useful lives
Leasehold improvements	–	Over the shorter of economic useful lives and terms of the leases
Buildings	1% – 10%	20 – 40 years
Equipment, furniture and fixtures	0% – 10%	3 – 15 years
Motor vehicles	1% – 10%	5 – 10 years

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(23) CONSTRUCTION IN PROGRESS

Construction in progress mainly represents costs incurred in the construction of building premises, as well as the cost of equipment pending installation, less any impairment losses.

No provision for depreciation is made on construction in progress until such time the relevant assets are completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(a) Core deposits

Core deposits are accounts that a financial institution expects to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflects the present value of additional cash flow resulted from the use of the deposits at a lower cost alternative source of funding in the future periods.

(b) Expressway operating rights

Expenditures on acquiring the expressway operating rights are capitalized as intangible assets and subsequently amortized on the straight-line basis over the contract terms.

(c) Prepaid land premiums

Prepaid land premiums are prepaid under PRC law for fixed periods. Prepaid land premiums are initially stated at cost and subsequently amortized on the straight-line basis over the lease terms. All of the Group's prepaid land premiums are related to lands located in Mainland China.

(d) Trademarks

Trademarks are initially stated at cost and subsequently amortized on the straight-line basis over the estimated useful lives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) INTANGIBLE ASSETS (OTHER THAN GOODWILL) (CONTINUED)

The useful lives of intangible assets are set as below:

	Estimated useful lives
Expressway operating rights	20 – 30 years
Prepaid land premiums	30 – 50 years, indefinite
Core deposits	20 years
Trademarks	10 – 40 years
Software and others (including patents and know-how, customer relationships and contract rights, etc.)	2 – 28 years

(25) FORECLOSED ASSETS

Foreclosed assets are initially recognized at fair value. The difference between the initial fair value and the sum of the related loan principal, interest receivable and impairment provision is taken into the statement of income. At the end of the reporting period, the foreclosed assets are measured at the lower of their carrying value and net recoverable amount. When the carrying value of the foreclosed assets is higher than the net recoverable amount, a provision for the decline in value of foreclosed assets is recognized in the statement of income in 'General and administrative expenses'.

(26) INVENTORIES

The Group's inventories comprise raw materials, product in progress, finished goods, other supplemental materials, etc. and lands purchased that have been set to be used to build properties for sale by real estate subsidiaries. Inventory is initially measured at cost which includes purchasing cost, processing cost and other costs which made the inventory to the present place and status.

The actual cost of inventory is priced based on moving weighted average method.

At the end of the reporting period, inventory is measured at the lower of its cost and net realizable value. If the net realizable value is lower than cost, inventory impairment provisions are allotted.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and related taxes. Estimates of net recoverable amount are based on the most reliable evidence available at the time the estimates are made, also taking into consideration the purpose for which the inventory is held and the influence after the end of the reporting period.

Inventory impairment provisions should be accrued when the cost of individual inventory item is higher than its net realizable value.

After allotting inventory impairment provisions, if the influencing factors of previous inventory impairment provisions have disappeared, and hence the net realizable value of the inventories are higher than their book values, the previous written down amount should be recovered and the reversed amount which is within the amount of original allotted inventory impairment provisions should be included in current profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(27) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that a non-financial asset other than deferred tax assets may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For non-financial assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of income.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. The recoverable amount is the higher of its fair value less costs to disposal and its value-in-use, determined on an individual asset (or cash-generating unit) basis, unless the individual asset (or cash-generating unit) does not generate cash flows that are largely independent from those of other assets or groups of assets (or groups of cash-generating units). Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Intangible assets with indefinite useful lives are tested for impairment annually at each year end either individually or at the cash-generating unit level, as appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(28) INSURANCE GUARANTEE FUND

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

- 0.8% of the premium income for non-investment type property insurance, 0.08% of the consideration received for investment type property insurance with guaranteed return, and 0.05% of the consideration received for investment type property insurance without guaranteed return;
- 0.15% of the consideration received for life insurance with guaranteed return, and 0.05% of the consideration received for life insurance without guaranteed return;
- 0.8% of the premium income for short term health insurance, and 0.15% of the premium income for long term health insurance; and
- 0.8% of the premium income for non-investment type accident insurance; 0.08% of the consideration received for investment type accident insurance with guaranteed return, and 0.05% of the consideration received for investment type accident insurance without guaranteed return.

No additional provision is required when the accumulated insurance guarantee fund balances of Ping An Life Insurance Company of China, Ltd. ('Ping An Life'), Ping An Annuity Insurance Company of China, Ltd. ('Ping An Annuity') and Ping An Health Insurance Company of China, Ltd. ('Ping An Health') reach 1% of their respective total assets. For Ping An Property & Casualty Insurance Company of China, Ltd. ('Ping An Property & Casualty'), no additional provision is required when the accumulated balance reaches 6% of its total assets. Insurance guarantee fund levy is charged to expenses as incurred.

The revenue and premium income used in the calculation of the insurance guarantee fund is the amount agreed in the insurance policies.

(29) INSURANCE CONTRACTS

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is mainly dependent on the magnitude of its potential effect.

Some insurance contracts contain both an insurance component and a deposit component. The Group chooses to unbundle those components, if the insurance component and the deposit component are distinct and separately measurable. The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for according to relevant accounting policies. If the insurance component and the deposit component are not distinct and separately measurable, the whole contract is accounted for as an insurance contract.

(30) SIGNIFICANT INSURANCE RISK TESTING

For other insurance contracts issued by the Group, tests are performed to determine if the contracts contain significant insurance risk, and contracts of similar nature are grouped together for this purpose. When performing the significant insurance risk test, the Group makes judgments in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(31) INSURANCE CONTRACT LIABILITIES

The insurance contract liabilities of the Group include long term life insurance policyholders' reserves, unearned premium reserves and claim reserves.

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Property and casualty and short term life insurance policies are grouped into certain measurement units by lines of business. For long term life insurance policies, the Group mainly considers the characteristics of the policies, including product type, gender, age, and durations of policies, when determining the measurement units.

Insurance contract liabilities are measured based on a reasonable estimate of amount of payments when the Group fulfils the relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfill the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:
  - Guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits;
  - Non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends, etc;
  - Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses, claim expenses, etc.
- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the statement of income over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(31) INSURANCE CONTRACT LIABILITIES (CONTINUED)

- Risk margin represents provision for the uncertainty associated with the future net cash flows. The Group determines risk margins of the long term life insurance policyholders' reserves using the scenario comparison method. The unfavorable scenarios are determined according to the uncertainty and impact of expected net cash outflows.

- At inception of an insurance contract, any 'day-one' gain is not recognized in the statement of income, but included in the insurance contract liabilities as a residual margin. The residual margin is calculated net of certain acquisition costs, mainly consisting of commission expenses on insurance operations. At inception of an insurance contract, any 'day-one' loss is recognized in the statement of income. Any residual margin is subsequently measured based on the assumptions of the years when the policies become effective, and will not be adjusted for future change in assumptions. For non-life insurance contracts, the Group amortizes the residual margin which is embedded in the unearned premium reserves on a time basis during the whole insurance coverage period and records it in profit or loss. For life insurance contracts, the Group amortizes the residual margin on the basis of the sums insured or the number of policies during the whole insurance coverage period.

When measuring insurance contract liabilities, the time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short duration contracts whose duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money is determined with reference to information currently available as at the end of the reporting period and is not locked.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to reprice the premium.

Unearned premium reserves

The unearned premium reserves are provided for unexpired insurance obligations of property and casualty and short term life insurance contracts.

Unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions made for commissions, insurance guarantee fund, regulatory charges and other incremental costs. Subsequent to initial recognition, unearned premium reserves are measured on a 1/365 basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(31) INSURANCE CONTRACT LIABILITIES (CONTINUED)

Claim reserves

Claim reserves are insurance contract liabilities provided for insurance claims of the property and casualty and short term life insurance contracts. Claim reserves include incurred and reported reserves, incurred but not reported ('IBNR') reserves and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using the case-by-case estimate method and average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using the chain ladder method, the Bornhuetter-Ferguson method, the loss ratio method and the average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on a reasonable estimate of ultimate necessary claim expenses in the future by using the case-by-case estimate method and ratio allocation method as well as margins.

Long term life insurance policyholders' reserves

Long term life insurance policyholders' reserves are insurance contract liabilities provided for long term life and health insurance contracts.

The Group determines risk margins of the long term life insurance policyholders' reserves using the scenario comparison method. The unfavorable scenarios are determined according to the uncertainty and impact of expected net cash outflows.

The key assumptions used in the measurement of long term life insurance policyholders' reserves include insurance accident occurrence rates, lapse and surrender rates, expense assumptions, policy dividend assumptions, discount rate, etc. In deriving these assumptions, the Group uses information currently available as at the end of the reporting period. Changes in assumptions are recognized immediately in the statement of income.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed on the unearned premium reserves, claim reserves and long term life insurance policyholders' reserves. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceeds their carrying amounts on date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference and charged in the statement of income. Otherwise, no adjustment is made for the respective insurance contract liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(32) DPF IN LONG TERM LIFE INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

Some of the Group's long term life insurance contracts and investment contracts contain a discretionary participating feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits. These contracts are collectively called participating contracts. Under the current PRC insurance regulations, the Group is obligated to pay to the policyholders of participating contracts at least 70% of the distributable surplus in each period, which includes net investment spread arising from the assets supporting these contracts and mortality gains or losses on the pool of contracts to which the participating contract belongs. The amounts to be collectively allocated to the policyholders are referred to as the eligible surplus. The amount and timing of the subsequent distribution of the eligible surplus to individual policyholders of participating contracts is subject to future declarations by the Group. As long as the eligible surplus has not been declared and paid, it is included in the long term life insurance policyholders' reserves and investment contract reserves. To the extent that there is a subsequent change in the expected future eligible surplus due to realized and unrealized gains, which may be paid to policyholders of participating insurance contracts in the future under the policy terms, such a change in surplus is included in long term life insurance policyholders' reserves and investment contract reserves.

A shadow accounting adjustment is applied to recognize the change in surplus in other comprehensive income to the extent that such change is derived from unrealized gains or losses on supporting assets recognized directly in other comprehensive income.

(33) INVESTMENT CONTRACTS

Insurance policies that are not considered insurance contracts under IFRS 4 are classified as investment contracts. These policies do not contain significant insurance risk.

- Premium receipts are recognized not as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the statement of income. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Charges including policy administration fees are recognized as other income during the period of service provided.

(34) INVESTMENT-LINKED BUSINESS

The individual investment-linked contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. The group investment-linked contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(34) INVESTMENT-LINKED BUSINESS (CONTINUED)

The assets and liabilities related to investment-linked contracts which are regarded as insurance contracts are presented as policyholder account assets and liabilities in respect of insurance contracts. The assets and liabilities related to investment-linked contracts which are regarded as investment contracts are presented as policyholder account assets and liabilities in respect of investment contracts. The assets and liabilities of each investment-linked fund are segregated from each other and from the rest of the Group's invested assets for record keeping purposes. As the investment risks of investment-linked contracts were fully borne by policyholders, the assets and liabilities related to investment-linked contracts were not included in the analysis of risk management in Note 45.

The group investment-linked contracts and the deposit component unbundled from the above individual investment-linked insurance contracts are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented in policyholder account liabilities. These liabilities are initially measured and subsequently carried at fair value. Commissions, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the statement of income.

- Charges including account management fees and surrender charges are calculated at a fixed amount or certain percentage of policy account liabilities. Account management fees are recognized as other income during the period of service provided and surrender charges are recognized as other income as incurred.

- Assets of investment-linked contracts are initially measured and subsequently carried at fair value, presented as policyholder account assets.

(35) UNIVERSAL LIFE BUSINESS

The universal life contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are separated from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts as described in Note 3. (31).

The deposit components separated from the above universal life insurance contracts are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented in policyholder contract deposits. These liabilities are initially measured at fair value and subsequently measured using a discounted cash flow model. Commissions, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Fair value changes on available-for-sale financial assets related to the universal life insurance portfolio are recognized in other comprehensive income. Changes in the insurance liabilities for the universal life insurance portfolio is also recognized in other comprehensive income to the extent that such change is derived from fair value changes on available-for-sale financial assets related to the universal life insurance portfolio attributable to policyholders.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(36) PROVISIONS

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognized is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation.

Except for contingent considerations deriving from or contingent liabilities assumed in business combinations, contingent liabilities are recognized as provisions if the following conditions are met:

- An entity has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period with the consideration of risks, uncertainties and the present value. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

(37) REVENUE RECOGNITION

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The Group's main revenue is recognized on the following bases:

(a) Gross premium

Premium income and reinsurance premium income is recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

Premiums from long term life insurance contracts with installment or single payments are recognized as revenue when due. Premiums from property and casualty and short term life insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts. Accounting policies for reinsurance contracts are described in Note 3. (38).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(37) REVENUE RECOGNITION (CONTINUED)

(b) Income from investment contracts

Revenues from investment contracts issued by the Group are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. The fees are recognized as revenue in the period in which they are due unless they relate to services to be provided in future periods which would be deferred and recognized as the service is provided. Initiation and other front-end fees are charged for certain investment contracts recorded at amortized cost and are recognized through an adjustment to the effective yield.

(c) Interest income

Interest income for interest bearing financial instruments, is recognized in the statement of income using the effective interest rate method. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Fees and commission income of non-insurance operations

The Group earns fees and commission income of non-insurance operations from a diverse range of services it provides to its customers. Fee income can be divided into the following main categories:

Fee income earned from services that are provided over a certain period of time

Fees earned from the provision of services over a period of time are accrued over that period. These fees include investment fund administration fees, custodian fees, fiduciary fees, credit related fees, asset management fees, portfolio and other management fees, advisory fees, etc. However, loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on the completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees may include underwriting fees, corporate finance fees, brokerage fees. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same effective interest rate as for the other participants.

(e) Dividend income

Dividend income is recognized when the right to receive dividend payment is established.

(f) Expressway toll fee income

Expressway toll fee income is recognized upon the completion of services.

(g) Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(38) REINSURANCE

The Group undertakes inward and outward reinsurance in the normal course of operations. All of the reinsurance business of the Group has significant insurance risk transfer.

Outward reinsurance business

Outward reinsurance arrangements do not relieve the Group from its obligations to policyholders. When recognizing premium income from insurance contracts, the Group calculates to determine the amount of premium ceded and reinsurers' share of expenses and recognize them through profit or loss according to reinsurance contracts. When calculating unearned premium reserves, claim reserves and long term life policyholders' reserves of insurance contracts, the Group estimates the reinsurance related cash flows according to the reinsurance contracts, considers the risk margin when determining the amount of insurance contract reserves to be recovered from reinsurers, and recognizes reinsurers' share of insurance contract liabilities. When insurance contract liabilities are reduced for actual payment of claims and claim expenses, reinsurers' share of insurance contract liabilities are reduced accordingly. In the meantime, the Group calculates to determine the amount of claim expenses to be recovered from the reinsurers according to the reinsurance contracts and recognizes the amount through profit or loss. When there is an early termination of an insurance contract, the Group calculates to determine the adjustment amount of premium ceded and reinsurers' share of expenses according to the reinsurance contracts and recognizes the amount through profit or loss, and the balance of reinsurers' share of insurance contract liabilities is reversed accordingly.

As a cedent, the Group presents in the statement of financial position the assets arising from reinsurance contracts and the liabilities arising from insurance contracts separately instead of offsetting the assets and liabilities. The Group also presents in the statement of income the income derived from reinsurance contracts and the expenses incurred for insurance contracts separately instead of offsetting the income and expenses.

Inward reinsurance business

During the period of recognizing reinsurance premium income, the Group determines reinsurance expenses according to the reinsurance contracts and recognizes the expenses through profit or loss. As for profit commission, the Group recognizes it as a reinsurance expense through profit or loss according to the reinsurance contracts when it is feasible to determine the amount of profit commission to be paid to the reinsurers.

Upon receipt of the statement of the reinsurance business, the Group adjusts the reinsurance premium income and reinsurance expenses, and then recognizes the adjusted amounts through profit or loss according to the ceding company statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(39) POLICYHOLDER DIVIDENDS

Policyholder dividends represent dividends payable by the Group to policyholders in accordance with the terms of direct insurance contracts. The dividends are calculated and provided based on the dividend allocation method and the results of actuarial valuation.

(40) OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

Where the Group is the lessor, assets leased by the Group under operating leases are included in investment properties and rentals receivable under such operating leases are credited to the statement of income on the straight-line basis over the lease terms.

Where the Group is the lessee, rentals payable under operating leases are charged to the statement of income on the straight-line basis over the lease terms. The aggregate benefit of incentives provided by the lessor is recognized as a reduction in rental expenses over the lease terms on the straight-line basis.

(41) EMPLOYEE BENEFITS

(a) Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

(b) Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes monthly contributions for medical benefits to the local authorities in accordance with the relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(42) SHARE-BASED PAYMENT

Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan (share purchase scheme), under which the Group receives services from employees as consideration for equity instruments.

The total amount to be expensed is determined by reference to the fair value of the shares granted, which includes the impact of market performance conditions (for example, an entity's share price) but excludes the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period) and includes the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time). The Group also estimates the number of total shares expected to vest taking into consideration of service and non-market performance conditions. Total expense based on fair value of the shares granted and number of shares expected to vest is recognized over the vesting period.

At the end of each reporting period, the Group revises its estimates of the number of options and awarded shares that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of income, with a corresponding adjustment to equity.

The Company settles with the awardees under the share purchase scheme upon vesting.

(43) SHARES HELD BY CONSOLIDATED STRUCTURED ENTITIES

The Group's subsidiaries consolidated certain third party assets management scheme. These assets managements schemes invested in the insurance index shares. As such the Group indirectly hold the Company's shares. The employee share purchase scheme consolidated by the Group also hold the Company's shares. The consideration paid by the consolidated structured entities in purchasing the Company's shares from the market, including any directly attributable incremental cost, is debited to 'Share premium' under 'Reserves'. No gain or loss shall be recognized in profit or loss on the sale of those shares, the consideration received is credited to 'Share premium' under 'Reserves'.

(44) TAX

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income, or in other comprehensive income or in equity if it relates to items that are recognized in the same or a different period directly in other comprehensive income or in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(44) TAX (CONTINUED)

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed by the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(45) DIVIDENDS

When the final dividends proposed by the directors have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

(46) RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(47) SEGMENT REPORTING

For management purposes, the Group is organized into operating segments based on the internal organization structure, management requirements and internal reporting. The reportable segments are determined and disclosed based on operating segments and the presentation is consistent with the information reported to the Board of Directors.

Operating segments refer to the Group's component that satisfies the following conditions:

(1) The component produces income and expenses in its daily operation;

(2) The management of the Company regularly assesses the operating results of its business units for the purpose of making decisions about resources allocations and performance assessment;

(3) The Group is able to obtain the accounting information such as the financial position, operating results and cash flows of the component.

Two or more operating segments can be merged as one if they have similar characteristics and satisfy certain conditions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities in these financial statements. Estimates and judgments are continually assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgments and accounting estimation, which have the significant effect on the amounts recognized in the financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(1) FAIR VALUE OF FINANCIAL INSTRUMENTS DETERMINED USING VALUATION TECHNIQUES

Fair value, in the absence of an active market, is estimated by using valuation techniques, mainly include market approach and income approach, reference to the recent arm's length transactions, current market value of another instrument which is substantially the same, and by using the discounted cash flow analysis and/or option pricing models.

When using valuation techniques to determine the fair value of financial instruments, the Group considers all observable market parameters that market participants would consider in trading, including interest rate, foreign exchange rate, commodity prices and share prices or index. When related observable parameters are unavailable or inaccessible, the Group uses unobservable parameters and makes estimates for credit risk, market volatility and liquidity adjustments.

Using different valuation techniques and parameter assumptions may lead to significant differences of fair value estimations.

(2) IMPAIRMENT OF LOANS AND ADVANCES TO CUSTOMERS, FINANCE BONDS, CORPORATE BONDS, ASSET MANAGEMENT SCHEMES, DEBT SCHEMES AND TRUST SCHEMES

The Group reviews its loans and advances to customers, finance bonds, corporate bonds, asset management schemes, debt schemes and trust schemes at each reporting date to assess whether these financial assets are impaired and provision for losses should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Refer to Note 3. (16) for the factors which the Group considers when making such judgment.

(3) IMPAIRMENT OF AVAILABLE-FOR-SALE EQUITY INVESTMENTS

The Group considers that impairment provision is needed for an available-for-sale equity investment when there is a significant or prolonged decline in fair value of that security below its cost. Management exercises judgment when determining conditions that are considered 'significant or prolonged'. Refer to Note 3. (16) for the factors which the Group considers when making such judgment.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(4) MEASUREMENT UNIT AND VALUATION OF INSURANCE CONTRACT LIABILITIES

The Group makes significant judgments on whether a group of insurance contracts' insurance risks are of the same nature. Different measurement units would affect the measurement of insurance contract liabilities.

At the end of the reporting period, when measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of amounts of the payments which the Group is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period.

At the end of the reporting period, the Group shall make an estimate of the assumptions used in the measurement of insurance contract liabilities. Such assumptions shall be determined based on information currently available at the end of the reporting period. To determine these assumptions, the Group selects proper risk margins according to both uncertainties and degree of impact of expected future cash outflows. Refer to Note 3. (2) for the changes in accounting policies and estimates.

The main assumptions used in the measurement of policyholders' reserves and unearned premium reserves are as follows:

► For long term life insurance contracts where the future insurance benefits are not affected by investment return of the underlying asset portfolio, 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 2016 ranged from 3.12%- 5.00% (31 December 2015: 3.55%- 5.29%).

  For long term non-life insurance contracts where the future insurance benefits are not affected by investment return of the underlying asset portfolio, as the risk margin has no material impact on the reserve measurement, the discount rate assumption used is the benchmarking yield curve for the measurement of insurance contract liabilities published by China Central Depository and Clearing Co., Ltd.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(4) MEASUREMENT UNIT AND VALUATION OF INSURANCE CONTRACT LIABILITIES (CONTINUED)

For long term life insurance contracts where the future insurance benefits are affected by investment return of the underlying asset portfolio, the discount rates are determined based on expected future investment returns of the asset portfolio backing those liabilities. The future investment returns assumption for the measurement as at 31 December 2016 ranged from 4.75%- 5.00% (31 December 2015: 4.75%-5.50%).

For short term insurance contracts liabilities whose duration is within one year, the future cash flows are not discounted.

The discount rate and investment return assumptions are affected by the future macro-economy, capital market, investment channels of insurance funds, investment strategy, etc., and therefore subject to uncertainty.

- The Group uses reasonable estimates, based on market and actual experience and expected future development trends, in deriving assumptions of mortality rates, morbidity rates, disability rates, etc.

The assumption of mortality rates is based on the industrial benchmark or 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. They are affected by factors such as future macro-economy and market competition, and hence subject to uncertainty.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(4) MEASUREMENT UNIT AND VALUATION OF INSURANCE CONTRACT LIABILITIES (CONTINUED)

- The Group uses reasonable estimates, based on 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 based on a dividend rate of 85%.

- In the measurement of unearned premium reserves for the property and casualty insurance and short term life insurance business, the Group applies the cost of capital approach and the insurance industry guideline ranged from 3% to 6% to determine risk margins.

The major assumptions needed in measuring claim reserves include the claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The 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% to determine risk margins.

(5) CLASSIFICATION AND UNBUNDLING/SEPARATION OF INSURANCE CONTRACTS AND SIGNIFICANT INSURANCE RISK TESTS

The Group makes significant judgments on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. Such judgment affects the unbundling/separation of insurance contracts.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(5) CLASSIFICATION AND UNBUNDLING/SEPARATION OF INSURANCE CONTRACTS AND SIGNIFICANT INSURANCE RISK TESTS (CONTINUED)

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.

The unbundling/separation and classification of insurance contracts would affect the Group's revenue recognition, liability measurement and financial statement presentation.

(6) DETERMINATION OF CONTROL OVER THE STRUCTURED ENTITIES

To determine whether the Group controls the structured entities of which the Group acts as an asset manager, management applies judgment based on all relevant fact and circumstance to determine whether the Group is acting as the principal or agent for the structured entities. If the Group is acting as the principal, it has control over the structured entities. In assessing whether the Group is acting as the principal, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variable returns results from its additional involvement with structured entities. The Group will perform reassessment once the fact and circumstance changes leading to changes in above factors.

For further disclosure in respect of the maximum risk exposure of unconsolidated structured entities in which the Group has an interest, see Note 45. (8).

5. SCOPE OF CONSOLIDATION

(1) Particulars of the Company's principal subsidiaries as at 31 December 2016 are set out below:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Group (%)	Proportion of ordinary shares indirectly held by the Group (%)	Proportion of votes (%) (i)	Registered/authorized capital (RMB unless otherwise stated)
Ping An Life Insurance Company of China, Ltd.	Shenzhen, Corporation	Life insurance, Shenzhen	99.51%	-	99.51%	33,800,000,000
Ping An Property & Casualty Insurance Company of China, Ltd.	Shenzhen, Corporation	Property and casualty insurance, Shenzhen	99.51%	-	99.51%	21,000,000,000
Ping An Bank Co., Ltd. (ii) (iii) ('Ping An Bank')	Shenzhen, Corporation	Banking, Shenzhen	49.56%	8.40%	58.00%	17,170,411,366
China Ping An Trust Co., Ltd.	Shenzhen, Corporation	Investment and trust, Shenzhen	99.88%	-	99.88%	12,000,000,000
Ping An Securities Company Limited. (iii) ('Ping An Securities')	Shenzhen, Corporation	Security investment and brokerage, Shenzhen	40.96%	55.59%	96.62%	13,800,000,000
Ping An Annuity Insurance Company of China, Ltd.	Shanghai, Corporation	Annuity insurance, Shanghai	86.11%	13.82%	100.00%	4,860,000,000
Ping An Asset Management Co., Ltd.	Shanghai, Corporation	Asset management, Shanghai	98.67%	1.33%	100.00%	1,500,000,000
Ping An Health Insurance Company of China, Ltd.	Shanghai, Corporation	Health insurance, Shanghai	71.26%	3.73%	75.01%	666,577,790
China Ping An Insurance Overseas (Holdings) Limited (iii) ('Ping An Overseas Holdings')	Hong Kong, Corporation	Investment holding, Hong Kong	100.00%	-	100.00%	HKD7,085,000,000

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2016 are set out below (continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Group (%)	Proportion of ordinary shares indirectly held by the Group (%)	Proportion of votes (%) (i)	Registered/authorized capital (RMB unless otherwise stated)
China Ping An Insurance (Hong Kong) Company Limited	Hong Kong, Corporation	Property and casualty insurance, Hong Kong	-	100.00%	100.00%	HKD490,000,000
Ping An International Financial Leasing Co., Ltd.('Ping An Financial Leasing')	Shanghai, Corporation	Financial leasing, Shanghai	75.00%	25.00%	100.00%	9,300,000,000
Ping An of China Asset Management (Hong Kong) Company Limited	Hong Kong, Corporation	Asset management, Hong Kong	-	100.00%	100.00%	HKD345,000,000
Shenzhen Ping An New Capital Investment Co., Ltd.	Shenzhen, Corporation	Investment holding, Shenzhen	-	99.88%	100.00%	4,000,000,000
Ping An Trendwin Capital Management Co., Ltd. (iv)	Shanghai, Corporation	Investment consulting, Shanghai	-	99.75%	100.00%	100,000,000
Ping An Real Estate Co., Ltd. (iii)('Ping An Real Estate')	Shenzhen, Corporation	Property management and investment management, Shenzhen	-	99.58%	100.00%	20,000,000,000
Ping An Technology (Shenzhen) Co., Ltd.	Shenzhen, Corporation	IT services, Shenzhen	-	100.00%	100.00%	204,763,800
Ping An Health Cloud Co., Ltd.	Shenzhen, Corporation	Network technology, Shenzhen	-	58.33%	100.00%	350,000,000
Shenzhen Ping An Financial Services Co., Ltd. (iii)	Shenzhen, Corporation	IT and business process outsourcing services, Shenzhen	-	100.00%	100.00%	498,583,070

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2016 are set out below (continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Group (%)	Proportion of ordinary shares indirectly held by the Group (%)	Proportion of votes (%) (i)	Registered/authorized capital (RMB unless otherwise stated)
Ping An E-wallet Electronic Commerce Company Limited (iv) ('Ping An E-wallet) (Previously Ping An Pay Interlligence Technology Co., Ltd.)	Shenzhen, Corporation	Internet service, Shenzhen	-	76.71%	76.71%	2,090,088,316
Shenzhen Wanlitong Network Information Technology Co., Ltd.	Shenzhen, Corporation	Customer loyalty service, Shenzhen	-	76.71%	100.00%	200,000,000
Shenzhen Ping An Commercial Property Investment Co., Ltd. (iii)	Shenzhen, Corporation	Real estate investment, Shenzhen	-	99.49%	99.98%	1,095,000,000
Ping An Futures Co., Ltd. (iii)	Shenzhen, Corporation	Futures brokerage, Shenzhen	-	96.74%	100.00%	420,000,000
Shenzhen Ping An Real Estate Investment Co., Ltd. (iii)	Shenzhen, Corporation	Real estate investment, Shenzhen	-	100.00%	100.00%	1,310,000,000
Ping An Direct Consultancy Co., Ltd.	Shenzhen, Corporation	Consulting services, Shenzhen	-	100.00%	100.00%	100,000,000
Shanghai Pingpu Investment Co., Ltd.	Shanghai, Corporation	Investment management, Shanghai	-	99.51%	100.00%	4,330,500,000
Ansheng Investment Company Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	99.51%	100.00%	USD50,000
Shenzhen Ping An Financial Technology Consulting Co., Ltd. (iii)	Shenzhen, Corporation	Financial advisory services, Shenzhen	96.52%	3.48%	100.00%	20,971,000,000
Ping An Tradition International Money Broking Company Ltd.	Shenzhen, Corporation	Currency brokerage, Shenzhen	-	66.92%	67.00%	50,000,000
Pingan Haofang (Shanghai) E-commerce Co., Ltd. (iii)	Shanghai, Corporation	Property agency, Shanghai	-	87.18%	87.18%	624,000,000

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2016 are set out below (continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Group (%)	Proportion of ordinary shares indirectly held by the Group (%)	Proportion of votes (%) (i)	Registered/authorized capital (RMB unless otherwise stated)
Ping An-UOB Wealthtone Asset Management Co., Ltd. (iii)	Shenzhen, Corporation	Asset management, Shenzhen	-	60.63%	100.00%	200,000,000
Ping An-UOB Fund Management Company Limited	Shenzhen, Corporation	Fund raising and distribution, Shenzhen	-	60.63%	60.70%	300,000,000
Shenzhen Ping An Financial Center Development Company Ltd.	Shenzhen, Corporation	Real estate development, Shenzhen	-	99.51%	100.00%	5,248,870,000
Ping An Insurance Sales Services Co., Ltd.	Shenzhen, Corporation	Sale agency of insurance, Shenzhen	-	100.00%	100.00%	50,000,000
Ping An Chuang Zhan Insurance Sales & Service Co., Ltd.	Shenzhen, Corporation	Insurance sale, Shenzhen	-	99.51%	100.00%	50,000,000
Reach Success International Company Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	99.51%	100.00%	USD50,000
Jade Reach Investment Company Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	99.51%	100.00%	USD50,000
Shenyang Shengping Investment Management Co., Ltd.	Shenyang, Corporation	Real estate investment, Shenyang	-	99.51%	100.00%	419,000,000
Tongxiang Ping An Investment Co., Ltd.	Tongxiang, Corporation	Investment management, Tongxiang	-	99.58%	100.00%	500,000,000

FINANCIAL STATEMENTS

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2016 are set out below (continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Group (%)	Proportion of ordinary shares indirectly held by the Group (%)	Proportion of votes (%) (i)	Registered/authorized capital (RMB unless otherwise stated)
Ping An Commercial Factoring Co., Ltd.	Shanghai, Corporation	Commercial factoring, Shanghai	-	100.00%	100.00%	700,000,000
Shanxi Changjin Expressway Co., Ltd.	Taiyuan, Corporation	Expressway operation, Taiyuan	-	59.71%	60.00%	750,000,000
Shanxi Jinjiao Expressway Co., Ltd.	Taiyuan, Corporation	Expressway operation, Taiyuan	-	59.71%	60.00%	504,000,000
Ping An Caizhi Investment Management Company Limited	Shenzhen, Corporation	Equity investment, Shenzhen	-	96.55%	100.00%	600,000,000
Ping An of China Securities (Hong Kong) Company Limited	Hong Kong, Corporation	Securities investment and brokerage, Hong Kong	-	96.55%	100.00%	HKD200,000,000
Ping An Wealth Management Co., Ltd.	Shanghai, Corporation	Consulting services, Shanghai	-	100.00%	100.00%	50,000,000
Ping An Financing (Tianjin) Guarantee Co., Ltd.	Tianjin, Corporation	Financing guarantee, Tianjin	-	100.00%	100.00%	1,250,000,000
Ping An International Financial Leasing (Tianjing) Co., Ltd. (iv)	Tianjin, Corporation	Financial leasing, Tianjin	-	100.00%	100.00%	3,200,000,000
Shenzhen Pingan Real Estate Industrial Logistics Company Limited	Shenzhen, Corporation	Logistics, Shenzhen	-	99.58%	100.00%	2,000,000,000
Beijing Shuangronghui Investment Co., Ltd.	Beijing, Corporation	Real estate investment, Beijing	-	99.51%	100.00%	256,323,143
Chengdu Ping An Property Investment Company Co., Ltd.	Chengdu, Corporation	Real estate investment, Chengdu	-	99.51%	100.00%	840,000,000

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2016 are set out below (continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Group (%)	Proportion of ordinary shares indirectly held by the Group (%)	Proportion of votes (%) (i)	Registered/authorized capital (RMB unless otherwise stated)
Hangzhou Pingan Pension Industry Equity Investment Partnership Enterprise (Limited Partnership)	Hangzhou, Partnership	Investment management, Hangzhou	-	99.58%	100.00%	500,000,000
Hangzhou Pingjiang Investment Co., Ltd.	Hangzhou, Corporation	Real estate development, Hangzhou	-	99.51%	100.00%	1,600,000,000
Beijing Jingxinlize Investment Co., Ltd.	Beijing, Corporation	Real estate investment, Beijing	-	99.51%	100.00%	1,160,000,000
Anbon Allied Investment Company Limited	Hong Kong, Corporation	Real estate investment, United Kingdom	-	99.51%	100.00%	GBP160
Anbon Delight Company Limited	Hong Kong, Corporation	Real estate investment, United Kingdom	-	99.51%	100.00%	GBP63,100,100
One Lime Street Company Limited	Hong Kong, Corporation	Real estate investment, United Kingdom	-	99.51%	100.00%	GBP55,600,830
Talent Bronze Limited	Hong Kong, Corporation	Real estate investment, Hong Kong	-	99.51%	100.00%	GBP133,000,000
Shining Port Limited	Hong Kong, Corporation	Real estate investment, Hong Kong	-	99.51%	100.00%	HKD1

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2016 are set out below (continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Group (%)	Proportion of ordinary shares indirectly held by the Group (%)	Proportion of votes (%) (i)	Registered/authorized capital (RMB unless otherwise stated)
Visual King Limited	Hong Kong, Corporation	Real estate investment, Hong Kong	-	99.51%	100.00%	HKD1
Ping An Pioneer Capital Co., Ltd.	Shenzhen, Corporation	Asset management, Shenzhen	-	96.55%	100.00%	1,000,000,000
Shenzhen Pingke Information Consulting Co., Ltd.	Shenzhen, Corporation	Management consulting, Shenzhen	-	100.00%	100.00%	1,600,000,000
Beijing Jingping Shangdi Investment Co., Ltd.	Beijing, Corporation	Property leasing, Beijing	-	99.51%	100.00%	45,000,000
Guangzhou Xinping Property Investment Co., Ltd.	Guangzhou, Corporation	Property leasing, Guangzhou	-	99.51%	100.00%	50,000,000
Shanghai Jahwa (Group) Company Ltd. ('Shanghai Jahwa')	Shanghai, Corporation	Production and sale of consumer chemicals, Shanghai	-	99.51%	100.00%	268,261,234
Shanghai Jahwa United Co., Ltd. (iii) (v)	Shanghai, Corporation	Industry, Shanghai	-	31.79%	32.02%	673,416,467
Shanghai Zean Investment Management Company Limited	Shanghai, Corporation	Asset management, Shanghai	-	99.51%	100.00%	4,810,000,000
Shanghai Pingan Automobile E-commerce Co., Ltd.	Shanghai, Corporation	E-commerce, Shanghai	-	94.74%	94.74%	63,330,000
Shanghai Gezhouba Yangming Property Co., Ltd.	Shanghai, Corporation	Real estate development and management, Shanghai	-	99.51%	100.00%	20,000,000
Shanghai Jinyao Investment Management Co., Ltd. (iii)	Shanghai, Corporation	Investment management, Shanghai	-	96.30%	96.77%	1,290,000,000

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2016 are set out below (continued):

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Proportion of ordinary shares directly held by the Group (%)	Proportion of ordinary shares indirectly held by the Group (%)	Proportion of votes (%) (i)	Registered/authorized capital (RMB unless otherwise stated)
Shanghai PingXin Asset Management Co., Ltd.	Shanghai, Corporation	Asset management, Shanghai	-	100.00%	100.00%	10,000,000
Shenzhen Qianhai Credit Service Centre Co., Ltd.	Shenzhen, Corporation	Information services, Shenzhen	-	100.00%	100.00%	50,000,000
Pingan Real Estate Capital Limited	Hong Kong, Corporation	Financing platform, Hong Kong	-	99.58%	100.00%	USD100,000,000
Shenzhen Qianhai Inclusive Crowdfunding & Trading Co., Ltd.	Shenzhen, Corporation	Private equity Financing, Shenzhen	-	79.14%	80.00%	100,000,000
Value Success International Limited (iv)	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	100.00%	100.00%	USD50,000
Shenzhen Ping An Chuangke Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.79%	100.00%	100,000,000
Shenzhen Ping An Anchuang Investment Management Co., Ltd. (iv)	Shenzhen, Corporation	Investment management, Shenzhen	-	99.79%	100.00%	100,000,000
An Ke Technology Company Limited (iv)	Hong Kong, Corporation	Investment management and cousulting, Hong Kong	-	100.00%	100.00%	USD335,000,000
Ping An Pay Technology Service Co., Ltd. (iv)	Shenzhen, Corporation	Internet service, Shenzhen	-	76.71%	100.00%	680,000,000
Lianxin (Shenzhen) Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.79%	100.00%	100,000,000
Jake Holdings Limited (iv)	United Kingdom, Corporation	Investment management, United Kingdom	-	99.51%	100.00%	GBP26,520,118
Mayborn Group Limited (iv)	United Kingdom, Corporation	Infant products, United Kingdom	-	99.51%	100.00%	GBP1,154,873
Yun Chen Capital Cayman (iv) (vi)	Cayman Islands, Partnership	Investment management, Hong Kong	-	100.00%	100.00%	USD50,000
Autohome Inc. (iv) (vi)	Cayman Islands, Corporation	Automotive internet platform, Beijing	-	47.45%	47.45%	USD1,152,972

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2016 are set out below (continued):

Notes:

(i) The above disclosed equity holdings are the sum product of direct holdings and indirect holdings.

(ii) For the year ended 31 December 2016, Ping An Bank's profit attributable to its non-controlling interest was RMB9,306 million (2015: RMB8,896 million), the dividend paid to its non-controlling interest was RMB1,085 million (2015: RMB815 million). As at 31 December 2016, Ping An Bank's equity attributable to its non-controlling interest was RMB84,234 million (2015: RMB67,351 million). Ping An Bank's summarized financial information is disclosed in 'Segment reporting' under the 'Banking' segment.

(iii) The registered capital of these subsidiaries was changed in 2016.

(iv) These entities were newly established or acquired in 2016.

(v) Shanghai Jahwa has de facto control over this entity. The Group acquired Shanghai Jahwa in 2012 and consequently included Shanghai Jahwa United Co., Ltd in the scope of consolidation. Ping An Life, a subsidiary of the Company, purchased shares of Shanghai Jahwa United Co., Ltd. from the secondary market in October and November 2016. The Group held 31.79% of shares of Shanghai Jahwa United Co.,Ltd. after the transaction.

(vi) Yun Chen Capital Cayman, a subsidiary of the Company, acquired 47.45% shares of Autohome Inc. for cash consideration of US$1,608 million on 25 June 2016.

The Group adopted valuation technique to determine the fair values of non-cash assets transferred and liabilities incurred. As at 31 December 2016, the Group based on fair values of identifiable assets, liabilities and contingent liabilities obtained during consolidation for recognition and measurement and recognized goodwill amounting to RMB5,265 million.

(vii) According to the share purchase agreement signed on 27 August 2015, Ping An Overseas Holdings, a wholly owned subsidiary of the Company, planned to transfer 100% share holding of Gem Alliance Limited to Lufax Holdings Ltd. (an associate of the Company, 'Lufax'). Lufax issued convertible bonds amounting to US$1,953.8 million to Ping An Overseas Holdings as the consideration, which could be converted into 131 million shares of Lufax share. Under the agreement, Ping An Overseas Holdings was required to complete the reorganization of Gem Alliance Limited and its relevant subsidiaries.

Ping An Overseas Holdings has completed all the required reorganization in the second quarter of 2016. The controlling power and substantially all the risks and rewards of Gem Alliance Limited have been transferred to Lufax. According to accounting standards, a gain should be recognized for the difference between proceeds received and the net assets entitled in the original consolidated financial statement for the loss of control of subsidiaries. A net gain amounting to RMB9,497 million (after considering tax effect) has been recognized in the consolidated statement of income.

Other than the changes above, there are no significant changes to the scope of consolidation as at 31 December 2016 as compared to 2015.

The Company and its subsidiaries are subject to the Company Law as well as various listing requirements, where applicable. Capital or asset transactions between the Company and its subsidiaries might be subject to regulatory requirements. Certain of the Company's subsidiaries are subject to regulatory capital requirements. As such, there are restrictions on the Group's ability to access or use the assets of these subsidiaries to settle the liabilities of the Group. Please refer to Note 45. (7) for detailed disclosure on the relevant regulatory capital requirements.

5. SCOPE OF CONSOLIDATION (CONTINUED)

(2) As at 31 December 2016, the Group consolidated the following principal structured entities:

Name	Attributable equity interest	Paid-in capital (RMB)	Principal activities
Ping An Asset Xinxiang No.20 Assets Management	99.51%	13,332,033,167	Investment in wealth management product
Huabao East Aggregated Fund Trust Scheme	98.85%	12,000,000,000	Investment in debts
Shanghai Trust Changcheng Aggregated Fund Management Scheme	59.71%	10,000,000,000	Investment in debts
Shanghai Trust Huarong Aggregated Fund Management Scheme	99.51%	9,500,000,000	Investment in debts
Ping An Asset Xinxiang No.19 Assets Management	99.51%	9,103,702,167	Investment in wealth management product
Ping An Asset Xinxiang No.18 Assets Management	99.51%	8,052,180,412	Investment in wealth management product
Ping An Asset Xinxiang No.10 Assets Management	99.51%	7,296,884,848	Investment in wealth management product
Ping An Asset Xinxiang No.6 Assets Management	99.51%	6,662,446,409	Investment in wealth management product
Ping An Asset Xinxiang No.9 Assets Management	99.51%	6,290,366,802	Investment in wealth management product
Ping An Asset Xinxiang No.5 Assets Management	99.34%	5,810,000,000	Investment in wealth management product
Ping An Asset Xinxiang No.14 Assets Management	99.51%	5,001,000,000	Investment in wealth management product
Ping An Asset Xinxiang No.11 Assets Management	99.51%	3,050,198,071	Investment in wealth management product

6. SEGMENT REPORTING

Business activities of the Group are first segregated by product and type of service: insurance activities, banking activities, trust 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 trust segment provides trust services and undertake investing activities;

► The securities segment undertakes brokerage, trading, investment banking and asset management services; and

► 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 95% of the Group's revenue is derived from its operations in Mainland China. More than 95% of the Group's non-current assets are located in Mainland China.

During 2016 and 2015, the Group's top five customers in respect of total income are as follows:

(in RMB million)	**2016**	2015
Total income from top five customers	**909**	265
Percentage of total income	**0.12%**	0.04%

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2016 and for the year then ended is as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Trust	Securities	Corporate	Others	Eliminations	Total
Gross written premiums	**291,264**	**178,291**	**-**	**-**	**-**	**-**	**-**	**-**	**469,555**
Less: Premiums ceded to reinsurers	**(2,014)**	**(15,813)**	**-**	**-**	**-**	**-**	**-**	**-**	**(17,827)**
Change in unearned premium reserves	**(1,186)**	**(8,922)**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,108)**
Net earned premiums	**288,064**	**153,556**	**-**	**-**	**-**	**-**	**-**	**-**	**441,620**
Reinsurance commission income	**275**	**6,078**	**-**	**-**	**-**	**-**	**-**	**-**	**6,353**
Interest income from banking operations	**-**	**-**	**131,208**	**-**	**-**	**-**	**-**	**(133)**	**131,075**
Fees and commission income from non-insurance operations	**-**	**-**	**31,474**	**3,600**	**4,966**	**-**	**2,604**	**(2,785)**	**39,859**
Including: Inter-segment fees and commission income from non-insurance operations	**-**	**-**	**1,189**	**330**	**110**	**-**	**1,156**	**(2,785)**	**-**
Investment income	**82,191**	**8,797**	**1,561**	**1,673**	**2,591**	**982**	**21,904**	**(4,646)**	**115,053**
Including: Inter-segment investment income	**1,882**	**32**	**-**	**20**	**140**	**-**	**2,572**	**(4,646)**	**-**
Share of profits and losses of associates and jointly controlled entities	**239**	**-**	**-**	**197**	**(1)**	**(26)**	**(1,779)**	**-**	**(1,370)**
Other income	**17,311**	**874**	**342**	**225**	**1,294**	**462**	**47,571**	**(26,181)**	**41,898**
Including: Inter-segment other income	**7,931**	**19**	**-**	**1**	**-**	**450**	**17,780**	**(26,181)**	**-**
Total income	**388,080**	**169,305**	**164,585**	**5,695**	**8,850**	**1,418**	**70,300**	**(33,745)**	**774,488**
Claims and policyholders' benefits	**(241,283)**	**(83,531)**	**-**	**-**	**-**	**-**	**-**	**-**	**(324,814)**
Commission expenses on insurance operations	**(56,249)**	**(25,486)**	**-**	**-**	**-**	**-**	**(70)**	**3,051**	**(78,754)**
Interest expenses on banking operations	**-**	**-**	**(54,960)**	**-**	**-**	**-**	**-**	**2,023**	**(52,937)**
Fees and commission expenses on non-insurance operations	**-**	**-**	**(3,450)**	**(615)**	**(818)**	**-**	**(117)**	**608**	**(4,392)**
Loan loss provisions, net of reversals	**-**	**-**	**(45,435)**	**6**	**-**	**-**	**(62)**	**-**	**(45,491)**
Foreign exchange (losses)/gains	**(226)**	**92**	**882**	**-**	**-**	**159**	**494**	**-**	**1,401**
General and administrative expenses	**(41,392)**	**(44,514)**	**(32,192)**	**(1,703)**	**(3,676)**	**(1,070)**	**(25,007)**	**8,547**	**(141,007)**
Finance costs	**(2,747)**	**(451)**	**-**	**(374)**	**(514)**	**(284)**	**(9,537)**	**1,763**	**(12,144)**
Other expenses	**(15,384)**	**(486)**	**(74)**	**(258)**	**(1,130)**	**(7)**	**(22,353)**	**17,753**	**(21,939)**
Total expenses	**(357,281)**	**(154,376)**	**(135,229)**	**(2,944)**	**(6,138)**	**(1,202)**	**(56,652)**	**33,745**	**(680,077)**
Profit before tax	**30,799**	**14,929**	**29,356**	**2,751**	**2,712**	**216**	**13,648**	**-**	**94,411**
Income tax	**(8,203)**	**(2,614)**	**(7,200)**	**(429)**	**(497)**	**(11)**	**(3,089)**	**-**	**(22,043)**
Profit for the year	**22,596**	**12,315**	**22,156**	**2,322**	**2,215**	**205**	**10,559**	**-**	**72,368**

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2016 and for the year then ended is as follows (continued):

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Trust	Securities	Corporate	Others	Eliminations	Total
Cash and amounts due from banks and other financial institutions	204,304	36,389	268,827	7,876	34,244	11,528	47,613	(49,638)	561,143
Balances with the Central Bank and statutory deposits	7,894	4,201	306,762	-	-	-	3	-	318,860
Fixed maturity investments	1,137,450	120,754	767,440	-	38,111	17,947	84,159	(9,570)	2,156,291
Equity investments	328,991	42,607	918	13,299	8,910	6,756	39,537	(14,110)	426,908
Loans and advances to customers	9,985	-	1,436,242	90	-	-	38,883	(26,909)	1,458,291
Accounts receivable	1,244	-	5,568	-	-	-	15,645	(104)	22,353
Finance lease receivable	-	-	-	-	-	-	78,056	-	78,056
Investments in associates and jointly controlled entities	9,384	-	-	1,451	50	848	37,222	-	48,955
Others	156,940	69,728	169,795	4,500	9,764	9,420	100,540	(14,641)	506,046
Segment assets	1,856,192	273,679	2,955,552	27,216	91,079	46,499	441,658	(114,972)	5,576,903
Due to banks and other financial institutions	18,774	2,460	464,073	2,562	45	7,300	126,873	(37,293)	584,794
Assets sold under agreements to repurchase	37,126	9,198	18,941	-	19,655	950	3,296	-	89,166
Customer deposits and payables to brokerage customers	-	-	1,921,835	-	26,862	-	-	(54,320)	1,894,377
Accounts payable	3,638	-	-	-	-	-	5,004	(77)	8,565
Insurance payables	85,121	29,324	-	-	-	-	-	(1,058)	113,387
Insurance contract liabilities	1,471,806	153,667	-	-	-	-	-	-	1,625,473
Investment contract liabilities for policyholders	44,860	70	-	-	-	-	-	-	44,930
Policyholder dividend payable	39,216	-	-	-	-	-	-	-	39,216
Bonds payable	40,862	8,129	263,464	-	5,500	-	31,870	-	349,825
Others	38,034	17,667	86,617	5,750	13,368	956	200,541	(22,224)	340,709
Segment liabilities	1,779,437	220,515	2,754,930	8,312	65,430	9,206	367,584	(114,972)	5,090,442
Other segment information:									
Capital expenditures	8,816	738	2,394	25	244	14	8,132	(15)	20,348
Depreciation and amortization	2,544	591	2,453	21	120	19	1,106	(49)	6,805
Total other non-cash expenses charged to consolidated results	659	554	46,518	104	8	(18)	1,304	(235)	48,894

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2015 and for the year then ended is as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Trust	Securities	Corporate	Others	Eliminations	Total
Gross written premiums	222,057	163,955	–	–	–	–	–	–	386,012
Less: Premiums ceded to reinsurers	(5,997)	(19,211)	–	–	–	–	–	–	(25,208)
Change in unearned premium reserves	(433)	(10,525)	–	–	–	–	–	–	(10,958)
Net earned premiums	215,627	134,219	–	–	–	–	–	–	349,846
Reinsurance commission income	1,445	7,703	–	–	–	–	–	–	9,148
Interest income from banking operations	–	–	134,556	–	–	–	–	79	134,635
Fees and commission income from non-insurance operations	–	–	27,457	5,331	6,165	–	2,600	(3,558)	37,995
Including: Inter-segment fees and commission income from non-insurance operations	–	–	596	302	125	–	2,535	(3,558)	–
Investment income	103,408	9,946	3,571	2,356	3,327	1,462	13,975	(3,123)	134,922
Including: Inter-segment investment income	2,372	56	–	35	178	8	474	(3,123)	–
Share of profits and losses of associates and jointly controlled entities	(61)	–	45	100	(28)	28	(365)	–	(281)
Other income	8,476	855	167	220	655	462	34,663	(18,543)	26,955
Including: Inter-segment other income	5,955	14	3	91	–	447	12,033	(18,543)	–
Total income	328,895	152,723	165,796	8,007	10,119	1,952	50,873	(25,145)	693,220
Claims and policyholders' benefits	(213,373)	(76,137)	–	–	–	–	–	–	(289,510)
Commission expenses on insurance operations	(34,823)	(19,704)	–	–	–	–	–	3,883	(50,644)
Interest expenses on banking operations	–	–	(66,840)	–	–	–	–	1,971	(64,869)
Fees and commission expenses on non-insurance operations	–	–	(2,598)	(1,082)	(804)	–	32	1,027	(3,425)
Loan loss provisions, net of reversals	–	–	(29,867)	–	–	–	(251)	–	(30,118)
Foreign exchange (losses)/gains	151	58	(573)	1	(1)	340	280	–	256
General and administrative expenses	(35,063)	(40,538)	(37,484)	(2,267)	(4,923)	(714)	(22,179)	8,013	(135,155)
Finance costs	(1,740)	(222)	–	(580)	(565)	(319)	(4,364)	251	(7,539)
Other expenses	(11,300)	(221)	(219)	(182)	(672)	(35)	(16,174)	10,000	(18,803)
Total expenses	(296,148)	(136,764)	(137,581)	(4,110)	(6,965)	(728)	(42,656)	25,145	(599,807)
Profit before tax	32,747	15,959	28,215	3,897	3,154	1,224	8,217	–	93,413
Income tax	(13,755)	(3,437)	(6,833)	(1,009)	(676)	(157)	(2,368)	–	(28,235)
Profit for the year	18,992	12,522	21,382	2,888	2,478	1,067	5,849	–	65,178

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2015 and for the year then ended is as follows (continued):

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Trust	Securities	Corporate	Others	Eliminations	Total
Cash and amounts due from banks and other financial institutions	180,771	40,129	189,802	10,235	41,416	10,179	26,371	(59,576)	439,327
Balances with the Central Bank and statutory deposits	7,892	4,201	287,595	–	–	–	4	(3)	299,689
Fixed maturity investments	1,014,552	100,430	711,389	93	33,669	14,608	37,440	(310)	1,911,871
Equity investments	270,720	40,307	729	16,339	7,217	8,880	42,079	(15,372)	370,899
Loans and advances to customers	17,307	–	1,189,107	–	–	–	42,469	(3,512)	1,245,371
Accounts receivable	–	–	6,624	–	–	–	10,154	–	16,778
Finance lease receivable	–	–	–	–	–	–	57,598	–	57,598
Investments in associates and jointly controlled entities	8,947	–	521	2,120	47	874	14,349	–	26,858
Others	141,613	64,056	126,044	3,739	11,404	9,232	57,236	(16,556)	396,768
Segment assets	1,641,802	249,123	2,511,811	32,526	93,753	43,773	287,700	(95,329)	4,765,159
Due to banks and other financial institutions	8,611	–	326,300	8,693	1,000	5,000	74,686	(14,032)	410,258
Assets sold under agreements to repurchase	69,089	12,639	11,000	1,080	18,958	4,782	1,688	–	119,236
Customer deposits and payables to brokerage customers	–	–	1,733,921	–	33,217	–	(120)	(53,111)	1,713,907
Accounts payable	–	–	44	–	–	–	4,691	–	4,735
Insurance payables	62,904	20,564	–	–	–	–	–	(983)	82,485
Insurance contract liabilities	1,281,095	138,863	–	–	–	–	–	–	1,419,958
Investment contract liabilities for policyholders	42,558	132	–	–	–	–	–	–	42,690
Policyholder dividend payable	33,028	–	–	–	–	–	–	–	33,028
Bonds payable	26,536	8,073	212,963	–	3,598	–	13,243	–	264,413
Others	26,487	14,115	67,225	8,170	13,425	1,024	157,634	(27,203)	260,878
Segment liabilities	1,550,308	194,386	2,351,453	17,943	70,198	10,806	251,823	(95,329)	4,351,588
Other segment information:									
Capital expenditures	9,960	628	3,698	28	274	12	6,245	(283)	20,562
Depreciation and amortization	1,706	553	2,418	20	80	12	1,117	(22)	5,884
Total other non-cash expenses charged to consolidated results	3,618	1,035	30,485	(5)	34	18	1,363	–	36,548

7. GROSS AND NET WRITTEN PREMIUMS

(in RMB million)	2016	2015
Gross written premiums and premium deposits	**552,072**	463,769
Less: Premium deposits of policies without significant insurance risk transfer	**(5,311)**	(5,174)
Premium deposits separated out from universal life and investment-linked products	**(77,206)**	(72,583)
Gross written premiums	**469,555**	386,012

(in RMB million)	2016	2015
Long term life business gross written premiums	**271,287**	205,326
Short term life business gross written premiums	**19,977**	16,731
Property and casualty business gross written premiums	**178,291**	163,955
Gross written premiums	**469,555**	386,012

(in RMB million)	2016	2015
Gross written premiums		
Life insurance		
Individual business	**275,179**	208,364
Group business	**16,085**	13,693
	291,264	222,057
Property and casualty insurance		
Automobile insurance	**148,645**	131,117
Non-automobile insurance	**24,686**	28,739
Accident and health insurance	**4,960**	4,099
	178,291	163,955
Gross written premiums	**469,555**	386,012

(in RMB million)	2016	2015
Net of reinsurance premiums ceded		
Life insurance		
Individual business	**272,915**	203,013
Group business	**16,334**	13,047
	289,249	216,060
Property and casualty insurance		
Automobile insurance	**138,637**	117,747
Non-automobile insurance	**18,920**	22,928
Accident and health insurance	**4,922**	4,069
	162,479	144,744
Net written premiums	**451,728**	360,804

8. NET INTEREST INCOME OF BANKING OPERATIONS

(in RMB million)	2016	2015
Interest income from banking operations		
Due from the Central Bank	**4,240**	4,206
Due from financial institutions	**8,787**	12,658
Loans and advances to customers		
Corporate loans and advances to customers	**41,799**	44,653
Individual loans and advances to customers	**42,491**	41,436
Discounted bills	**427**	413
Bonds	**29,668**	28,303
Others	**3,663**	2,966
Subtotal	**131,075**	134,635
Interest income from listed investments	**29,665**	28,271
Interest income from unlisted investments	**101,410**	106,364
Subtotal	**131,075**	134,635
Interest expenses on banking operations		
Due to the Central Bank	**948**	168
Due to financial institutions	**8,327**	17,069
Customer deposits	**34,328**	42,146
Bonds payable	**9,334**	5,486
Subtotal	**52,937**	64,869
Net interest income from banking operations	**78,138**	69,766

The interest income accrued on impaired financial assets during the year 2016 amounted to RMB544 million (2015: RMB406 million).

9. NET FEES AND COMMISSION INCOME FROM NON-INSURANCE OPERATIONS

(in RMB million)	2016	2015
Fees and commission income from non-insurance operations		
Brokerage fees	**2,303**	4,035
Underwriting commission income	**1,178**	1,043
Trust service fees income	**3,815**	4,794
Fees and commission income from the banking business	**31,029**	27,259
Others	**1,534**	864
Subtotal	**39,859**	37,995
Fees and commission expenses on non-insurance operations		
Brokerage fees paid	**608**	742
Fees and commission expenses on the banking business	**3,248**	2,588
Others	**536**	95
Subtotal	**4,392**	3,425
Net fees and commission income from non-insurance operations	**35,467**	34,570

10. INVESTMENT INCOME

(in RMB million)	2016	2015
Net investment income	**116,675**	90,512
Realized (losses)/gains from disposal	**(3,805)**	49,100
Unrealized gains	**3,831**	125
Impairment losses	**(1,648)**	(4,815)
Total investment income	**115,053**	134,922
Investment income from listed investments	**24,166**	52,225
Investment income from unlisted investments	**90,887**	82,697
Total investment income	**115,053**	134,922

(1) NET INVESTMENT INCOME

(in RMB million)	2016	2015
Interest income from non-banking operations on fixed maturity investments		
Bonds and debt schemes		
– Held-to-maturity	**31,507**	28,469
– Available-for-sale	**7,629**	7,399
– Carried at fair value through profit or loss	**197**	317
– Loans and receivables	**16,323**	15,310
Term deposits		
– Loans and receivables	**9,868**	11,785
Current accounts		
– Loans and receivables	**689**	797
Others		
– Available-for-sale	**3,272**	727
– Carried at fair value through profit or loss	**310**	39
– Loans and receivables	**11,097**	7,900
Dividend income on equity investments		
Securities investment funds		
– Available-for-sale	**22,756**	11,996
– Carried at fair value through profit or loss	**4,137**	1,356
Equity securities and other equity investments		
– Available-for-sale	**8,044**	5,827
– Carried at fair value through profit or loss	**948**	172
Operating lease income from investment properties	**1,822**	1,487
Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions	**(1,924)**	(3,069)
	116,675	90,512

10. INVESTMENT INCOME (CONTINUED)

(2) REALIZED (LOSSES)/GAINS FROM DISPOSAL

(in RMB million)	2016	2015
Fixed maturity investments		
– Available-for-sale	**1,413**	1,245
– Carried at fair value through profit or loss	**97**	585
– Loans and receivables	**(3)**	582
Equity investments		
– Available-for-sale	**(16,343)**	36,339
– Carried at fair value through profit or loss	**(1,477)**	1,725
– Subsidiaries, associates and jointly controlled entities (Note)	**10,059**	5,405
Derivative financial instruments		
– Carried at fair value through profit or loss	**220**	307
Gain on disposal of bills	**1,586**	2,378
Income from precious metal transactions	**643**	534
	(3,805)	49,100

Note: This refers to gains/(losses) from disposals of subsidiaries, associates and jointly controlled entities.

(3) UNREALIZED GAINS

(in RMB million)	2016	2015
Fixed maturity investments		
– Carried at fair value through profit or loss	**(189)**	6
Equity investments		
– Carried at fair value through profit or loss	**3,618**	214
Derivative financial instruments		
– Carried at fair value through profit or loss	**402**	(95)
	3,831	125

(4) IMPAIRMENT LOSSES

(in RMB million)	2016	2015
Fixed maturity investments		
– Available-for-sale	**(51)**	–
– Held-to-maturity	**153**	(1,425)
– Loan and receivables	**(736)**	(2,315)
Equity investments		
– Available-for-sale	**(1,014)**	(1,075)
Total	**(1,648)**	(4,815)

11. OTHER INCOME

(in RMB million)	2016	2015
Sales income	**7,779**	6,964
Management income from investment-linked products and income from investment contracts	**2,341**	1,407
Expressway toll fee income	**1,298**	1,126
Annuity management fee income	**643**	602
Consulting income	**8,965**	2,901
Finance lease income	**5,868**	3,750
Income from guarantees	**4,794**	3,884
Income from customer loyalty service	**2,439**	1,184
Others	**7,771**	5,137
	41,898	26,955

12. CLAIMS AND POLICYHOLDERS' BENEFITS

(1)

	2016		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**
Claims and claim adjustment expenses	**117,303**	**(10,196)**	**107,107**
Surrenders	**16,050**	**-**	**16,050**
Annuities	**5,907**	**-**	**5,907**
Maturities and survival benefits	**24,520**	**-**	**24,520**
Policyholder dividends	**11,236**	**-**	**11,236**
Increase in policyholders' reserves	**142,119**	**510**	**142,629**
Interest credited to policyholder contract deposits	**17,365**	**-**	**17,365**
	334,500	**(9,686)**	**324,814**

	2015		
(in RMB million)	Gross	Reinsurers' share	Net
Claims and claim adjustment expenses	107,675	(15,022)	92,653
Surrenders	16,578	-	16,578
Annuities	5,882	-	5,882
Maturities and survival benefits	18,713	-	18,713
Policyholder dividends	8,455	-	8,455
Increase in policyholders' reserves	125,963	(121)	125,842
Interest credited to policyholder contract deposits	21,387	-	21,387
	304,653	(15,143)	289,510

12. CLAIMS AND POLICYHOLDERS' BENEFITS (CONTINUED)

(2)

(in RMB million)	2016 Gross	2016 Reinsurers' share	2016 Net
Long term life insurance contract benefits	**232,009**	**(426)**	**231,583**
Short term life insurance claims	**11,157**	**(1,457)**	**9,700**
Property and casualty insurance claims	**91,334**	**(7,803)**	**83,531**
	334,500	**(9,686)**	**324,814**

(in RMB million)	2015 Gross	2015 Reinsurers' share	2015 Net
Long term life insurance contract benefits	208,149	(302)	207,847
Short term life insurance claims	9,407	(3,880)	5,527
Property and casualty insurance claims	87,097	(10,961)	76,136
	304,653	(15,143)	289,510

13. PROFIT BEFORE TAX

(1) PROFIT BEFORE TAX IS ARRIVED AT AFTER CHARGING THE FOLLOWING ITEMS:

(in RMB million)	2016	2015
Employee costs (Note 13. (2))	**58,790**	54,261
Interest expenses on policyholder contract deposits and investment contract reserves	**18,414**	23,517
Depreciation of investment properties	**737**	806
Depreciation of property and equipment	**3,304**	2,922
Amortization of intangible assets	**2,123**	1,912
Provision for doubtful debts, net	**723**	658
Provision for loans, net	**45,491**	30,118
Cost of sales	**4,585**	2,998
Auditors' remuneration – annual audit, half-year review and quarterly agreed-upon procedures	**73**	58

(2) EMPLOYEE COSTS

(in RMB million)	2016	2015
Wages, salaries and bonuses	**45,542**	43,321
Retirement benefits, social security contributions and welfare benefits	**11,544**	9,943
Others	**1,704**	997
	58,790	54,261

14. INCOME TAX

(in RMB million)	2016	2015
Current income tax		
– Charge for the year	**33,723**	28,578
– Adjustments in respect of current income tax of previous years	**85**	(215)
Deferred income tax	**(11,765)**	(128)
	22,043	28,235

Certain subsidiaries enjoy tax preferential treatments. These subsidiaries are not material to the Group. Except for those subsidiaries enjoying tax preferential treatments, the applicable corporate income tax rate for 2016 for the Group was 25%.

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate of 25% (2015: 25%) is as follows:

(in RMB million)	2016	2015
Profit before tax	**94,411**	93,413
Tax at the applicable tax rate of 25% (2015: 25%)	**23,603**	23,353
Expenses not deductible for tax	**10,853**	6,447
Income not subject to tax	**(12,498)**	(7,047)
Adjustments in respect of current income tax of previous years	**85**	(215)
The reversal of the deferred tax assets related to the impairment provision of the investment in Fortis	**-**	5,697
Income tax per consolidated statement of income	**22,043**	28,235

Taxes for taxable income attained from outside of PRC are measured at the tax rates under local and PRC law, regulations and conventions. The income tax credited by the Group is verified by official tax bureau.

15. OTHER COMPREHENSIVE INCOME

(in RMB million)	2016 Before tax	2016 Tax impact	2016 After tax
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
Changes in fair value	**(32,268)**	**7,909**	**(24,359)**
Reclassification adjustments for losses included in the statement of income			
– Losses/(gains) on disposal	**15,486**	**(3,853)**	**11,633**
– Impairment losses	**756**	**(188)**	**568**
Shadow accounting adjustments	**4,625**	**(1,176)**	**3,449**
Exchange differences on translation of foreign operations	**1,190**	**–**	**1,190**
Share of other comprehensive income of associates and jointly controlled entities	**(48)**	**–**	**(48)**
	(10,259)	**2,692**	**(7,567)**

(in RMB million)	2015 Before tax	2015 Tax impact	2015 After tax
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
Changes in fair value	37,605	(9,476)	28,129
Reclassification adjustments for losses included in the statement of income			
– (Gains)/losses on disposal	(36,146)	8,618	(27,528)
– Impairment losses	1,027	(250)	777
Shadow accounting adjustments	(1,467)	902	(565)
Exchange differences on translation of foreign operations	(70)	–	(70)
Share of other comprehensive income of associates and jointly controlled entities	9	–	9
	958	(206)	752

16. DIVIDENDS

(in RMB million)	2016	2015
In respect of previous year:		
2015 final dividend (declared in 2016) – RMB0.35 (2014: final dividend, declared in 2015 RMB0.50) per ordinary share	**6,398**	4,570
In respect of current year:		
2016 interim dividend – RMB0.20 (2015: RMB0.18) per ordinary share	**3,656**	3,290

On 15 March 2016, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2015, agreeing to declare a final cash dividend of RMB0.35 per share based on the total shares of 18,280,241,410. The amount of the cash dividend for 2015 was RMB6,398 million accordingly. On 15 June 2016, the above profit appropriation plan was approved by the shareholders of the Company at the annual general meeting.

On 17 August 2016, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for Interim Dividend of 2016, agreeing to declare an interim cash dividend of RMB0.20 per share for 2016. The amount of the interim cash dividend for 2016 was RMB3,656 million.

On 22 March 2017, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2016, agreeing to declare a final cash dividend of RMB0.55 per share for 2016. It was not recognized as a liability as at 31 December 2016.

17. EARNINGS PER SHARE

(1) BASIC

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group.

	2016	2015
Profit attributable to owners of the parent (in RMB million)	**62,394**	54,203
Weighted average number of ordinary shares in issue (million shares)	**17,845**	18,182
Basic earnings per share (in RMB)	**3.50**	2.98

17. EARNINGS PER SHARE (CONTINUED)

(1) BASIC (CONTINUED)

	2016	2015
Weighted average number of ordinary shares in issue (million shares)		
Issued ordinary shares as at 1 January	**18,280**	17,784
Weighted average number of shares from conversion of convertible bonds	**-**	492
Weighted average number of shares held by the share purchase scheme	**(18)**	(3)
Weighted average number of shares held by the consolidated assets management scheme (i)	**(417)**	(91)
Weighted average number of ordinary shares in issue	**17,845**	18,182

(i) As at 31 December 2016, 417 million (31 December 2015: 417 million) shares were held by the consolidated assets management scheme.

(2) DILUTED

Diluted earnings per share was computed by dividing the adjusted profit attributable to the equity holders of the Company based on assuming conversion of all dilutive potential shares for the year by the adjusted weighted average number of ordinary shares in issue. The shares granted by the Company under the share purchase scheme (Note 36) and convertible bonds have potential dilutive effect on the earnings per share.

	2016	2015
Earnings (in RMB million)		
Profit attributable to owners of the parent	**62,394**	54,203
Interest expense on convertible bonds (net of tax)	**-**	11
Profit used to determine diluted earnings per share	**62,394**	54,214
Weighted average number of ordinary shares (million shares)		
Weighted average number of ordinary shares in issue	**17,845**	18,182
Adjustments for:		
– Assumed conversion of convertible bonds	**-**	4
– Assumed vesting of share purchase scheme	**18**	3
Weighted average number of ordinary shares for diluted earnings per share	**17,863**	18,189
Diluted earnings per share (in RMB)	**3.49**	2.98

18. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2016	31 December 2015
Cash on hand	**4,499**	4,125
Term deposits	**191,660**	168,226
Due from banks and other financial institutions	**267,534**	190,340
Placements with banks and other financial institutions	**97,450**	76,636
	561,143	439,327

Details of placements with banks and other financial institutions are as follows:

(in RMB million)	31 December 2016	31 December 2015
Placements with banks	**95,998**	76,095
Placements with other financial institutions	**1,474**	565
Gross	**97,472**	76,660
Less: Provision for placements with banks and other financial institutions	**(22)**	(24)
Net	**97,450**	76,636

As at 31 December 2016, cash and amounts due from banks and other financial institutions of RMB762 million (31 December 2015: RMB672 million) were restricted from use.

As at 31 December 2016, cash and amounts due from overseas banks and other financial institutions amounted to RMB16,411 million (31 December 2015: RMB21,478 million).

19. BALANCES WITH THE CENTRAL BANK AND STATUTORY DEPOSITS

(in RMB million)	31 December 2016	31 December 2015
Statutory reserve deposits with the Central Bank for banking operations	**254,116**	237,052
– Statutory reserve deposits with the Central Bank for banking operations-RMB	**250,470**	231,512
– Statutory reserve deposits with the Central Bank for banking operations-Foreign Currency	**3,646**	5,540
Surplus reserve deposits with the Central Bank	**51,187**	46,910
Fiscal deposits with the Central Bank	**1,459**	3,634
Statutory deposits for insurance operations	**12,098**	12,093
	318,860	299,689

19. BALANCES WITH THE CENTRAL BANK AND STATUTORY DEPOSITS (CONTINUED)

In accordance with relevant regulations, subsidiary of bank operations is required to place mandatory reserve deposits with the People's Bank of China (the 'PBOC') for customer deposits in both RMB and foreign currencies. As at 31 December 2016, the mandatory deposits are calculated at 14.5% (31 December 2015: 15%) of customer deposits denominated in RMB and 5% (31 December 2015: 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 deposit for insurance operations can only be utilized to settle liabilities during liquidation of insurance companies.

Details of statutory deposits for insurance operations are as follows:

(in RMB million)	31 December 2016	31 December 2015
Ping An Life	**6,760**	6,760
Ping An Property & Casualty	**4,200**	4,200
Ping An Annuity	**972**	972
Ping An Health	**160**	160
Others	**6**	1
	12,098	12,093

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 registered capital for the insurance company subsidiaries and 5% of the registered capital for insurance sales agency subsidiaries within the Group, respectively.

20. FIXED MATURITY INVESTMENTS

(in RMB million)	31 December 2016	31 December 2015
Bonds	**1,342,866**	1,162,024
Asset management schemes	**329,256**	267,945
Debt schemes and trust schemes	**319,037**	251,023
Policy loans	**64,634**	52,092
Assets purchased under reverse repurchase agreements	**65,657**	142,050
Wealth management products	**34,841**	36,737
	2,156,291	1,911,871

20. FIXED MATURITY INVESTMENTS (CONTINUED)

(1) BONDS

(in RMB million)	31 December 2016	31 December 2015
Held-to-maturity	**1,009,714**	916,669
Available-for-sale, at fair value	**193,904**	192,318
Carried at fair value through profit or loss	**70,392**	26,549
Loans and receivables	**68,856**	26,488
	1,342,866	1,162,024

(in RMB million)	31 December 2016	31 December 2015
Government bonds	**479,637**	331,078
Central Bank bills	**-**	993
Finance bonds	**504,479**	451,675
Corporate bonds	**358,750**	378,278
	1,342,866	1,162,024

Listed	**372,701**	139,500
Unlisted	**970,165**	1,022,524
	1,342,866	1,162,024

Note: Unlisted debt securities include those traded on the Chinese interbank market and those not publicly traded.

During 2013, the Group's subsidiary Ping An Bank reclassified bonds with a fair value of RMB91,675 million from available-for-sale financial investments to held-to-maturity financial assets reflecting its positive intention and ability to hold them until maturity. As at 31 December 2016, the carrying amount of these bonds was RMB59,371 million (31 December 2015: RMB77,356 million) while the corresponding fair value was RMB59,472 million (31 December 2015: RMB79,130 million). If these bonds were not reclassified, unrealized losses of RMB931 million (31 December 2015: Unrealized gains RMB2,218 million) would have been recognized in the available-for-sale financial assets reserves for the year ended 31 December 2016. During 2016, other comprehensive income in the amount of RMB582 million (31 December 2015: RMB724 million) recognized prior to the reclassification was reversed.

20. FIXED MATURITY INVESTMENTS (CONTINUED)

(2) ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS

(in RMB million)	31 December 2016	31 December 2015
Trust beneficial right	**1,867**	35,334
Bonds	**53,449**	87,107
Bills	**3,994**	14,248
Finance lease receivable	**15**	211
Other equity investments and their beneficial right	**6,345**	5,157
Gross	**65,670**	142,057
Less: Provision for impairment losses	**(13)**	(7)
Net	**65,657**	142,050

21. EQUITY INVESTMENTS

(in RMB million)	31 December 2016	31 December 2015
Security investment funds	**103,394**	107,304
Equity securities	**142,220**	144,131
Other equity investments	**181,294**	119,464
	426,908	370,899

(1) SECURITY INVESTMENT FUNDS

(in RMB million)	31 December 2016	31 December 2015
Available-for-sale, at fair value	**54,590**	76,766
Held for trading	**48,804**	30,538
	103,394	107,304
Listed	**14,595**	13,512
Unlisted	**88,799**	93,792
	103,394	107,304

21. EQUITY INVESTMENTS (CONTINUED)

(2) EQUITY SECURITIES

(in RMB million)	31 December 2016	31 December 2015
Available-for-sale, at fair value	**119,563**	141,507
Held for trading	**22,657**	2,624
	142,220	144,131
Listed	**140,433**	143,734
Unlisted	**1,787**	397
	142,220	144,131

(3) OTHER EQUITY INVESTMENTS

(in RMB million)	31 December 2016	31 December 2015
Available-for-sale, at fair value	**162,486**	101,889
Available-for-sale, at cost	**6,698**	3,884
Carried at fair value through profit or loss		
Held or trading	**6,077**	13,137
Designated at fair value through profit or loss	**6,033**	554
	181,294	119,464
Listed	**69,255**	35,948
Unlisted	**112,039**	83,516
	181,294	119,464

Note: Unlisted equity securities include those not traded on stock exchanges, which are mainly open-ended funds with public market price quotation.

FINANCIAL STATEMENTS

22. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2016			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	**397,404**	**422**	**754,028**	**354**
Currency forwards and swaps	**414,311**	**3,434**	**388,564**	**4,492**
Gold derivative instruments	**108,312**	**4,957**	**79,778**	**3,824**
Stock index option	**31,096**	**7**	**–**	**–**
Others	**550**	**16**	**1,094**	**45**
	951,673	**8,836**	**1,223,464**	**8,715**

	31 December 2015			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	563,651	1,324	327,589	1,434
Currency forwards and swaps	367,786	2,711	314,230	1,676
Gold derivative instruments	83,993	4,118	55,728	1,204
Stock index option	21,074	5	–	–
Others	1,061	114	130	213
	1,037,565	8,272	697,677	4,527

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 2016	31 December 2015
Corporate customers		
Loans	**941,937**	816,301
Discounted bills	**14,846**	13,665
Individual customers		
Operating loans	**97,534**	107,429
Credit cards	**181,444**	149,633
Property mortgages	**85,229**	45,967
Vehicle loans	**95,264**	78,635
Others	**82,262**	63,359
Gross	**1,498,516**	1,274,989
Less: Loan loss provisions	**(40,225)**	(29,618)
Net	**1,458,291**	1,245,371

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) ANALYZED BY INDUSTRY

(in RMB million)	31 December 2016	31 December 2015
Corporate customers		
Agriculture, husbandry and fishery	**16,266**	14,248
Extraction (heavy industry)	**70,361**	65,779
Manufacturing (light industry)	**172,255**	161,075
Energy	**38,188**	23,839
Transportation, storage and communication	**58,447**	32,037
Commercial	**133,448**	151,189
Real estate	**163,018**	158,709
Service, technology, culture and sanitary industries	**153,318**	86,715
Construction	**62,768**	63,107
Others	**73,868**	59,603
Subtotal of loans	**941,937**	816,301
Discounted bills	**14,846**	13,665
Subtotal of corporate customers	**956,783**	829,966
Individual customers	**541,733**	445,023
Gross	**1,498,516**	1,274,989

(3) ANALYZED BY TYPE OF COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS

(in RMB million)	31 December 2016	31 December 2015
Unsecured	**420,793**	389,653
Guaranteed	**283,486**	236,412
Secured by collateral		
Secured by mortgages	**521,654**	452,044
Secured by monetary assets	**257,737**	183,215
Subtotal	**1,483,670**	1,261,324
Discounted bills	**14,846**	13,665
Gross	**1,498,516**	1,274,989

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) AGING ANALYSIS OF PAST DUE LOANS

	31 December 2016				
(in RMB million)	Within 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured	**5,578**	**6,321**	**413**	**300**	**12,612**
Guaranteed	**4,336**	**8,010**	**3,667**	**286**	**16,299**
Secured by collateral					
Secured by mortgages	**7,060**	**9,746**	**5,778**	**1,339**	**23,923**
Secured by monetary assets	**3,149**	**2,808**	**2,114**	**1,173**	**9,244**
	20,123	**26,885**	**11,972**	**3,098**	**62,078**

	31 December 2015				
(in RMB million)	Within 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured	7,151	7,540	1,635	25	16,351
Guaranteed	6,117	6,681	3,734	104	16,636
Secured by collateral					
Secured by mortgages	7,499	5,332	4,510	766	18,107
Secured by monetary assets	2,729	2,189	2,732	130	7,780
	23,496	21,742	12,611	1,025	58,874

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 2016		31 December 2015	
(in RMB million)	Amount	%	Amount	%
Eastern China	**469,914**	**31.36%**	401,220	31.47%
Southern China	**477,147**	**31.84%**	401,249	31.47%
Western China	**193,780**	**12.93%**	178,514	14.00%
Northern China	**285,445**	**19.05%**	235,771	18.49%
Offshore business	**72,230**	**4.82%**	58,235	4.57%
Gross	**1,498,516**	**100.00%**	1,274,989	100.00%

(6) LOAN LOSS PROVISION

	2016			2015		
(in RMB million)	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
As at 1 January	**3,501**	**26,117**	**29,618**	2,220	19,135	21,355
Charge for the year	**22,719**	**22,772**	**45,491**	14,537	15,581	30,118
Write-off and transfer during the year	**(17,537)**	**(18,382)**	**(35,919)**	(14,626)	(9,123)	(23,749)
Recovery of loans written off previously	**271**	**1,244**	**1,515**	1,789	595	2,384
Interest accrued on impaired loans and advances	**(544)**	**-**	**(544)**	(406)	–	(406)
Others	**35**	**29**	**64**	(13)	(71)	(84)
As at 31 December	**8,445**	**31,780**	**40,225**	3,501	26,117	29,618

As at 31 December 2016, discounted bills with a carrying amount of RMB3,096 million (31 December 2015: RMB3,001 million) were pledged for amounts due to the Central Bank.

24. PREMIUM RECEIVABLES

(in RMB million)	31 December 2016	31 December 2015
Premium receivables	**36,783**	34,918
Less: Provision for doubtful receivables	**(1,458)**	(846)
Premium receivables, net	**35,325**	34,072
Life insurance	**9,663**	7,072
Property and casualty insurance	**25,662**	27,000
Premium receivables, net	**35,325**	34,072

The credit terms of premium receivables granted are generally from one to six months, and non-interest bearing.

An aging analysis of premium receivables is as follows:

(in RMB million)	31 December 2016	31 December 2015
Within 3 months	**34,287**	33,472
Over 3 months but within 1 year	**1,554**	916
Over 1 year	**942**	530
	36,783	34,918

25. ACCOUNTS RECEIVABLE

(in RMB million)	31 December 2016	31 December 2015
Receivables under factoring	**14,744**	11,228
Others	**7,759**	6,536
Gross	**22,503**	17,764
Less: Provision for accounts receivable	**(150)**	(986)
Net	**22,353**	16,778

26. REINSURERS' SHARE OF INSURANCE LIABILITIES

(in RMB million)	31 December 2016	31 December 2015
Reinsurers' share of unearned premium reserves	**6,058**	7,139
Reinsurers' share of claim reserves	**7,933**	8,945
Reinsurers' share of policyholders' reserves	**1,278**	1,788
	15,269	17,872

27. FINANCE LEASE RECEIVABLE

(in RMB million)	31 December 2016	31 December 2015
Finance lease receivable, net of unearned finance income	**79,411**	58,623
Less: Provision for impairment losses	**(1,355)**	(1,025)
	78,056	57,598

28. POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE/ INVESTMENT CONTRACTS

(1) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE CONTRACTS

(in RMB million)	31 December 2016	31 December 2015
Cash and amounts due from banks and other financial institutions	**5,293**	5,761
Equity investments	**26,495**	32,831
Fixed maturity investments, at fair value	**6,756**	9,194
Fixed maturity investments, at amortized cost	**638**	559
Other assets	**524**	558
	39,706	48,903

(2) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INVESTMENT CONTRACTS

(in RMB million)	31 December 2016	31 December 2015
Cash and amounts due from banks and other financial institutions	**1,384**	1,135
Equity investments	**1,228**	1,656
Fixed maturity investments, at fair value	**1,106**	1,984
Fixed maturity investments, at amortized cost	**160**	171
Other assets	**206**	138
	4,084	5,084

29. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The Group's investments in the associates and jointly controlled entities as at year end are as follows:

	2016							
(in RMB million)	As at 1 January	Additional investment	Increase/ (Decrease) in current year	As at 31 December	Provision balance as at 31 December	Change of Provision in current Year	Cash dividends in current Year	Proportion of ordinary shares held by the Group (%)
Associates								
Veolia Water (Kunming) Investment Co., Ltd. ('Veolia Kunming')	240	-	26	266	-	-	-	23.88%
Veolia Water (Yellow River) Investment Co., Ltd. ('Veolia Yellow River')	234	-	6	240	(348)	-	-	48.76%
Veolia Water (Liuzhou) Investment Co., Ltd. ('Veolia Liuzhou')	112	-	8	120	-	-	-	44.78%
Shanxi Taichang Expressway Co., Ltd. ('Shanxi Taichang')	702	-	44	746	-	-	16	29.85%
Beijing-Shanghai High-speed Railway Equity Investment Scheme ('Beijing-Shanghai Railway')	6,300	-	-	6,300	-	-	14	39.18%
Lufax	2,028	-	7,154	9,182	-	-	-	43.76%
Foshan Huatai Property Development Co, Ltd.	932	-	(24)	908	-	-	-	29.34%
Massive Idea Investments Limited	796	-	(3)	793	-	-	-	36.65%
Guangzhou Jinglun Property Development Co, Ltd.	526	-	(3)	523	-	-	-	39.92%
Shenzhen Jinzheng Science & Technology Co., Ltd.	-	1,644	4	1,648	-	-	-	6.00%
Others	7,289	5,530	(507)	12,312	(43)	(23)	109	
Subtotal	19,159	7,174	6,705	33,038	(391)	(23)	139	
Jointly controlled entities								
KunYu Highway Development Co., Ltd. ('Kunyu Highway')	1,714	-	(471)	1,243	-	-	181	49.94%
Nanjing Mingwan Property Development Co., Ltd.	1,715	-	(26)	1,689	-	-	-	48.90%
Beijing ZhaoTai Property Development Co, Ltd.	-	1,250	(7)	1,243	-	-	-	24.95%
Wuhan DAJT Property Development Co, Ltd.	576	-	56	632	-	-	-	49.79%
Others	3,694	7,935	(519)	11,110	-	-	-	
Subtotal	7,699	9,185	(967)	15,917	-	-	181	
Investment in associates and jointly controlled entities	26,858	16,359	5,738	48,955	(391)	(23)	320	

FINANCIAL STATEMENTS

29. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

The Group's investments in the associates and jointly controlled entities as at year end are as follows: (continued)

	2015							
(in RMB million)	As at 1 January	Additional investment	Increase/ (Decrease) in current year	As at 31 December	Provision balance as at 31 December	Change of Provision in current Year	Cash dividends in current Year	Proportion of ordinary shares held by the Group (%)
Associates								
Veolia Kunming	220	–	20	240	–	–	–	23.88%
Veolia Yellow River	271	–	(37)	234	(348)	–	–	48.76%
Veolia Liuzhou	104	–	8	112	–	–	1	44.78%
Shanxi Taichang	781	–	(79)	702	–	–	40	29.85%
Beijing-Shanghai Railway	6,300	–	–	6,300	–	–	–	39.18%
Ping An E-wallet	522	108	(108)	522	–	–	–	49.99%
Lufax	683	–	1,345	2,028	–	–	–	47.49%
Foshan Huatai Property Development Co, Ltd	–	932	–	932	–	–	–	48.90%
Massive Idea Investments Limited	–	795	1	796	–	–	–	36.65%
Guangzhou Jinglun Property Development Co, Ltd	–	526	–	526	–	–	–	39.92%
Others	2,027	4,628	112	6,767	(20)	–	–	
Subtotal	10,908	6,989	1,262	19,159	(368)	–	41	
Jointly controlled entities								
Kunyu Highway	1,682	–	32	1,714	–	–	–	49.94%
Nanjing Mingwan Property Development Co., Ltd.	–	1,715	–	1,715	–	–	–	48.90%
Wuhan DAJT Property Development Co, Ltd.	–	576	–	576	–	–	–	49.79%
Others	308	3,122	264	3,694	–	–	–	
Subtotal	1,990	5,413	296	7,699	–	–	–	
Investment in associates and jointly controlled entities	12,898	12,402	1,558	26,858	(368)	–	41	

29. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

The financial information summary of the Group's principal associates and jointly controlled entities as at year end of 2016 are as follows:

Name of the invested entity	Place of business	Place of incorporation	Principal activities	Significant to Group operation	Total assets as at 31 December	Total liabilities as at 31 December	Total Revenue in current year	Net profit/ (loss) in current year
						(in RMB million)		
Associates								
Veolia Kunming	Kunming	Hong Kong	Water plant operation	Yes	**1,292**	**88**	**56**	**44**
Veolia Yellow River	Lanzhou	Hong Kong	Water plant operation	Yes	**957**	**5**	**(35)**	**(39)**
Veolia Liuzhou	Liuzhou	Hong Kong	Water plant operation	Yes	**303**	**4**	**13**	**10**
Shanxi Taichang	Taiyuan	The PRC	Expressway operation	Yes	**6,720**	**3,668**	**920**	**309**
Beijing-Shanghai Railway	Shanghai	The PRC	Railway investment	Yes	**16,000**	**-**	**53**	**37**
Jointly controlled entities								
Kunyu Highway	Kunming	The PRC	Expressway operation	Yes	**1,968**	**139**	**616**	**399**

The financial information summary of the Group's principal associates and jointly controlled entities as at year end of 2015 are as follows:

Name of the invested entity	Place of business	Place of incorporation	Principal activities	Significant to Group operation	Total assets as at 31 December	Total liabilities as at 31 December	Total Revenue in current year	Net profit/ (loss) in current year
						(in RMB million)		
Associates								
Veolia Kunming	Kunming	Hong Kong	Water plant operation	Yes	1,265	122	53	40
Veolia Yellow River	Lanzhou	Hong Kong	Water plant operation	Yes	1,028	4	(28)	(32)
Veolia Liuzhou	Liuzhou	Hong Kong	Water plant operation	Yes	287	7	16	11
Shanxi Taichang	Taiyuan	The PRC	Expressway operation	Yes	6,742	3,894	676	140
Beijing-Shanghai Railway	Shanghai	The PRC	Railway investment	Yes	16,000	-	-	-
Jointly controlled entities								
Kunyu Highway	Kunming	The PRC	Expressway operation	Yes	2,939	148	593	400

Associates and jointly controlled entities above have no significant contingent liabilities for the Group.

30. INVESTMENT PROPERTIES

(in RMB million)	**2016**	2015
Cost		
As at 1 January	**28,753**	20,331
Acquisition of subsidiaries	**3,897**	2,877
Additions	**5,108**	6,823
Transfer from construction in progress	**6,194**	105
Transfer to property and equipment, net	**(2,006)**	(781)
Disposals of subsidiaries	**–**	(602)
Disposals	**(766)**	–
As at 31 December	**41,180**	28,753
Accumulated depreciation		
As at 1 January	**3,923**	3,160
Acquisition of subsidiaries	**56**	133
Charge for the year	**737**	806
Transfer to property and equipment, net	**(35)**	(77)
Disposals of subsidiaries	**–**	(99)
Disposals	**(70)**	–
As at 31 December	**4,611**	3,923
Impairment losses		
As at 1 January	**3**	1
Acquisition of subsidiaries	**–**	2
Charge for the year	**–**	2
Transfer out, net	**(1)**	(2)
Disposals	**(1)**	–
As at 31 December	**1**	3
Net book value		
As at 31 December	**36,568**	24,827
As at 1 January	**24,827**	17,170
Fair value as at 31 December	**59,865**	46,094

The fair values of the investment properties as at 31 December 2016 were estimated by the Group, based on valuation performed by independent valuers. It falls under level 3 in the fair value hierarchy.

The rental income arising from investment properties for the year 2016 amounted to RMB1,822 million (2015: RMB1,487 million), which is included in net investment income.

As at 31 December 2016, investment properties with a carrying amount of RMB11,115 million (31 December 2015: RMB11,289 million) were pledged as collateral for long term borrowings with a carrying amount of RMB6,491 million (31 December 2015: RMB5,692 million).

The Group was still in the process of applying for title certificates for certain investment properties with a carrying amount of RMB1,605 million as at 31 December 2016 (31 December 2015: RMB1,815 million).

31. PROPERTY AND EQUIPMENT

(in RMB million)	2016 Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2016	6,313	21,120	10,299	2,150	10,508	50,390
Acquisitions of subsidiaries	-	956	427	16	18	1,417
Additions	1,933	438	2,570	2,344	5,891	13,176
Transfer of construction in progress	10	6,480	35	-	(6,525)	-
Transfer from/(to) investment properties, net	-	2,006	-	-	(6,194)	(4,188)
Disposals of subsidiaries	(280)	(3)	(78)	-	-	(361)
Disposals	(243)	(23)	(1,347)	(408)	(933)	(2,954)
As at 31 December 2016	7,733	30,974	11,906	4,102	2,765	57,480
Accumulated depreciation						
As at 1 January 2016	3,446	5,063	5,758	882	-	15,149
Acquisitions of subsidiaries	-	72	255	4	-	331
Charge for the year	619	890	1,482	313	-	3,304
Transfer from investment properties, net	-	35	-	-	-	35
Disposals of subsidiaries	(152)	(1)	(35)	-	-	(188)
Disposals	(176)	(2)	(1,170)	(32)	-	(1,380)
As at 31 December 2016	3,737	6,057	6,290	1,167	-	17,251
Impairment losses						
As at 1 January 2016	-	83	-	-	-	83
Charge for the year	-	2	-	-	-	2
Transfer from investment properties, net	-	1	-	-	-	1
As at 31 December 2016	-	86	-	-	-	86
Net book value						
As at 31 December 2016	3,996	24,831	5,616	2,935	2,765	40,143
As at 1 January 2016	2,867	15,974	4,541	1,268	10,508	35,158

31. PROPERTY AND EQUIPMENT (CONTINUED)

	2015					
(in RMB million)	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2015	4,893	15,038	9,022	1,419	11,424	41,796
Acquisitions of subsidiaries	–	–	22	1	5	28
Additions	1,759	175	2,089	869	5,554	10,446
Transfer of construction in progress	23	5,219	48	–	(5,528)	(238)
Transfer from/(to) investment properties, net	–	781	–	–	(105)	676
Disposals of subsidiaries	–	(33)	–	–	–	(33)
Disposals	(362)	(60)	(882)	(139)	(842)	(2,285)
As at 31 December 2015	6,313	21,120	10,299	2,150	10,508	50,390
Accumulated depreciation						
As at 1 January 2015	2,960	4,371	5,233	796	–	13,360
Acquisitions of subsidiaries	–	–	7	1	–	8
Charge for the year	838	658	1,220	206	–	2,922
Transfer from investment properties, net	–	77	–	–	–	77
Disposals of subsidiaries	–	(18)	–	–	–	(18)
Disposals	(352)	(25)	(702)	(121)	–	(1,200)
As at 31 December 2015	3,446	5,063	5,758	882	–	15,149
Impairment losses						
As at 1 January 2015	–	95	–	–	–	95
Transfer from investment properties, net	–	2	–	–	–	2
Disposals of subsidiaries	–	(14)	–	–	–	(14)
As at 31 December 2015	–	83	–	–	–	83
Net book value						
As at 31 December 2015	2,867	15,974	4,541	1,268	10,508	35,158
As at 1 January 2015	1,933	10,572	3,789	623	11,424	28,341

The Group was still in the process of applying for title certificates for its buildings with a carrying amount of RMB476 million as at 31 December 2016 (31 December 2015: RMB398 million).

32. INTANGIBLE ASSETS

	2016						
(in RMB million)	Goodwill (i)	Expressway operating rights	Prepaid land premiums	Core deposits	Trademarks	Software and others	Total
Cost							
As at 1 January 2016	12,460	11,232	8,331	15,082	2,442	5,091	54,638
Acquisitions of subsidiaries	-	-	914	-	7,113	2,427	10,454
Additions	8,468	-	830	-	-	1,234	10,532
Disposals of subsidiaries	-	-	-	-	(287)	(75)	(362)
Disposals	(289)	-	-	-	-	(124)	(413)
As at 31 December 2016	20,639	11,232	10,075	15,082	9,268	8,553	74,849
Accumulated amortization							
As at 1 January 2016	-	2,231	679	3,393	245	3,174	9,722
Acquisitions of subsidiaries	-	-	-	-	28	49	77
Charge for the year	-	486	58	754	73	752	2,123
Disposals of subsidiaries	-	-	-	-	-	(30)	(30)
Disposals	-	-	-	-	-	(60)	(60)
As at 31 December 2016	-	2,717	737	4,147	346	3,885	11,832
Net book value							
As at 31 December 2016	20,639	8,515	9,338	10,935	8,922	4,668	63,017
As at 1 January 2016	12,460	9,001	7,652	11,689	2,197	1,917	44,916

32. INTANGIBLE ASSETS (CONTINUED)

	2015						
(in RMB million)	Goodwill (i)	Expressway operating rights	Prepaid land premiums	Core deposits	Trademarks	Software and others	Total
Cost							
As at 1 January 2015	12,037	11,232	5,604	15,082	2,155	4,716	50,826
Acquisitions of subsidiaries	–	–	411	–	287	–	698
Additions	423	–	2,382	–	–	539	3,344
Disposals of subsidiaries	–	–	–	–	–	(162)	(162)
Disposals	–	–	(66)	–	–	(2)	(68)
As at 31 December 2015	12,460	11,232	8,331	15,082	2,442	5,091	54,638
Accumulated amortization							
As at 1 January 2015	–	1,745	581	2,639	187	2,642	7,794
Acquisitions of subsidiaries	–	–	52	–	–	–	52
Charge for the year	–	486	51	754	58	563	1,912
Disposals of subsidiaries	–	–	–	–	–	(30)	(30)
Disposals	–	–	(5)	–	–	(1)	(6)
As at 31 December 2015	–	2,231	679	3,393	245	3,174	9,722
Net book value							
As at 31 December 2015	12,460	9,001	7,652	11,689	2,197	1,917	44,916
As at 1 January 2015	12,037	9,487	5,023	12,443	1,968	2,074	43,032

As at 31 December 2016, expressway operating rights with a carrying amount of RMB8,515 million (31 December 2015: RMB9,001 million) were pledged as collateral for long term borrowings amounting to RMB3,921 million (31 December 2015: RMB3,987 million).

As at 31 December 2016, prepaid land premiums with a carrying amount of RMB1,178 million (31 December 2015: RMB1,178 million) were pledged as collateral for long term borrowings amounting to RMB400 million (31 December 2015: RMB340 million).

As at 31 December 2016, prepaid land premium with a carrying amount of RMB84 million (31 December 2015: RMB55 million) were still in progress of applying for title certificates.

32. INTANGIBLE ASSETS (CONTINUED)

(I) GOODWILL

	2016			
	As at 1 January 2016	**Additions**	**Disposals**	**As at 31 December 2016**
Ping An Bank	**8,761**	**–**	**–**	**8,761**
Shanghai Jahwa	**2,502**	**–**	**–**	**2,502**
Mayborn Group Limited	**–**	**2,106**	**–**	**2,106**
Ping An Securities	**328**	**–**	**–**	**328**
Shenzhen Ping An Commercial Property Investment Co., Ltd.	**66**	**–**	**–**	**66**
Beijing Shuangronghui Investment Co., Ltd.	**134**	**–**	**–**	**134**
Shanghai Gezhouba Yangming Property Co., Ltd.	**239**	**2**	**–**	**241**
Ping An E-wallet	**–**	**1,073**	**–**	**1,073**
Autohome Inc.	**–**	**5,265**	**–**	**5,265**
Other	**430**	**22**	**(289)**	**163**
Total	**12,460**	**8,468**	**(289)**	**20,639**
Less: Impairment losses	**–**	**–**	**–**	**–**
Net book value	**12,460**	**8,468**	**(289)**	**20,639**

	2015			
	As at 1 January 2015	Additions	Disposals	As at 31 December 2015
Ping An Bank	8,761	–	–	8,761
Shanghai Jahwa	2,502	–	–	2,502
Ping An Securities	328	–	–	328
Shenzhen Ping An Commercial Property Investment Co., Ltd.	66	–	–	66
Beijing Shuangronghui Investment Co., Ltd.	134	–	–	134
Shanghai Gezhouba Yangming Property Co., Ltd.	–	239	–	239
Other	246	184	–	430
Total	12,037	423	–	12,460
Less: Impairment losses	–	–	–	–
Net book value	12,037	423	–	12,460

The primary valuation technique used is cash flow projections based on business plans approved by management covering a three to five year period and a risk adjusted discount rate. Cash flows beyond that period have been extrapolated using a steady growth rate and terminal value. Discount rates used by the Group range from 9% to 15% (2015: 9% to 14%) and growth rates, where applicable, range from 2% to 34% (2015: 3% to 34%).

The results of cash flow projections exceed the carrying amount of each related cash-generating unit or group of units. However, subsequent impairment tests may be based upon different assumptions and future cash flow projections, which may result in an impairment of these assets in the foreseeable future.

33. OTHER ASSETS

(in RMB million)	31 December 2016	31 December 2015
Interest receivables	**44,980**	41,302
Other receivables	**66,361**	34,399
Due from reinsurers	**12,365**	7,993
Foreclosed assets	**4,505**	3,334
Prepayments	**4,597**	6,820
Precious metals held for trading	**93,787**	63,780
Dividend receivable	**67**	99
Inventories	**5,380**	4,154
Others	**4,891**	1,742
Gross	**236,933**	163,623
Less: Loss provisions		
Interest receivables	**(30)**	(30)
Other receivables	**(1,316)**	(822)
Due from reinsurers	**(17)**	(16)
Foreclosed assets	**(300)**	(271)
Prepayments	**(406)**	(428)
Inventories	**(34)**	(18)
Others	**(24)**	(37)
Net	**234,806**	162,001

34. SHARE CAPITAL

(million shares)	Domestic listed A shares, par value RMB1.00 per share	Overseas listed H shares, par value RMB1.00 per share	Total
1 January 2016	**10,832**	**7,448**	**18,280**
31 December 2016	**10,832**	**7,448**	**18,280**

35. RESERVES, RETAINED PROFITS AND NON-CONTROLLING INTERESTS

(in RMB million)	Share premium	Available-for-sale investment reserve	Shadow accounting adjustments	Others	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Retained profits	Non-controlling interests	Total
As at 1 January 2016	**115,539**	**32,768**	**(6,659)**	**2,150**	**8,498**	**28,248**	**86**	**135,338**	**79,323**	**395,291**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**		**62,394**	**9,974**	**72,368**
Other comprehensive income for the year	**-**	**(12,243)**	**3,430**	**(38)**	**-**	**-**	**1,167**	**-**	**117**	**(7,567)**
Total comprehensive income for the year	**-**	**(12,243)**	**3,430**	**(38)**	**-**	**-**	**1,167**	**62,394**	**10,091**	**64,801**
Dividend declared (Note 16)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,054)**	**-**	**(10,054)**
Appropriations to surplus reserves	**-**	**-**	**-**	**-**	**2,868**	**-**	**-**	**(2,868)**	**-**	**-**
Appropriations to general reserves	**-**	**-**	**-**	**-**	**-**	**8,551**	**-**	**(8,551)**	**-**	**-**
Dividend paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,640)**	**(1,640)**
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,219**	**6,219**
Equity transactions with non-controlling interests	**(1,927)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,276)**	**(5,203)**
Contributions from non-controlling interests	**1,835**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,059**	**3,894**
Share purchase scheme	**-**	**-**	**-**	**(121)**	**-**	**-**	**-**	**-**	**-**	**(121)**
Other equity instruments issued by subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,236**	**10,236**
Others	**-**	**-**	**-**	**4,758**	**-**	**-**	**-**	**-**	**-**	**4,758**
As at 31 December 2016	**115,447**	**20,525**	**(3,229)**	**6,749**	**11,366**	**36,799**	**1,253**	**176,259**	**103,012**	**468,181**

35. RESERVES, RETAINED PROFITS AND NON-CONTROLLING INTERESTS (CONTINUED)

(in RMB million)	Share premium	Available-for-sale investment reserve	Shadow accounting adjustments	Others	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Retained profits	Non-controlling interests	Total
As at 1 January 2015	127,969	31,798	(6,107)	1,119	7,470	19,196	152	99,075	64,252	344,924
Profit for the year	–	–	–	–	–	–	–	54,203	10,975	65,178
Other comprehensive income for the year	–	970	(552)	10	–	–	(66)	–	390	752
Total comprehensive income for the year	–	970	(552)	10	–	–	(66)	54,203	11,365	65,930
Conversion of convertible bonds	10,342	–	–	(1,471)	–	–	–	–	–	8,871
Transfer to share capital	(9,140)	–	–	–	–	–	–	–	–	(9,140)
Dividend declared (Note 16)	–	–	–	–	–	–	–	(7,860)	–	(7,860)
Appropriations to surplus reserves	–	–	–	–	1,028	–	–	(1,028)	–	–
Appropriations to general reserves	–	–	–	–	–	9,052	–	(9,052)	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(1,257)	(1,257)
Equity transactions with non-controlling interests	(1,193)	–	–	–	–	–	–	–	(1,233)	(2,426)
Contributions from non-controlling interests	953	–	–	–	–	–	–	–	6,036	6,989
Share purchase scheme	–	–	–	(127)	–	–	–	–	–	(127)
Shares held by consolidated assets management scheme (i)	(13,392)	–	–	–	–	–	–	–	–	(13,392)
Others	–	–	–	2,619	–	–	–	–	160	2,779
As at 31 December 2015	115,539	32,768	(6,659)	2,150	8,498	28,248	86	135,338	79,323	395,291

35. RESERVES, RETAINED PROFITS AND NON-CONTROLLING INTERESTS (CONTINUED)

(i) In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures 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 dividend distribution or transfer to share capital.

In accordance with the relevant regulations, the net profit after tax of the Company for profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profits determined in accordance with IFRSs.

36. SHARE PURCHASE SCHEME

Movement of reserves relating to the Scheme is as follows:

For the year ended 31 December 2016 (in RMB million)	Cost of shares held for share purchase scheme	Value of employee services	Total
As at 1 January	**(312)**	**185**	**(127)**
Purchased [(i)]	**(482)**	**–**	**(482)**
Share-based compensation expenses [(ii)]	**–**	**342**	**342**
Exercised	**96**	**(96)**	**–**
Expired	**19**	**–**	**19**
As at 31 December	**(679)**	**431**	**(248)**

For the year ended 31 December 2015 (in RMB million)	Cost of shares held for share purchase scheme	Value of employee services	Total
As at 1 January	–	–	–
Purchased [(i)]	(312)	–	(312)
Share-based compensation expenses [(ii)]	–	185	185
As at 31 December	(312)	185	(127)

(i) During the period from 17 March 2016 to 21 March 2016, 14,803,850 ordinary A shares were purchased from the market. The average price of shares purchased was RMB32.53 per share.

During the period from 20 March 2015 to 26 March 2015, 4,050,253 ordinary A shares were purchased from the market. The average price of shares purchased was RMB77.02 per share price before the conversion of capital reserves to share capital.

(ii) The share-based compensation expense of the Scheme and the total value of employee services during the year ended 31 December 2016 were RMB342 million (31 December 2015: RMB185 million) and RMB342 million (31 December 2015: RMB185 million) respectively.

37. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2016	31 December 2015
Deposits from other banks and financial institutions	**437,495**	312,207
Due to the Central Bank	**19,137**	3,051
Short term borrowings	**56,904**	42,610
Long term borrowings	**71,258**	52,390
	584,794	410,258

Refer to Notes 20, 23, 30 and 32 for the assets pledged as collateral to support the above borrowings.

38. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	31 December 2016	31 December 2015
Bonds	**89,166**	118,156
Beneficial right in equities	**-**	1,080
	89,166	119,236

As at 31 December 2016, none of beneficial right in equities were pledged as assets sold under agreements to repurchase (31 December 2015: RMB1,080 million).

As at 31 December 2016, bonds with a carrying amount of RMB56,633 million (31 December 2015: RMB75,880 million) were pledged as collateral for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transaction.

As at 31 December 2016, the carrying amount of bonds deposited in the collateral pool was RMB106,230 million (31 December 2015: RMB98,392 million). The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool without delay provided that the value of certain bonds is no less than the balance of related repurchase transactions.

For bonds repurchase transactions through stock exchange, the Group is required to deposit certain exchange traded bonds into a collateral pool and the fair value converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balance of related repurchase transaction.

39. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

(in RMB million)	31 December 2016	31 December 2015
Customer deposits		
Current and savings accounts		
– Corporate customers	**609,902**	388,735
– Individual customers	**160,708**	140,760
Term deposits		
– Corporate customers	**620,134**	623,797
– Individual customers	**82,206**	113,423
Guarantee deposits	**320,255**	334,691
Time deposits from the Central Bank	**34,661**	30,422
Fiscal deposits	**33,448**	42,477
Remittance payables and outward remittance	**6,980**	6,788
	1,868,294	1,681,093
Payables to brokerage customers		
– Individual customers	**20,095**	27,471
– Corporate customers	**5,988**	5,343
	26,083	32,814
	1,894,377	1,713,907

As at 31 December 2016, bonds classified as held-to-maturity with a carrying amount of RMB29,928 million (31 December 2015: RMB31,311 million), and bonds classified as loans and receivables with a carrying amount of RMB5,542 million (31 December 2015: RMB3,179 million) were pledged as collateral for time deposits from the Central Bank.

40. INSURANCE CONTRACT LIABILITIES

(in RMB million)	31 December 2016	31 December 2015
Policyholders' reserves	**990,737**	851,486
Policyholder contract deposits	**431,711**	372,759
Policyholder account liabilities in respect of insurance contracts	**39,706**	48,903
Unearned premium reserves	**95,509**	86,482
Claim reserves	**67,810**	60,328
Total	**1,625,473**	1,419,958

	31 December 2016		
(in RMB million)	Insurance contract liabilities	Reinsurers' share	Net
Long term life insurance contracts	**1,462,154**	**(1,278)**	**1,460,876**
Short term life insurance contracts	**9,652**	**(638)**	**9,014**
Property and casualty insurance contracts	**153,667**	**(13,353)**	**140,314**
	1,625,473	**(15,269)**	**1,610,204**

	31 December 2015		
(in RMB million)	Insurance contract liabilities	Reinsurers' share	Net
Long term life insurance contracts	1,273,148	(1,788)	1,271,360
Short term life insurance contracts	7,947	(429)	7,518
Property and casualty insurance contracts	138,863	(15,655)	123,208
	1,419,958	(17,872)	1,402,086

(in RMB million)	31 December 2016	31 December 2015
Current portion*		
Long term life	**1,150**	10,784
Short term life	**9,095**	7,502
Property and casualty	**90,057**	85,469
Non-current portion		
Long term life	**1,461,004**	1,262,364
Short term life	**557**	445
Property and casualty	**63,610**	53,394
Total	**1,625,473**	1,419,958

- Estimated net cash flows within 12 months from the end of the reporting period.

40. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(1) LONG TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2016	31 December 2015
Policyholders' reserves	**990,737**	851,486
Policyholder contract deposits	**431,711**	372,759
Policyholder account liabilities in respect of insurance contracts	**39,706**	48,903
	1,462,154	1,273,148

The policyholders' reserves are analyzed as follows:

(in RMB million)	2016	2015
As at 1 January	**851,486**	724,338
Increase during the year	**246,548**	208,794
Decrease during the year		
– Claims and benefits paid	**(81,794)**	(63,807)
– Surrender	**(27,198)**	(18,305)
– Others	**1,695**	466
As at 31 December	**990,737**	851,486

The policyholder contract deposits are analyzed as follows:

(in RMB million)	2016	2015
As at 1 January	**372,759**	319,395
Policyholder principal increased	**80,312**	73,120
Accretion of investment income	**16,476**	23,562
Liabilities released for benefits paid	**(25,999)**	(32,993)
Policy administration fees and guaranteed fees deducted	**(11,837)**	(10,325)
As at 31 December	**431,711**	372,759

40. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(2) SHORT TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2016	31 December 2015
Unearned premium reserves	**4,895**	3,872
Claim reserves	**4,757**	4,075
	9,652	7,947

The unearned premium reserves of short term life insurance are analyzed as follows:

	2016			2015		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**3,872**	**(333)**	**3,539**	1,970	(119)	1,851
Premiums written during the year	**19,977**	**(2,010)**	**17,967**	17,973	(5,874)	12,099
Premiums earned during the year	**(18,954)**	**2,173**	**(16,781)**	(16,071)	5,660	(10,411)
As at 31 December	**4,895**	**(170)**	**4,725**	3,872	(333)	3,539

The claim reserves of short term life insurance are analyzed as follows:

	2016			2015		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**4,075**	**(96)**	**3,979**	2,657	(148)	2,509
Claims incurred during the year	**11,150**	**(2,231)**	**8,919**	9,245	(3,816)	5,429
Claims paid during the year	**(10,468)**	**2,124**	**(8,344)**	(7,827)	3,868	(3,959)
As at 31 December	**4,757**	**(203)**	**4,554**	4,075	(96)	3,979

40. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS

(in RMB million)	31 December 2016	31 December 2015
Unearned premium reserves	**90,614**	82,610
Claim reserves	**63,053**	56,253
	153,667	138,863

The unearned premium reserves of property and casualty insurance are analyzed as follows:

	2016			2015		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
As at 1 January	**82,610**	**(6,806)**	**75,804**	72,154	(6,875)	65,279
Premiums written during the year	**144,068**	**(10,238)**	**133,830**	163,955	(12,248)	151,707
Premiums earned during the year	**(136,064)**	**11,156**	**(124,908)**	(153,499)	12,317	(141,182)
As at 31 December	**90,614**	**(5,888)**	**84,726**	82,610	(6,806)	75,804

The claim reserves of property and casualty insurance are analyzed as follows:

	2016			2015		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
As at 1 January	**56,253**	**(8,849)**	**47,404**	43,629	(6,888)	36,741
Claims incurred during the year	**91,322**	**(7,803)**	**83,519**	87,097	(10,916)	76,181
Claims paid during the year	**(84,522)**	**8,922**	**(75,600)**	(74,473)	8,955	(65,518)
As at 31 December	**63,053**	**(7,730)**	**55,323**	56,253	(8,849)	47,404

41. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

(in RMB million)	31 December 2016	31 December 2015
Policyholder account liabilities in respect of investment contracts	**4,084**	5,084
Investment contract reserves	**40,846**	37,606
	44,930	42,690

The investment contract liabilities are analyzed as follows:

(in RMB million)	2016	2015
As at 1 January	**42,690**	38,330
Policyholder principal increased	**9,971**	9,337
Accretion of investment income	**719**	2,800
Liabilities released for benefits paid	**(7,741)**	(7,521)
Policy administration fees and guaranteed fees deducted	**(84)**	(82)
Others	**(625)**	(174)
As at 31 December	**44,930**	42,690

As at 31 December 2015 and 2016, all reinsurance contracts of the Group transferred significant insurance risk.

42. BONDS PAYABLE

Issuer	Type	Guarantee type	Maturity	Early redemption option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	31 December 2016	31 December 2015
Value Success International Limited	Offshore RMB bonds	Guaranteed (Note 1)	3 years	None	1,500	2013	Fixed	4.00%	**-**	1,499
Value Success International Limited	Offshore RMB bonds	Guaranteed (Note 1)	5 years	None	2,100	2013	Fixed	4.75%	**2,095**	2,093
Value Success International Limited	Offshore RMB bonds	Guaranteed (Note 1)	5 years	None	750	2014	Fixed	4.95%	**749**	748
Value Success International Limited	Offshore RMB bonds	Guaranteed (Note 1)	3 years	None	850	2014	Fixed	4.15%	**850**	849
Value Success International Limited	Offshore SGD bonds	Guaranteed (Note 1)	5.5 years	None	1,779	2014	Fixed	4.13%	**1,755**	1,619
Value Success International Limited	Offshore HKD bonds	Guaranteed (Note 1)	5 years	None	1,272	2016	Fixed	3.00%	**1,370**	-
Value Success International Limited	Offshore USD bonds	Guaranteed (Note 1)	5 years	None	1,336	2016	Fixed	3.20%	**1,384**	-
Value Success International Limited	Offshore USD bonds	Guaranteed (Note 1)	5 years	None	668	2016	Fixed	3.20%	**692**	-
Ping An Property & Casualty	Subordinated bonds	None	10 years	End of the fifth year	3,000	2012	Fixed	First 5 years: 4.65% Next 5 years: 6.65% (If not redeemed)	**3,112**	3,080
Ping An Property & Casualty	Capital supplement bonds	None	10 years	End of the fifth year	5,000	2015	Fixed	First 5 years: 4.79% Next 5 years: 5.79% (If not redeemed)	**5,017**	4,993
Ping An Life	Subordinated bonds	None	10 years	End of the fifth year	4,000	2011	Fixed	First 5 years: 5.70% Next 5 years: 7.70% (If not redeemed)	**-**	4,156
Ping An Life	Subordinated bonds	None	10 years	End of the fifth year	9,000	2012	Fixed	First 5 years: 5.00% Next 5 years: 7.00% (If not redeemed)	**9,385**	9,285
Ping An Life	Subordinated bonds	None	10 years	End of the fifth year	8,000	2014	Fixed	First 5 years: 5.90% Next 5 years: 7.90% (If not redeemed)	**8,186**	8,106

42. BONDS PAYABLE (CONTINUED)

Issuer	Type	Guarantee type	Maturity	Early redemption option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	31 December 2016	31 December 2015
Ping An Life	Capital supplement bonds	None	10 years	End of the fifth year	5,000	2015	Fixed	First 5 years: 3.90% Next 5 years: 4.90% (If not redeemed)	**5,012**	4,989
Ping An Life	Capital supplement bonds	None	10 years	End of the fifth year	10,000	2016	Fixed	First 5 years: 3.82% Next 5 years: 4.82% (If not redeemed)	**10,011**	-
Ping An Life	Offshore USD bonds	None	3 years	None	4,592	2016	Fixed	2.38%	**4,825**	-
Ping An Life	Offshore USD bonds	None	5 years	None	3,280	2016	Fixed	2.88%	**3,443**	-
Ping An Bank	Hybrid capital debt instrument	None	15 years	End of the tenth year	1,500	2009	Fixed	First 10 years: 5.70% Next 5 years: 8.70% (If not redeemed)	**1,465**	1,465
Ping An Bank	Hybrid capital debt instrument	None	15 years	End of the tenth year	3,650	2011	Fixed	7.50%	**3,650**	3,650
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	6,000	2014	Fixed	6.50%	**6,000**	6,000
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	9,000	2014	Fixed	6.80%	**9,000**	9,000
Ping An Bank	Interbank deposits	None	1-3 years	None	3,950	2016	Floating	2.95%-3.30%	**3,971**	-
Ping An Bank	Interbank deposits	None	Less than 1 year	None	231,610	2016	Discounted	2.74%-5.10%	**229,378**	192,848
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	10,000	2016	Fixed	3.85%	**10,000**	-
Ping An International Financial Co., Ltd	Private equity notes	None	3 years	None	445	2014	Fixed	4.40%	**445**	445
Ping An Securities	Subordinated bonds	None	2 years	None	3,000	2014	Fixed	6.50%	**3,000**	2,998
Ping An Securities	Income certificate	None	365 days	None	300	2015	Fixed	7.20%	**-**	300
Ping An Securities	Income certificate	None	388 days	None	200	2015	Fixed	7.20%	**-**	200
Ping An Securities	Income certificate	None	407 days	None	100	2015	Fixed	7.00%	**-**	100

42. BONDS PAYABLE (CONTINUED)

Issuer	Type	Guarantee type	Maturity	Early redemption option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	31 December 2016	31 December 2015
Ping An Securities	Corporate bonds	None	3 years	End of the second year	1,500	2016	Fixed	3.50%	**1,500**	-
Ping An Securities	Corporate bonds	None	6 months	None	1,000	2016	Fixed	3.50%	**1,000**	-
Ping An Financial Leasing	Private equity notes	None	1 year	None	200	2015	Fixed	5.10%	**-**	200
Ping An Financial Leasing	Private equity notes	None	1 year	None	1,000	2015	Fixed	4.55%	**-**	1,000
Ping An Financial Leasing	Private equity notes	None	1 year	None	1,200	2015	Fixed	4.40%	**-**	1,200
Ping An Financial Leasing	Private equity notes	None	1 year	None	2,600	2015	Fixed	4.30%	**-**	2,600
Ping An Financial Leasing	Corporate bonds	None	1 year	None	450	2016	Fixed	3.00%	**450**	-
Ping An Financial Leasing	Corporate bonds	None	1 year	None	500	2016	Fixed	2.95%	**500**	-
Ping An Financial Leasing	Corporate bonds	None	1 year	None	550	2016	Fixed	2.96%	**550**	-
Ping An Financial Leasing	Corporate bonds	None	3 years	None	500	2016	Fixed	3.45%	**500**	-
Ping An Financial Leasing	Corporate bonds	None	3 years	None	1,000	2016	Fixed	3.34%	**1,000**	-
Ping An Financial Leasing	Corporate bonds	None	5 years	None	1,500	2016	Fixed	3.50%	**1,500**	-
Ping An Financial Leasing	Corporate bonds	None	270 days	None	1,000	2016	Fixed	4.35%	**1,000**	-
Ping An Financial Leasing	Private equity notes	None	3 years	None	1,500	2016	Fixed	4.55%	**1,500**	-
Ping An Financial Leasing	Private equity notes	None	3 years	None	1,000	2016	Fixed	3.50%	**1,000**	-
Ping An Financial Leasing	Private equity notes	None	3 years	None	1,000	2016	Fixed	3.35%	**1,000**	-
Ping An Financial Leasing	Private equity notes	None	3 years	None	1,500	2016	Fixed	3.45%	**1,500**	-
Ping An Financial Leasing	Corporate bonds	None	3 years	None	1,000	2016	Fixed	3.58%	**1,000**	-

42. BONDS PAYABLE (CONTINUED)

Issuer	Type	Guarantee type	Maturity	Early redemption option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	31 December 2016	31 December 2015
Fuqing Investment Management Limited	Offshore RMB bonds	Guaranteed (Note 2)	3 years	None	1,000	2015	Fixed	4.85%	**994**	990
Fuxiang Investment Management Limited	Offshore USD bonds	Guaranteed (Note 2)	3 years	None	2,079	2016	Fixed	3.63%	**2,062**	-
Ping An Real Estate	Corporate bonds	None	3 years	None	2,000	2016	Fixed	3.27%	**1,993**	-
Ping An Real Estate	Corporate bonds	None	3 years	None	2,000	2016	Fixed	3.60%	**1,993**	-
Ping An Real Estate	Corporate bonds	None	7 years	End of the Fifth year	4,000	2016	Fixed	3.28%	**3,988**	-
Total									**349,825**	264,413

Note 1: The bonds are guaranteed by Ping An Overseas Holdings, which is the holding company of Value Success International Limited.

Note 2: The bonds are guaranteed by Pingan Real Estate Capital Limited, which is a subsidiary of Ping An Real Estate.

FINANCIAL STATEMENTS

43. DEFERRED TAX ASSETS AND LIABILITIES

(in RMB million)	31 December 2016	31 December 2015
Deferred tax assets	**28,292**	15,663
Deferred tax liabilities	**(11,274)**	(9,911)
Net	**17,018**	5,752

The deferred tax assets are analyzed as follows:

	2016						
(in RMB million)	**As at 1 January**	**Acquisitions of subsidiaries**	**Charged to profit or loss**	**Charged to equity**	**Other changes**	**As at 31 December**	**Temporary difference as at 31 December**
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	**36**	**-**	**781**	**-**	**8**	**825**	**(3,300)**
Fair value adjustments on available-for-sale investments	**(131)**	**-**	**-**	**221**	**-**	**90**	**(360)**
Insurance contract liabilities	**6,993**	**-**	**756**	**(1,176)**	**-**	**6,573**	**(26,292)**
Impairment loss provisions	**9,937**	**-**	**8,263**	**-**	**-**	**18,200**	**(72,800)**
Others	**6,655**	**60**	**1,742**	**-**	**(786)**	**7,671**	**(30,684)**
	23,490	**60**	**11,542**	**(955)**	**(778)**	**33,359**	**(133,436)**

	2015						
(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	13	–	24	–	(1)	36	(144)
Fair value adjustments on available-for-sale investments	484	–	–	(606)	(9)	(131)	524
Insurance contract liabilities	4,259	–	1,832	902	–	6,993	(27,972)
Impairment loss provisions	12,118	5	(2,174)	–	(12)	9,937	(39,748)
Others	5,978	–	641	–	36	6,655	(26,620)
	22,852	5	323	296	14	23,490	(93,960)

43. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The deferred tax liabilities are analyzed as follows:

	2016						
(in RMB million)	**As at 1 January**	**Acquisitions of subsidiaries**	**Charged to profit or loss**	**Charged to equity**	**Other changes**	**As at 31 December**	**Temporary difference as at 31 December**
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	**(68)**	**-**	**(130)**	**-**	**1**	**(197)**	**788**
Fair value adjustments on available-for-sale investments	**(11,363)**	**-**	**-**	**3,647**	**29**	**(7,687)**	**30,748**
Intangible assets-core deposits	**(2,920)**	**-**	**189**	**-**	**-**	**(2,731)**	**10,924**
Intangible assets evaluation premium from acquisition of Autohome Inc.	**-**	**(2,102)**	**-**	**-**	**-**	**(2,102)**	**8,408**
Others	**(3,387)**	**(245)**	**164**	**-**	**(156)**	**(3,624)**	**14,496**
	(17,738)	**(2,347)**	**223**	**3,647**	**(126)**	**(16,341)**	**65,364**

	2015						
(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	(13)	-	(55)	-	-	(68)	272
Fair value adjustments on available-for-sale investments	(10,859)	-	-	(502)	(2)	(11,363)	45,452
Intangible assets-core deposits	(3,109)	-	189	-	-	(2,920)	11,680
Others	(2,677)	(423)	(329)	-	42	(3,387)	13,548
	(16,658)	(423)	(195)	(502)	40	(17,738)	70,952

As at 31 December 2016, unrecognized tax losses of the Group were RMB4,019 million (31 December 2015: RMB2,420 million).

43. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The following table shows unrecognized tax losses based on its expected expiry date:

(in RMB million)	31 December 2016	31 December 2015
2016	–	118
2017	**294**	305
2018	**334**	334
2019	**330**	330
2020	**1,325**	1,333
2021	**1,736**	–
	4,019	2,420

44. OTHER LIABILITIES

(in RMB million)	31 December 2016	31 December 2015
Other payables	**159,863**	124,023
Payable to holders of trust schemes and banking wealth management products	**3,019**	13,913
Salaries and welfare payable	**30,892**	26,990
Interest payable	**24,582**	25,367
Other tax payable	**6,845**	6,464
Receipts in advance	**6,582**	2,704
Contingency provision	**666**	664
Insurance guarantee fund	**708**	654
Accruals	**7,843**	3,847
Deferred income	**7,211**	4,173
Others	**24,623**	15,031
	272,834	223,830

45. 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.

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

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

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

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

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

The Group limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. More detailed discussion on reinsurance is disclosed in Note 45. (1) (c).

Concentration of insurance risks

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

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by insurance contract liabilities in Note 40.

Assumptions and sensitivities

(a) Long term life insurance contracts

Assumptions

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

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

(a) Long term life insurance contracts (continued)

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 mortality, morbidity, accident rates and etc. (a 10% increase in mortality rates of annuity policies before the payment period, a 10% decrease in the payment period);
- a 10% increase in policy lapse rates; and
- a 5% increase in maintenance expense rates.

	31 December 2016				
(in RMB million)	**Change in assumptions**	**Impact on gross policyholders' reserves Increase/ (decrease)**	**Impact on net policyholders' reserves Increase/ (decrease)**	**Impact on profit before tax Increase/ (decrease)**	**Impact on equity before tax Increase/ (decrease)**
Discount rate/investment return	**+10bps**	**(8,577)**	**(8,568)**	**8,568**	**8,568**
Discount rate/investment return	**-10bps**	**8,920**	**8,910**	**(8,910)**	**(8,910)**
Mortality, morbidity, accident rates and etc.	**+10%**	**22,342**	**22,304**	**(22,304)**	**(22,304)**
Policy lapse rates	**+10%**	**7,115**	**7,131**	**(7,131)**	**(7,131)**
Maintenance expense rates	**+5%**	**2,160**	**2,160**	**(2,160)**	**(2,160)**

	31 December 2015				
(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	(6,502)	(6,492)	6,492	6,492
Discount rate/investment return	-10bps	6,757	6,747	(6,747)	(6,747)
Mortality, morbidity accident rates and etc.	+10%	14,743	14,140	(14,140)	(14,140)
Policy lapse rates	+10%	5,742	5,758	(5,758)	(5,758)
Maintenance expense rates	+5%	1,761	1,761	(1,761)	(1,761)

45. 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)	2012	2013	2014	2015	**2016**	Total
Estimated cumulative claims paid:						
As at end of current year	51,312	60,361	69,852	83,767	**94,445**	
One year later	51,966	60,876	69,292	81,490	**-**	
Two years later	51,727	60,425	67,587	–	**-**	
Three years later	51,467	59,552	–	–	**-**	
Four years later	50,855	–	–	–	**-**	
Estimated cumulative claims	50,855	59,552	67,587	81,490	**94,445**	353,929
Cumulative claims paid	(49,401)	(56,972)	(61,760)	(68,063)	**(58,858)**	(295,054)
Subtotal						58,875
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						4,178
Outstanding claim reserves						63,053

FINANCIAL STATEMENTS

45. 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)	2012	2013	2014	2015	**2016**	Total
Estimated cumulative claims paid:						
As at end of current year	45,307	52,810	59,864	72,724	**85,558**	
One year later	45,702	53,124	59,479	70,855	**-**	
Two years later	45,469	52,747	58,057	–	**-**	
Three years later	45,193	51,993	–	–	**-**	
Four years later	44,777	–	–	–	**-**	
Estimated cumulative claims	44,777	51,993	58,057	70,855	**85,558**	311,240
Cumulative claims paid	(43,503)	(49,849)	(53,114)	(59,588)	**(53,687)**	(259,741)
Subtotal						51,499
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						3,824
Outstanding claim reserves						55,323

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)	2012	2013	2014	2015	**2016**	Total
Estimated cumulative claims paid:						
As at end of current year	4,301	4,877	6,732	8,415	**11,458**	
One year later	4,173	5,066	6,786	7,904	**-**	
Two years later	4,182	4,917	6,715	–	**-**	
Three years later	4,182	4,917	–	–	**-**	
Four years later	4,183	–	–	–	**-**	
Estimated cumulative claims	4,183	4,917	6,715	7,904	**11,458**	35,177
Cumulative claims paid	(4,183)	(4,917)	(6,710)	(7,613)	**(7,935)**	(31,358)
Subtotal						3,819
Prior year adjustments, unallocated loss adjustment expenses and risk margin						938
Outstanding claim reserves						4,757

45. 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)	2012	2013	2014	2015	**2016**	Total
Estimated cumulative claims paid:						
As at end of current year	4,181	4,717	6,367	8,175	**11,033**	
One year later	4,042	4,862	6,574	7,673	**-**	
Two years later	4,050	4,804	6,536	–	**-**	
Three years later	4,050	4,792	–	–	**-**	
Four years later	4,050	–	–	–	**-**	
Estimated cumulative claims	4,050	4,792	6,536	7,673	**11,033**	34,084
Cumulative claims paid	(4,050)	(4,792)	(6,531)	(7,395)	**(7,695)**	(30,463)
Subtotal						3,621
Prior year adjustments, unallocated loss adjustment expenses and risk margin						933
Outstanding claim reserves						4,554

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 2016				
(in RMB million)	**Change in assumptions**	**Impact on gross claim reserves Increase/ (decrease)**	**Impact on net claim reserves Increase/ (decrease)**	**Impact on profit before tax Increase/ (decrease)**	**Impact on equity before tax Increase/ (decrease)**
Average claim costs					
Property and casualty insurance	**+5%**	**3,159**	**2,770**	**(2,770)**	**(2,770)**
Short term life insurance	**+5%**	**238**	**228**	**(228)**	**(228)**

	31 December 2015				
(in RMB million)	Change in assumptions	Impact on gross claim reserves Increase/ (decrease)	Impact on net claim reserves Increase/ (decrease)	Impact on profit before tax Increase/ (decrease)	Impact on equity before tax Increase/ (decrease)
Average claim costs					
Property and casualty insurance	+5%	2,813	2,363	(2,363)	(2,363)
Short term life insurance	+5%	204	199	(199)	(199)

FINANCIAL STATEMENTS

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

(c) Reinsurance

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

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

(2) MARKET RISK

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

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB and HKD/RMB exchange rates. The Group 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 2016		31 December 2015	
(in RMB million)	Change in variables	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity before tax**	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax
USD	+5%	**791**	**1,518**	618	995
HKD	+5%	**203**	**1,205**	149	1,078
Other currencies	+5%	**(154)**	**90**	21	212
		840	**2,813**	788	2,285
USD	-5%	**(791)**	**(1,518)**	(618)	(995)
HKD	-5%	**(203)**	**(1,205)**	(149)	(1,078)
Other currencies	-5%	**154**	**(90)**	(21)	(212)
		(840)	**(2,813)**	(788)	(2,285)

45. 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 2016				
(in RMB millions)	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	RMB equivalent total
Assets					
Cash and amounts due from banks and other financial institutions	473,241	77,183	7,815	2,904	561,143
Balances with the Central Bank and statutory deposits	305,057	13,533	270	-	318,860
Fixed maturity investments	2,128,150	17,706	10,058	377	2,156,291
Equity investments	376,666	27,256	18,098	4,888	426,908
Loans and advances to customers	1,309,332	119,755	17,712	11,492	1,458,291
Premium receivables	34,369	911	45	-	35,325
Accounts receivable	22,192	116	-	45	22,353
Reinsurers' share of insurance liabilities	13,862	1,120	287	-	15,269
Finance lease receivable	78,056	-	-	-	78,056
Other assets	118,776	1,990	2,371	31	123,168
	4,859,701	259,570	56,656	19,737	5,195,664
Liabilities					
Due to banks and other financial institutions	520,068	57,969	2,172	4,585	584,794
Other financial liabilities held for trading	25,860	23	-	-	25,883
Assets sold under agreements to repurchase	86,244	-	2,922	-	89,166
Customer deposits and payables to brokerage customers	1,701,494	179,466	8,538	4,879	1,894,377
Accounts payable	8,565	-	-	-	8,565
Insurance payables	112,747	613	25	2	113,387
Insurance contract liabilities	1,623,060	1,845	553	15	1,625,473
Investment contract liabilities for policyholders	44,922	7	-	1	44,930
Policyholder dividend payable	39,198	16	-	2	39,216
Bonds payable	332,855	8,713	8,257	-	349,825
Other liabilities	132,657	1,978	4,545	94	139,274
	4,627,670	250,630	27,012	9,578	4,914,890
Net position of foreign currency		8,940	29,644	10,159	48,743
Notional amount of foreign exchange derivative financial instruments		21,429	(5,554)	(8,364)	7,511
		30,369	24,090	1,795	56,254
Off-balance sheet credit commitments	485,707	61,111	800	2,209	549,827

FINANCIAL STATEMENTS

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (continued)

	31 December 2015				
(in RMB millions)	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	RMB equivalent total
Assets					
Cash and amounts due from banks and other financial institutions	368,794	55,579	10,282	4,672	439,327
Balances with the Central Bank and statutory deposits	290,853	8,600	236	–	299,689
Fixed maturity investments	1,907,051	3,490	981	349	1,911,871
Equity investments	339,074	10,065	17,944	3,816	370,899
Loans and advances to customers	1,127,289	100,021	12,270	5,791	1,245,371
Premium receivables	33,156	877	39	–	34,072
Accounts receivable	15,838	940	–	–	16,778
Reinsurers' share of insurance liabilities	16,620	968	284	–	17,872
Finance lease receivable	57,598	–	–	–	57,598
Other assets	78,111	1,551	3,234	44	82,940
	4,234,384	182,091	45,270	14,672	4,476,417
Liabilities					
Due to banks and other financial institutions	392,258	13,850	3,971	179	410,258
Other financial liabilities held for trading	8,506	–	–	–	8,506
Assets sold under agreements to repurchase	118,586	–	650	–	119,236
Customer deposits and payables to brokerage customers	1,516,884	183,191	10,139	3,693	1,713,907
Accounts payable	4,734	1	–	–	4,735
Insurance payables	81,863	585	35	2	82,485
Insurance contract liabilities	1,417,381	2,002	559	16	1,419,958
Investment contract liabilities for policyholders	42,682	7	–	1	42,690
Policyholder dividend payable	33,014	13	–	1	33,028
Bonds payable	257,605	–	6,808	–	264,413
Other liabilities	95,624	1,855	1,568	23	99,070
	3,969,137	201,504	23,730	3,915	4,198,286
Net position of foreign currency		(19,413)	21,540	10,757	12,884
Notional amount of foreign exchange derivative financial instruments		39,313	14	(6,526)	32,801
		19,900	21,554	4,231	45,685
Off-balance sheet credit commitments	522,879	54,821	864	719	579,283

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(b) Price risk

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

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

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

The Group uses a 10-day market price value-at-risk ('VaR') technique to estimate its risk exposure for listed equity securities and equity investments funds. The Group adopts 10-day as the holding period on the assumption that not all the investments can be sold in one day. Moreover, the VaR calculation is made based on normal market conditions and a 99% confidence interval.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. The VaR may also be under or over estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence interval.

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

The analysis below is the estimated impact for listed stocks and security investment funds with 10-day reasonable market fluctuation in using the VaR module in the normal market.

(in RMB million)	**31 December 2016**	31 December 2015
Listed stocks and security investment funds	**8,297**	20,481

The Group expects that current listed stocks and equity investments funds will not lose more than RMB8,297 million due to market price movements in a 10-trading-day holding period on 99% of occasions.

FINANCIAL STATEMENTS

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk

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

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

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

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on the Group's profit (fair value change on held for trading bonds) and equity (fair value change on held for trading bonds and available-for-sale bonds).

		31 December 2016		31 December 2015	
(in RMB million)	Change in interest rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity before tax**	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity before tax
Bonds carried at fair value through profit or loss and available-for-sale	-50 basis points	**257**	**5,664**	149	5,528
Bonds carried at fair value through profit or loss and available-for-sale	+50 basis points	**(257)**	**(5,664)**	(149)	(5,528)

The following sensitivity analysis is based on the assumption that the floating rate bonds, floating rate term deposits and loans and advances have a static structure of interest rate risk. The analysis only measured interest rate changes within one year, reflecting the impact on interest income and interest expenses from the re-pricing of financial assets and liabilities within a year with the following assumptions: firstly, the interest rate of the floating rate bonds, floating rate term deposits/loans and advances is re-priced after the end of the reporting period; secondly, the yield curve moved in parallel with the changes in the interest rate; and thirdly, there are no other changes in the portfolio of financial assets and liabilities. Regarding the above assumptions, the pre-tax impact on the Group's profit and equity as a result of actual increases or decreases in interest rates may differ from that of the following sensitivity analysis.

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

(in RMB million)	Change in interest rate	31 December 2016 Increase/(decrease) in profit before tax	31 December 2016 Increase/(decrease) in equity before tax	31 December 2015 Increase/(decrease) in profit before tax	31 December 2015 Increase/(decrease) in equity before tax
Floating interest rate bonds	+50 basis points	**155**	**155**	56	56
Floating rate term deposits	+50 basis points	**68**	**68**	83	83
Loans and advances to customers	+50 basis points	**4,077**	**4,077**	3,439	3,439
Floating interest rate bonds	-50 basis points	**(155)**	**(155)**	(56)	(56)
Floating rate term deposits	-50 basis points	**(68)**	**(68)**	(83)	(83)
Loans and advances to customers	-50 basis points	**(4,077)**	**(4,077)**	(3,439)	(3,439)

The following table sets out the Group's term deposits (excluding balances of investment-linked contracts) exposed to interest rate risk by maturity or repricing date (whichever is the earlier):

(in RMB million)	31 December 2016	31 December 2015
Fixed interest rate		
Less than 3 months (including 3 months)	**33,358**	5,685
3 months to 1 year (including 1 year)	**46,697**	28,205
1-2 years (including 2 years)	**17,090**	63,760
2-3 years (including 3 years)	**41,441**	17,084
3-4 years (including 4 years)	**16,892**	18,770
4-5 years (including 5 years)	**22,102**	18,542
More than 5 years	**560**	–
Floating interest rate	**13,520**	16,180
	191,660	168,226

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

The following table sets out the Group's bonds, debt schemes and banking wealth management products (excluding balances of investment-linked contracts) by maturity or repricing date (whichever is the earlier):

	31 December 2016				
(in RMB million)	Loans and receivables	Held-to-maturity	Available-for-sale	Carried at fair value through profit or loss	Total
Fixed interest rate					
Less than 3 months (including 3 months)	**155,299**	**9,514**	**11,574**	**21,386**	**197,773**
3 months to 1 year (including 1 year)	**178,292**	**38,599**	**23,724**	**39,135**	**279,750**
1-2 years (including 2 years)	**66,075**	**67,000**	**22,632**	**1,143**	**156,850**
2-3 years (including 3 years)	**33,407**	**84,025**	**21,369**	**1,195**	**139,996**
3-4 years (including 4 years)	**49,266**	**72,659**	**15,751**	**227**	**137,903**
4-5 years (including 5 years)	**34,262**	**100,397**	**21,036**	**496**	**156,191**
More than 5 years	**124,712**	**597,455**	**82,679**	**1,081**	**805,927**
Floating interest rate	**110,677**	**40,065**	**17,275**	**7,634**	**175,651**
	751,990	**1,009,714**	**216,040**	**72,297**	**2,050,041**

	31 December 2015				
(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)	148,613	14,442	9,403	10,209	182,667
3 months to 1 year (including 1 year)	99,366	22,436	22,078	11,352	155,232
1-2 years (including 2 years)	56,125	40,025	24,057	2,094	122,301
2-3 years (including 3 years)	50,794	66,739	20,740	2,067	140,340
3-4 years (including 4 years)	9,675	75,196	11,620	744	97,235
4-5 years (including 5 years)	41,430	70,511	16,617	1,388	129,946
More than 5 years	75,846	568,978	85,802	1,800	732,426
Floating interest rate	100,344	58,342	33,558	10,027	202,271
	582,193	916,669	223,875	39,681	1,762,418

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.

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investments in bonds, reinsurance arrangements with reinsurers, policy loans, securities financing and direct loans, financial guarantees, loan commitments, etc. The Group uses a variety of controls to identify, measure, monitor and report credit risk.

Credit risk of banking business

The bank segment of the Group has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management procedures for its corporate and retail loans comprise the processes of credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection.

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

The bank segment of the Group sub-divides credit asset risks into 10 categories based on the five-tier loan classification system promulgated by the China Banking Regulatory Commission ('CBRC'), and applies different management policies to the loans in accordance with their respective loan categories. With the implementation of the New Capital Accord, the banking business will gradually establish a more scientific rating system in accordance with industry and regulatory requirements.

Credit risk of investment business

As to debt investments, the Group grades the existing investments according to internal credit rating policies and processes, chooses high credit quality counterparties and establishes strict access standards.

The Group's debt securities investment mainly includes domestic government bonds, Central Bank bills, financial institution bonds, corporate bonds and debt investment plans. As at 31 December 2016, 99.55% (31 December 2015: 99.73%) 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 2016, 99.23% (31 December 2015: 98.18%) of the corporate bonds and short term corporate financing bonds held by the Group had a credit rating of AA and A-1 or above. The bond credit ratings are assigned by qualified appraisal institutions in the PRC. As at 31 December 2016, 88.89% (31 December 2015: 90.36%) of the debt investment plans are guaranteed by third parties or collateralized.

The Group's equity investments mainly include equity securities, security investment funds, trust products, wealth management products, asset funding plans and other equity investments. The Group execute due diligence, estimates counterparties' qualification and manages credit risks of existing investments.

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Credit risk of insurance business

The Group will evaluate the credit rating of the reinsurance companies before signing the reinsurance contracts, and choose the reinsurance companies with higher credit rating to reduce the credit risk.

The limit of policy loans are based on the cash value of valid insurance policy, with an appropriate discount, and the validity period of policy loan is in the validity period of insurance policy. The credit risk associated with policy loans will not cause a material impact on the Group's consolidated financial statements as at 31 December 2016 and 31 December 2015.

Credit quality of amounts due from banks and other financial institutions

The following table sets forth aggregated amounts due from banks and other financial institutions placed with the PBOC and major commercial banks in the PRC held by the Group. The following analysis excludes balances of investment-linked contracts.

(in RMB million)	31 December 2016
PBOC	**306,763**
Top five commercial banks	
Bank of China Limited	**57,548**
China Merchants Bank Co., Ltd.	**52,002**
Bank of Communications Co., Ltd.	**43,499**
Agricultural Bank of China Limited	**30,033**
Industrial and Commercial Bank of China Limited	**27,434**
Other major banks and financial institutions	
China Bohai Bank Co., Ltd.	**25,200**
Industrial Bank Co., Ltd.	**19,227**
China Construction Bank Corporation	**17,578**
China CITIC Bank Corporation Limited	**17,426**
China Minsheng Banking Corp. Ltd.	**14,422**
Others	**268,871**
	880,003

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Credit quality of amounts due from banks and other financial institutions (continued)

(in RMB million)	31 December 2015
PBOC	287,595
Top five commercial banks	
Bank of China Limited	55,896
China Merchants Bank Co., Ltd.	39,656
Bank of Communications Co., Ltd.	31,345
Agricultural Bank of China Limited	26,222
Industrial and Commercial Bank of China Limited	20,982
Other major banks and financial institutions	
China Bohai Bank Co., Ltd.	20,614
Industrial Bank Co., Ltd.	17,517
China Construction Bank Corporation	16,421
China CITIC Bank Corporation Limited	16,059
China Minsheng Banking Corp. Ltd.	14,156
Others	192,553
	739,016

Credit exposure

Without taking collateral and other credit enhancements into consideration, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the financial statements. The Group also assumes credit risk due to credit commitments. The details are disclosed in Note 53. (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 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 or trade receivables, etc.; and
- for retail lending, residential properties mortgages.

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Collateral and other credit enhancements (Continued)

Management monitors the market value of the collateral, requests additional collateral when needed 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

	31 December 2016						
		Past due but not impaired					
(in RMB million)	Not due and not impaired	Overdue Less than 30 days	Overdue 31 to 90 days	Overdue More than 90 days	Total past due but not impaired	Impaired	Total
Cash and amounts due from banks and other financial institutions – due from and placements with banks and other financial institutions	264,378	–	–	–	–	54	264,432
Assets purchased under reverse repurchase agreements	65,657	–	–	–	–	13	65,670
Loans and advances to customers	1,425,347	9,202	9,069	18,549	36,820	36,349	1,498,516
Including:							
Corporate loans	899,469	5,239	6,018	18,342	29,599	27,715	956,783
Personal loans	525,878	3,963	3,051	207	7,221	8,634	541,733
Premium receivables	33,781	11	17	2	30	2,972	36,783
Due from reinsurers	6,370	98	3,168	2,681	5,947	48	12,365
Finance lease receivable	78,056	–	–	–	–	1,355	79,411
Gross total	1,873,589	9,311	12,254	21,232	42,797	40,791	1,957,177

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Aging analysis of financial assets (Continued)

	31 December 2015						
		Past due but not impaired					
(in RMB million)	Not due and not impaired	Overdue Less than 30 days	Overdue 31 to 90 days	Overdue More than 90 days	Total past due but not impaired	Impaired	Total
Cash and amounts due from banks and other financial institutions – due from and placements with banks and other financial institutions	185,431	–	–	–	–	60	185,491
Assets purchased under reverse repurchase agreements	142,047	–	–	–	–	10	142,057
Loans and advances to customers	1,209,240	11,339	12,005	23,538	46,882	18,867	1,274,989
Including:							
Corporate loans	784,989	6,597	6,849	23,179	36,625	8,352	829,966
Personal loans	424,251	4,742	5,156	359	10,257	10,515	445,023
Premium receivables	33,339	8	11	4	23	1,556	34,918
Due from reinsurers	6,859	725	191	161	1,077	57	7,993
Finance lease receivable	57,598	–	–	–	–	1,025	58,623
Gross total	1,634,514	12,072	12,207	23,703	47,982	21,575	1,704,071

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 2016 was RMB37,549 million (31 December 2015: RMB33,427 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 2016 was RMB12,427 million (31 December 2015: RMB4,212 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 2016**	31 December 2015
Loans and advances to customers	**23,262**	12,509

45. 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 monitors the sourcing and usage of funds, deposit to loan ratio, and quick ratio on a daily basis. Moreover, when adopting various liquidity risk management measurement benchmarks, the Group will compare the expected results against the ones derived from stress tests, critically assess the potential impact to the future liquidity risk, and formulate remedial actions according to specific situations. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, maintaining stable deposits, etc.

The table below summarizes the remaining contractual maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Group (excluding balances of investment-linked contracts) based on undiscounted contractual cash flows and expected cash flows of remaining contractual maturity profile.

	31 December 2016						
(in RMB million)	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Cash and amounts due from banks and other financial institutions	**117,588**	**215,329**	**142,351**	**111,867**	**1,771**	**-**	**588,906**
Balances with the Central Bank and statutory deposits	**52,780**	**5,527**	**1,614**	**6,257**	**-**	**254,116**	**320,294**
Fixed maturity investments	**26,165**	**298,335**	**398,111**	**928,015**	**1,323,323**	**-**	**2,973,949**
Equity investments	**6,786**	**9,992**	**21,915**	**11,279**	**7,133**	**393,006**	**450,111**
Loans and advances to customers	**45,651**	**349,707**	**499,454**	**508,345**	**252,309**	**-**	**1,655,466**
Premium receivables	**3,760**	**14,054**	**10,620**	**6,818**	**73**	**-**	**35,325**
Accounts receivable	**19**	**9,427**	**4,360**	**8,798**	**-**	**-**	**22,604**
Finance lease receivable	**-**	**3,819**	**20,641**	**52,084**	**1,512**	**-**	**78,056**
Other assets	**20,265**	**28,100**	**15,931**	**10,063**	**9,778**	**-**	**84,137**
	273,014	**934,290**	**1,114,997**	**1,643,526**	**1,595,899**	**647,122**	**6,208,848**

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

	31 December 2016						
(in RMB million)	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Due to banks and other financial institutions	113,534	319,332	90,661	63,331	8,753	-	595,611
Assets sold under agreements to repurchase	-	89,266	-	-	-	-	89,266
Other financial liabilities held for trading	3,454	21,114	1,617	-	-	-	26,185
Customer deposits and payables to brokerage customers	832,094	358,233	433,847	320,893	3,109	-	1,948,176
Accounts payable	7	48	8,510	-	-	-	8,565
Insurance payables	51,302	8,231	1,603	12	-	-	61,148
Insurance contract liabilities	-	53,502	29,091	43,488	4,316,483	-	4,442,564
Investment contract liabilities for policyholders	-	1,242	4,233	13,797	32,296	-	51,568
Policyholder dividend payable	39,216	-	-	-	-	-	39,216
Bonds payable	-	148,046	115,658	79,226	48,714	-	391,644
Other liabilities	20,693	30,119	100,355	52,275	1,725	-	205,167
	1,060,300	1,029,133	785,575	573,022	4,411,080	-	7,859,110
Derivative financial instruments settled on a net basis	(29)	(587)	(38)	(131)	-	-	(785)
Derivative financial instruments settled on a gross basis							
– Cash inflow	65,778	250,657	196,367	22,833	-	-	535,635
– Cash outflow	(64,984)	(250,622)	(196,763)	(23,105)	-	-	(535,474)
	794	35	(396)	(272)	-	-	161
Credit commitments	3,425	236,106	283,237	71,416	54,930	-	649,114

FINANCIAL STATEMENTS

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

	31 December 2015						
(in RMB million)	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Cash and amounts due from banks and other financial institutions	109,689	129,783	84,026	142,797	–	–	466,295
Balances with the Central Bank and statutory deposits	47,034	936	2,812	9,658	–	240,687	301,127
Fixed maturity investments	20,220	325,463	265,504	826,180	1,166,340	–	2,603,707
Equity investments	5,613	13,480	4,025	22,546	348	334,940	380,952
Loans and advances to customers	30,310	353,370	453,655	414,918	140,400	–	1,392,653
Premium receivables	2,791	11,659	10,458	9,119	45	–	34,072
Accounts receivable	949	5,614	5,329	5,575	–	–	17,467
Finance lease receivable	–	6,333	17,792	45,002	–	–	69,127
Other assets	6,001	21,489	15,295	1,633	–	–	44,418
	222,607	868,127	858,896	1,477,428	1,307,133	575,627	5,309,818
Due to banks and other financial institutions	137,824	152,168	76,594	56,259	16,437	–	439,282
Assets sold under agreements to repurchase	–	119,371	49	–	–	–	119,420
Other financial liabilities held for trading	–	7,488	1,108	–	–	–	8,596
Customer deposits and payables to brokerage customers	614,752	428,955	474,080	250,151	2,599	–	1,770,537
Accounts payable	1,195	3,502	40	–	–	–	4,737
Insurance payables	44,896	2,850	412	3	–	–	48,161
Insurance contract liabilities	–	39,172	31,865	75,655	3,837,158	–	3,983,850
Investment contract liabilities for policyholders	–	1,103	3,134	11,772	31,422	–	47,431
Policyholder dividend payable	33,028	–	–	–	–	–	33,028
Bonds payable	–	106,434	99,253	27,467	59,214	–	292,368
Other liabilities	11,721	26,403	96,022	14,905	–	–	149,051
	843,416	887,446	782,557	436,212	3,946,830	–	6,896,461
Derivative cash flows							
Derivative financial instruments settled on a net basis	–	(53)	1	127	–	–	75
Derivative financial instruments settled on a gross basis							
– Cash inflow	38,999	287,317	141,921	10,136	469	–	478,842
– Cash outflow	(37,281)	(286,116)	(140,638)	(9,870)	(364)	–	(474,269)
	1,718	1,201	1,283	266	105	–	4,573
Credit commitments	4,473	243,925	300,488	58,664	29,976	–	637,526

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

Management expects the credit commitments will not be entirely used during the commitment period.

The assets and liabilities related to investment-linked contracts which are regarded as insurance contracts are presented as policyholder account assets and liabilities in respect of insurance contracts. The assets and liabilities related to investment-linked contracts which are regarded as investment contracts are presented as policyholder account assets and liabilities in respect of investment contracts. The assets and liabilities of each investment-linked fund are segregated from each other and from the rest of the Group's invested assets for record keeping purposes. As the investment risks of investment-linked contracts were fully borne by policyholders, the assets and liabilities related to investment-linked contracts were not included in the analysis of risk management. Investment-linked contracts are repayable on demand. The Group manages liquidity risk related to the investment-linked contracts by investing mainly in assets with high liquidity, as disclosed in Note 28.

(5) MISMATCHING RISK OF ASSETS AND LIABILITIES

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

(6) OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, employees and systems or from uncontrollable external events. 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 clear policies and requiring well documented business processes to ensure that transactions are properly authorized, supported and recorded.

(7) CAPITAL MANAGEMENT

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

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

The Group has formally implemented China Risk Oriented Solvency System since 1 January 2016 by reference to the 'Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC'. The Group adjusted the objective, policy and process of capital management. As at 31 December 2016, the Group was compliant with the relevant regulatory capital requirements.

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(7) CAPITAL MANAGEMENT (CONTINUED)

The table below summarizes the minimum regulatory capital for the Group and its major insurance subsidiaries and the regulatory capital held against each of them.

	31 December 2016		
	The Group	Ping An Life	Ping An Property & Casualty
Core capital	**889,883**	**501,710**	**63,439**
Regulatory capital held	**929,883**	**533,710**	**71,439**
Minimum regulatory capital	**442,729**	**236,304**	**26,725**
Core solvency margin ratio	**201.0%**	**212.3%**	**237.4%**
Comprehensive solvency margin ratio	**210.0%**	**225.9%**	**267.3%**

The Group's solvency ratio is calculated based on the relevant regulations promulgated by the CIRC, which is an indicator of the overall solvency position of a financial conglomerate.

The banking business measures the capital adequacy ratio in accordance with the 'Capital Rules for Commercial Banks (Provisional)' issued by the CBRC in June 2012. According to the requirements, Risk weighted assets for credit risk is measured by Weighted Approach, Risk weighted assets for market risk is measured by Standardised Approach, and Risk weighted assets for operation risk is measured by the Basic Indicator Approach.

The banking operation's core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio are shown below:

	31 December 2016	31 December 2015
Core Tier 1 capital adequacy ratio	**8.36%**	9.03%
Tier 1 capital adequacy ratio	**9.34%**	9.03%
Capital adequacy ratio	**11.53%**	10.94%

(8) GROUP'S MAXIMUM EXPOSURE TO STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for customers, to provide finance to public and private sector infrastructure projects, and to generate fees from managing assets on behalf of third-party investors. These structured entities are financed through the issue of notes or units to investors. Refer to Note 4. (6) for the Group's consolidation consideration related to structured entities.

The following table shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of direct investments made by the Group.

45. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(8) GROUP'S MAXIMUM EXPOSURE TO STRUCTURED ENTITIES (CONTINUED)

As at 31 December 2016 the size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

31 December 2016	Unconsolidated structured entities			
(in RMB million)	Size	Carrying amount	Group's maximum exposure	Interest held by Group
Securitization	**22,761**	**520**	**520**	Investment income and service fee
Assets management products managed by affiliated entities	**1,372,960**	**148,446**	**148,446**	Investment income and service fee
Assets management products managed by third parties	**Note 1**	**345,414**	**345,414**	Investment income
Wealth management products managed by affiliated entities	**744,043**	**550**	**550**	Investment income and service fee
Wealth management products managed by third parties	**Note 1**	**20,415**	**20,415**	Investment income

31 December 2015	Unconsolidated structured entities			
(in RMB million)	Size	Carrying amount	Group's maximum exposure	Interest held by Group
Securitization	10,716	307	307	Investment income and service fee
Assets management products managed by affiliated entities	1,030,079	140,526	140,526	Investment income and service fee
Assets management products managed by third parties	Note 1	260,359	260,359	Investment income
Wealth management products managed by affiliated entities	587,221	599	599	Investment income and service fee
Wealth management products managed by third parties	Note 1	18,048	18,048	Investment income

Note 1: These assets management products and wealth management products are sponsored by third party financial institutions and the information related to size of these structured entities were not publicly available.

The Group's interest in unconsolidated structured entities are recorded as other equity investments under equity investments and trust schemes, asset management schemes, debt schemes, wealth management products under fixed maturity investments and beneficial right of loans and receivables purchased under trust schemes under assets purchased under reverse repurchase agreements.

46. 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.

46. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(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 2016**	31 December 2015	**31 December 2016**	31 December 2015
Financial assets				
Available-for-sale				
Bonds	**193,904**	192,318	**193,904**	192,318
Funds	**54,590**	76,766	**54,590**	76,766
Stocks	**119,563**	141,507	**119,563**	141,507
Others	**162,486**	101,889	**162,486**	101,889
Carried at fair value through profit or loss				
Bonds	**70,392**	26,549	**70,392**	26,549
Funds	**48,804**	30,538	**48,804**	30,538
Stocks	**22,657**	2,624	**22,657**	2,624
Others	**12,110**	13,691	**12,110**	13,691
Derivative financial assets	**8,836**	8,272	**8,836**	8,272
Held-to-maturity				
Bonds	**1,009,714**	916,669	**1,049,062**	980,742
Loans and receivables				
Cash and amounts due from banks and other financial institutions	**561,143**	439,327	**561,143**	439,327
Balances with the Central Bank and statutory deposits	**318,860**	299,689	**318,860**	299,689
Loans and advances to customers	**1,458,291**	1,245,371	**1,460,853**	1,245,732
Bonds	**68,856**	26,488	**68,856**	26,488
Debt schemes	**648,266**	518,968	**649,922**	519,806
Policy loans	**64,634**	52,092	**64,634**	52,092
Assets purchased under reverse repurchase agreements	**65,657**	142,050	**65,657**	142,050
Wealth management products	**34,868**	36,737	**34,868**	36,737
Premium receivables	**35,325**	34,072	**35,325**	34,072
Accounts receivable	**22,353**	16,778	**22,353**	16,778
Finance lease receivable	**78,056**	57,598	**78,056**	57,598
Other assets	**123,169**	82,940	**123,169**	82,940
Total financial assets	**5,182,534**	4,462,933	**5,226,100**	4,528,205
Financial liabilities				
Derivative financial liabilities	**8,715**	4,527	**8,715**	4,527
Other financial liabilities				
Due to banks and other financial institutions	**584,794**	410,258	**584,794**	410,258
Assets sold under agreements to repurchase	**89,166**	119,236	**89,166**	119,236
Other financial liabilities held for trading	**25,883**	8,506	**25,883**	8,506
Customer deposits and payables to brokerage customers	**1,894,377**	1,713,907	**1,894,377**	1,713,907
Accounts payable	**8,565**	4,735	**8,565**	4,735
Insurance payables	**61,148**	48,161	**61,148**	48,161
Investment contract liabilities for policyholders	**40,846**	37,606	**40,846**	37,606
Policyholder dividend payable	**39,216**	33,028	**39,216**	33,028
Bonds payable	**349,825**	264,413	**350,868**	267,288
Other liabilities	**211,181**	166,855	**211,181**	166,855
Total financial liabilities	**3,313,716**	2,811,232	**3,314,759**	2,814,107

The assets and liabilities of the investment-linked business are not included in the above financial assets and liabilities.

46. 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.

Financial assets and liabilities for which fair value approximates to carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to term deposits, and savings accounts without a specific maturity. For other variable rate instruments, an adjustment is also made to reflect the change in the market rate since the instrument was first recognized.

Floating rate loans and advances to customers of the Group are repriced within one year, and the interest rates are adjusted according to the statutory interest rate announced by the PBOC. Thus, the carrying amounts approximate to their fair values.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortized cost is estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for financial products with similar credit risk and maturity. For quoted debts issued the fair values are determined based on quoted market prices. For those debts issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

46. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The primary quoted market price used for financial assets held by the Group is the current bid price. Financial instruments included in Level 1 comprise primarily equity investments, fund investments and bond investments traded on stock exchanges and open-ended mutual funds;

Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates;

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

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

Valuation methods for Level 2 and Level 3 financial instruments

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. The fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. As at 31 December 2016, the key assumptions adopted for majority of Group's financial instruments within Level 3 were expected returns, ranged from 3.8% to 6.0%.

46. 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 2016			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Carried at fair value through profit or loss				
Bonds	**2,206**	**68,186**	**-**	**70,392**
Security investment funds	**40,710**	**8,076**	**18**	**48,804**
Equity securities	**22,412**	**245**	**-**	**22,657**
Other equity investments	**116**	**7,291**	**4,703**	**12,110**
	65,444	**83,798**	**4,721**	**153,963**
Derivative financial assets	**-**	**422**	**-**	**422**
Interest rate swaps	**-**	**3,434**	**-**	**3,434**
Others	**-**	**4,980**	**-**	**4,980**
	-	**8,836**	**-**	**8,836**
Available-for-sale financial assets				
Bonds	**41,608**	**152,296**	**-**	**193,904**
Security investment funds	**49,161**	**5,429**	**-**	**54,590**
Equity securities	**116,141**	**3,422**	**-**	**119,563**
Other equity investments	**-**	**43,339**	**119,147**	**162,486**
	206,910	**204,486**	**119,147**	**530,543**
Total financial assets	**272,354**	**297,120**	**123,868**	**693,342**
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	**-**	**354**	**-**	**354**
Currency forwards and swaps	**-**	**4,492**	**-**	**4,492**
Others	**-**	**3,869**	**-**	**3,869**
	-	**8,715**	**-**	**8,715**
Other financial liabilities held for trading	**22,326**	**3,361**	**196**	**25,883**
Total financial liabilities	**22,326**	**12,076**	**196**	**34,598**

46. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

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

	31 December 2015			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Carried at fair value through profit or loss				
Bonds	819	25,730	–	26,549
Security investment funds	30,479	–	59	30,538
Equity securities	2,475	149	–	2,624
Other equity investments	706	12,099	886	13,691
	34,479	37,978	945	73,402
Derivative financial assets				
Interest rate swaps	–	1,324	–	1,324
Currency forwards and swaps	–	2,711	–	2,711
Others	33	4,204	–	4,237
	33	8,239	–	8,272
Available-for-sale financial assets				
Bonds	36,083	156,235	–	192,318
Security investment funds	68,507	8,252	7	76,766
Equity securities	132,243	9,264	–	141,507
Other equity investments	–	27,677	74,212	101,889
	236,833	201,428	74,219	512,480
Total financial assets	271,345	247,645	75,164	594,154
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	–	1,434	–	1,434
Currency forwards and swaps	–	1,676	–	1,676
Others	–	1,417	–	1,417
	–	4,527	–	4,527
Other financial liabilities held for trading	8,506	–	–	8,506
Total financial liabilities	8,506	4,527	–	13,033

46. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments not recorded at fair value but for which fair value is disclosed by level of the fair value hierarchy:

	31 December 2016			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Held-to-maturity				
Bonds	**42,993**	**1,004,869**	**1,200**	**1,049,062**
Total financial assets	**42,993**	**1,004,869**	**1,200**	**1,049,062**
Financial liabilities				
Bonds payable	**25,400**	**325,468**	**–**	**350,868**
Total financial liabilities	**25,400**	**325,468**	**–**	**350,868**

	31 December 2015			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Held-to-maturity				
Bonds	49,308	929,734	1,700	980,742
Total financial assets	49,308	929,734	1,700	980,742
Financial liabilities				
Bonds payable	990	266,298	–	267,288
Total financial liabilities	990	266,298	–	267,288

Financial assets and liabilities for which fair value approximates carry value are not included in the above disclosure.

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

	Carried at fair value through profit or loss	
	Equity investments	
(in RMB million)	**2016**	2015
At 1 January	**945**	447
Additions	**4,719**	1,439
Disposals	**(1,156)**	(1,111)
Transfers into Level 3	**–**	47
Total gains in income	**213**	123
At 31 December	**4,721**	945

46. 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: (continued)

	Available-for- sale financial assets	
	Equity investments	
(in RMB million)	2016	2015
At 1 January	**74,219**	15,270
Additions	**129,882**	59,243
Disposals	**(87,714)**	(7,201)
Transfers into Level 3	**1,021**	10,717
Transfers out of Level 3	**–**	(4,899)
Total gains in income	**77**	477
Total gains in other comprehensive income	**1,662**	612
At 31 December	**119,147**	74,219

The gains or losses of level 3 financial instruments included in the statement of income for the year are presented as follows:

	2016		
(in RMB million)	Realized gains	Unrealized gains	Total
Carried at fair value through profit or loss	**(6)**	**219**	**213**
Available-for-sale	**77**	**–**	**77**
	71	**219**	**290**

	2015		
(in RMB million)	Realized gains	Unrealized gains	Total
Carried at fair value through profit or loss	5	118	123
Available-for-sale	477	–	477
	482	118	600

Transfers

During the year 2016, there were no significant transfers between Level 1 and Level 2 fair value measurements. Transfer into level 3 is due to change of input value for part of financial instruments and valuation performed on part of equity investments previously stated at cost.

47. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred financial assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these financial assets, the Group continued to recognize the transferred financial assets. Transferred financial assets that do not qualify for derecognition include securitized loans and debt securities held by counterparties as collateral under repurchase agreement.

The Group's subsidiaries, Ping An Bank,Ping An Securities and Ping An Financial Leasing, entered into loan securitization transactions. The Group has determined that it retains substantially all the risks and rewards of certain securitized loans and therefore has not derecognized them.

Other transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to provide additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them.

The following table analyses the carrying amount of the abovementioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	31 December 2016		31 December 2015	
(in RMB million)	**Carrying amount assets**	**Carrying amount associated liabilities**	Carrying amount assets	Carrying amount associated liabilities
Repurchase transactions	**298**	**298**	210	209
Assets securitization	**735**	**735**	2,209	2,209

48. CASH AND CASH EQUIVALENTS

(in RMB million)	**31 December 2016**	31 December 2015
Cash and amounts due from banks and other financial institutions		
Cash on hand	**4,499**	4,125
Term deposits	**1,710**	1,415
Due from banks and other financial institutions	**156,883**	102,217
Placements with banks and other financial institutions	**86,492**	73,966
Balances with the Central Bank	**51,973**	46,910
Bonds	**7,229**	3,223
Assets purchased under reverse repurchase agreements	**58,766**	101,469
Total	**367,552**	333,325

The carrying amounts disclosed above approximate their fair values at year end.

49. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to net cash flows from operating activities:

(in RMB million)	2016	2015
Profit before tax	**94,411**	93,413
Adjustments for:		
Depreciation	**4,041**	3,728
Amortization of intangible assets	**2,123**	1,912
Losses on disposal of investment properties, property and equipment, intangible assets and settled assets	**51**	14
Investment income	**(141,168)**	(167,634)
Fair value gains on investments at fair value through profit or loss	**(3,831)**	(125)
Fair value losses on available-for-sale equity investments (transfer from equity)	**568**	1,027
Finance costs	**12,144**	7,539
Foreign exchange gains	**(1,401)**	(256)
Provision for doubtful debts and others, net	**723**	658
Loan loss provisions, net of reversals	**45,491**	30,118
Operating loss before working capital changes	**13,152**	(29,606)
Changes in operating assets and liabilities:		
(Increase)/Decrease in balances with the Central Bank and statutory deposits	**(14,103)**	12,215
Increase in amounts due from banks and other financial institutions	**(28,305)**	(40,624)
Increase in premium receivables	**(1,253)**	(3,616)
Increase in accounts receivable	**(4,739)**	(2,074)
Increase in inventories	**(1,210)**	(1,643)
Decrease/(Increase) in reinsurers' share of insurance liabilities	**2,376**	(2,221)
Increase in loans and advances to customers	**(223,768)**	(199,752)
Decrease in assets purchased under reverse repurchase agreements of the banking and securities business	**33,688**	44,330
Increase in other assets	**(97,327)**	(40,733)
Increase/(Decrease) in amounts due to banks and other financial institutions	**141,374**	(83,359)
Increase in customer deposits and payables to brokerage customers	**187,201**	184,989
Increase in insurance payables	**30,902**	16,825
Increase in insurance contract liabilities	**158,867**	151,160
Increase in investment contract liabilities for policyholders	**62,192**	57,217
Increase in policyholder dividend payable	**6,188**	4,355
Decrease in assets sold under agreements to repurchase of the banking and securities business	**(4,093)**	(8,739)
(Decrease)/Increase in other liabilities	**(7,412)**	100,242
Cash generated from operations	**253,730**	158,966
Income tax paid	**(25,909)**	(23,348)
Net cash flows from operating activities	**227,821**	135,618

50. 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)	2016	2015
Salaries and other short term employee benefits after tax	**65**	55
Individual income tax	**43**	38

The estimated amount of total compensation has been provided in the Group's 2016 financial statements. The total compensation for certain key management personnel has not yet been finalized in accordance with relevant policies. The remaining compensation will be disclosed in a separate announcement when approved.

Part of compensation of key management personnel is subject to deferred payment requirement for a period of 3 years in accordance with the 'Guidance of insurance company's compensation management' issued by CIRC. Unpaid balances subject to deferred payment requirement were included in the total compensation payable to the key management personnel.

(2) COMPENSATION OF KEY MANAGEMENT PERSONNEL OTHER THAN DIRECTORS AND SUPERVISORS IS AS FOLLOWS:

(in RMB million)	2016	2015
Salaries and other short term employee benefits after tax	**28**	24
Individual income tax	**20**	17

The long-term benefits attributed to year 2013 for key management personnel other than directors and supervisors were paid in 2016 as the required payment conditions had been fulfilled. The amount paid after tax was RMB3,135 thousand and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 17 August 2016.

The long-term benefits attributed to year 2012 for key management personnel other than directors and supervisors were paid in 2015 as the required payment conditions had been fulfilled. The amount paid after tax was RMB2,675 thousand and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 20 August 2015.

50. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The remuneration of every director and supervisor is set out below:

For the year ended 31 December 2016:

	2016									
(in RMB thousand)	Fees	Salaries	Discretionary bonuses(ii)	Housing allowance	Other employee benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total	Individual income tax
Directors										
MA Mingzhe (iii)	-	2,816	2,692	8	7	-	-	-	5,523	4,162
SUN Jianyi (iv)	-	2,102	1,939	2	6	-	-	-	4,049	2,960
REN Huichuan (iv)	-	2,115	1,939	29	22	63	-	-	4,168	2,946
YAO Jason Bo (iv)	-	2,808	2,626	-	3	30	-	-	5,467	4,066
LEE Yuansiong(iv)	-	2,945	2,764	-	3	30	-	-	5,742	4,291
CAI Fangfang	-	1,564	1,389	27	18	52	-	-	3,050	2,047
LIN Lijun (iv)	-	484	151	29	24	55	-	-	743	174
Soopakij CHEARAVANONT	470	-	-	-	-	-	-	-	470	170
YANG Xiaoping	477	-	-	-	-	-	-	-	477	173
WOO Ka Biu Jackson	515	-	-	-	-	-	-	-	515	145
Stephen Thomas Meldrum	507	-	-	-	-	-	-	-	507	143
FAN Mingchun (v)	-	-	-	-	-	-	-	-	-	-
LU Hua (v)	-	-	-	-	-	-	-	-	-	-
XIONG Peijin (v)	468	-	-	-	-	-	-	-	468	169
LIU Chong (v)	468	-	-	-	-	-	-	-	468	169
YIP Dicky Peter	515	-	-	-	-	-	-	-	515	145
WONG Oscar Sai Hung	507	-	-	-	-	-	-	-	507	143
SUN Dongdong	515	-	-	-	-	-	-	-	515	145
GE Ming	515	-	-	-	-	-	-	-	515	145
Subtotal	4,957	14,834	13,500	95	83	230	-	-	33,699	22,193
Supervisors										
GU Liji	503	-	-	-	-	-	-	-	503	147
ZHANG Wangjin	470	-	-	-	-	-	-	-	470	170
PAN Zhongwu (iv)	-	581	294	28	23	60	-	-	986	267
GAO Peng	-	819	519	29	24	60	-	-	1,451	585
PENG Zhijian (vi) (viii)	-	-	-	-	-	-	-	-	-	-
HUANG Baokui (vi)	257	-	-	-	-	-	-	-	257	70
Subtotal	1,230	1,400	813	57	47	120	-	-	3,667	1,239
Total	6,187	16,234	14,313	152	130	350	-	-	37,366	23,432

50. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2015:

(in RMB thousand)	2015 Fees	Salaries	Discretionary bonuses(ii)	Housing allowance	Other employee benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total	Individual income tax
Directors										
MA Mingzhe (iii)	–	2,831	2,807	26	22	62	–	–	5,748	4,242
SUN Jianyi (vii)	–	1,782	1,664	2	6	–	–	–	3,454	2,554
REN Huichuan (vii)	–	1,795	1,664	26	22	62	–	–	3,569	2,541
YAO Jason Bo (vii)	–	2,395	2,532	–	4	27	–	–	4,958	3,653
LEE Yuansiong (vii)	–	2,510	2,604	–	4	27	–	–	5,145	3,806
CAI Fangfang	–	1,434	1,251	22	27	43	–	–	2,777	1,815
FAN Mingchun	–	–	–	–	–	–	–	–	–	–
LIN Lijun (vii)	–	464	189	26	22	46	–	–	747	182
LI Zhe (x)	–	–	–	–	–	–	–	–	–	–
Soopakij CHEARAVANONT	–	–	–	–	–	–	–	–	–	–
YANG Xiaoping	–	–	–	–	–	–	–	–	–	–
LU Hua	–	–	–	–	–	–	–	–	–	–
TANG Yunwei (x)	149	–	–	–	–	–	–	–	149	31
LEE Carmelo Ka Sze (x)	149	–	–	–	–	–	–	–	149	31
WOO Ka Biu Jackson	305	–	–	–	–	–	–	–	305	65
Stephen Thomas Meldrum	305	–	–	–	–	–	–	–	305	65
YIP Dicky Peter	305	–	–	–	–	–	–	–	305	65
WONG Oscar Sai Hung	298	–	–	–	–	–	–	–	298	62
SUN Dongdong	305	–	–	–	–	–	–	–	305	65
GE Ming	149	–	–	–	–	–	–	–	149	31
Subtotal	1,965	13,211	12,711	102	107	267	–	–	28,363	19,208
Supervisors										
GU Liji	258	–	–	–	–	–	–	–	258	52
PENG Zhijian (viii)	–	–	–	–	–	–	–	–	–	–
LIN Li (xi)	–	–	–	–	–	–	–	–	–	–
ZHANG Wangjin	–	–	–	–	–	–	–	–	–	–
SUN Jianping (vii)(ix)(xi)	–	645	–	12	10	27	–	–	694	355
ZHAO Fujun (vii)(ix)(xi)	–	537	–	11	4	29	–	–	581	267
PAN Zhongwu (vii)	–	453	346	26	22	53	–	–	900	403
GAO Peng	–	367	282	14	12	28	–	–	703	346
Subtotal	258	2,002	628	63	48	137	–	–	3,136	1,423
Total	2,223	15,213	13,339	165	155	404	–	–	31,499	20,631

50. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

(i) Other non-monetary benefits include share purchase scheme, in 2015, the Company has adopted an employee share purchase scheme for the key employees of the Company and its subsidiaries. In 2016, the shares purchased during the year 2015 began to vest, and the vesting conditions of employee share purchase scheme for MA Mingzhe, SUN Jianyi, Ren Huichuan, Yao Jason Bo, CAI Fangfang, PAN Zhongwu and Gao Peng had been fulfilled. As at 6 May 2016, the shares were allocated to personal accounts at respective employee's request. As at 6 May 2016, the closing price was RMB30.85 per share, and the vested shares net of tax are summarised as follows:

Name	Shares
MA Mingzhe	176,710
SUN Jianyi	47,808
Ren Huichuan	47,808
Yao Jason Bo	11,921
CAI Fangfang	8,157
PAN Zhongwu	2,581
Gao Peng	8,165

(ii) Discretionary bonuses are determined on the achievement of targeted profit of the Company, the personal performance and approved by the compensation committee of the board of directors.

(iii) MA Mingzhe is the Chief Executive Officer of the Company.

(iv) The long-term benefits attributed to year 2013 for SUN Jianyi, REN Huichuan, YAO Jason Bo, LEE Yuansiong, LIN Lijun and PAN Zhongwu were paid in 2016 as the required payment conditions had been fulfilled. The amount after tax paid to SUN Jianyi, REN Huichuan, YAO Jason Bo, LEE Yuansiong, LIN Lijun and PAN Zhongwu were RMB4,125.0 thousand, RMB4,125.0 thousand, RMB825.0 thousand, RMB605.0 thousand, RMB206.5 thousand, RMB192.7 thousand respectively and were disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 17 August 2016.

(v) FAN Mingchun and LU Hua resigned as Director on 8 January 2016, took over by XIONG Peijin and LIU Chong.

(vi) PENG Zhijian resigned as supervisor on 28 June 2016, took over by HUANG Baokui.

(vii) The long-term benefits attributed to year 2012 for SUN Jianyi, REN Huichuan, YAO Jason Bo, LEE Yuansiong, LIN Lijun, SUN Jianping, ZHAO Fujun and PAN Zhongwu were paid in 2015 as the required payment conditions had been fulfilled. The amount after tax paid to SUN Jianyi, REN Huichuan, YAO Jason Bo, LEE Yuansiong, LIN Lijun, SUN Jianping, ZHAO Fujun and PAN Zhongwu were RMB3,753.8 thousand, RMB3,753.8 thousand, RMB750.8 thousand, RMB550.6 thousand, RMB130.1 thousand, RMB553.3 thousand, RMB212.8 thousand, RMB59.0 thousand respectively and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 20 August 2015.

(viii) During the year 2015 and 2016, PENG Zhijian waived emoluments of RMB250 thousand and RMB100 thousand.

(ix) The long-term benefits attributed to Year 2013 for SUN Jianping and ZHAO Fujun were paid in 2016 as the required payment conditions had been fulfilled. The amount after tax paid to SUN Jianping and ZHAO Fujun were RMB825.9 thousand, RMB653.8 thousand respectively and were disclosed in the Announcement regarding to Resolutions of the Board of Directors of the Company dated 17 August 2016. The discretionary bonuses for SUN Jianping and ZHAO Fujun in 2015 were RMB963.8 thousand and RMB1,076.6 thousand respectively. As the discretionary bonuses were not finally confirmed at the issue date of 2015 annual report, supplemental disclosure was made in 2016 annual report.

(x) LI Zhe retired as Director on 15 June 2015; TANG Yunwei and LEE Carmelo Ka Sze retired as Directors on 30 June 2015.

(xi) LIN Li retired as Supervisor on 15 June 2015; SUN Jianping and ZHAO Fujun retired as Supervisors on 30 June 2015.

51. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group include 3 (2015: 3) key management members whose emoluments were reflected in the analysis presented in Note 50.

Details of emoluments of the remaining highest paid individuals are as follows:

(in RMB million)	2016	2015
Salaries and other short term employee benefits after tax	**14**	11
Individual income tax	**11**	8

The number of non-key management personnel whose emoluments after tax fell within the following bands is as follows:

	2016	2015
RMB5,000,001 – RMB5,500,000	**-**	1
RMB5,500,001 – RMB6,000,000	**-**	1
RMB6,000,001 – RMB6,500,000	**-**	–
RMB6,500,001 – RMB7,000,000	**-**	–
RMB7,000,001 – RMB7,500,000	**2**	–

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 42.77%-43.14% (2015: 41.75%-43.15%) for 2016 and the average effective tax rate was approximately 42.90% (2015: 42.44%).

52. 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
Charoen Pokphand Group Co., Ltd. (the 'CP Group Ltd.')	Parent of shareholders
Shenzhen Investment Holdings Co. Ltd.	Shareholder

As at 31 December 2016, CP Group Ltd. indirectly held 9.59% equity interests in the Company and was the largest shareholder of the Company.

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

(in RMB million)	2016	2015
Charoen Pokphand Group		
Premiums income from	**3**	5
Claims expenses to	**1**	3
Rental income from	**29**	30
Lufax		
Interest expenses from	**92**	13
Interest expenses to	**1,296**	95
Fees and commission expenses to	**1,483**	749
Other income	**1,504**	600

FINANCIAL STATEMENTS

52. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

(in RMB million)	31 December 2016	31 December 2015
Charoen Pokphand Group		
Customer deposits and payables to brokerage customers	**5**	–
Lufax		
Customer deposits and payables to brokerage customers	**11,260**	2,457
Loans and advances to customers	**2,800**	350
Other liabilities	**13,031**	30,070
Other receivables	**4,255**	2,201
Interest payable	**215**	53
Interest receivable	**4**	4

In addition to transactions and balances stated above, the Group transferred 100% share holding of Gem Alliance Limited to Lufax, which issued convertible bonds amounting to US$1,953.8 million to the Group as the consideration. The details are disclosed in Note 5. (1).

53. COMMITMENTS

(1) CAPITAL COMMITMENTS

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

(in RMB million)	31 December 2016	31 December 2015
Contracted, but not provided for	**6,190**	9,794
Authorized, but not contracted for	**2,322**	3,364
	8,512	13,158

(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 2016	31 December 2015
Within 1 year	**6,472**	5,004
1 to 5 years	**13,042**	11,889
More than 5 years	**2,101**	2,731
	21,615	19,624

53. COMMITMENTS (CONTINUED)

(3) CREDIT COMMITMENTS

(in RMB million)	31 December 2016	31 December 2015
Bank acceptances	**364,623**	400,736
Guarantees issued	**82,107**	104,655
Letters of credit issued	**103,097**	73,892
Subtotal	**549,827**	579,283
Unused limit of credit cards and irrevocable loan commitments	**99,287**	58,243
Total	**649,114**	637,526
Credit risk weighted amounts of credit commitments	**217,364**	226,879

As at 31 December 2016, apart from the above irrevocable credit commitments, revocable loan commitments granted by the Group amounted to RMB2,148.2 billion (31 December 2015: RMB2,204.2 billion). Since these commitments are revocable under certain conditions or would be automatically revoked should the creditworthiness of the borrower deteriorates, the total commitment amount does not necessarily represent future cash requirements. Credit commitments disclosed in the table above do not include the financial guarantee contracts treated as insurance by the Group.

(4) OPERATING LEASE RENTAL RECEIVABLES

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

(in RMB million)	31 December 2016	31 December 2015
Within 1 year	**1,521**	1,038
1 to 5 years	**5,408**	2,694
More than 5 years	**3,295**	2,147
	10,224	5,879

54. 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 monthly contributions for medical benefits to the local authorities in accordance with relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

(4) SHARE PURCHASE SCHEME

The Group has adopted an employee share purchase scheme for the key employees of the Company and its subsidiaries. Refer to Note 36 for more details.

55. CONTINGENT LIABILITIES

Owing to the nature of the insurance, bank and other financial services business, the Group is involved in contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in 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.

56. EVENTS AFTER THE REPORTING PERIOD

DESCRIPTION OF PROFIT DISTRIBUTION

On 22 March 2017, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2016, and declared a final cash dividend of 2016 in the amount of RMB0.55 per share as disclosed in Note 16.

Except for the items listed above, the Group does not have significant events after the reporting period need to disclose.

57. COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform to the current year's presentation.

58. BALANCE SHEET AND RESERVE MOVEMENT OF THE HOLDING COMPANY

(1) BALANCE SHEET OF THE HOLDING COMPANY:

(in RMB million)	31 December 2016	31 December 2015
Assets		
Cash and amounts due from banks and other financial institutions	**11,528**	10,179
Fixed maturity investments	**17,947**	14,608
Equity investments	**6,802**	8,926
Investments in subsidiaries and associates	**182,067**	167,836
Property and equipment	**16**	23
Other assets	**818**	623
Total assets	**219,178**	202,195
Equity and liabilities		
Equity		
Share capital	**18,280**	18,280
Reserves	**141,867**	139,040
Retained profits	**49,826**	34,070
Total equity	**209,973**	191,390
Liabilities		
Due to banks and other financial institutions	**7,300**	5,000
Assets sold under agreements to repurchase	**950**	4,782
Income tax payable	**-**	42
Other liabilities	**955**	981
Total liabilities	**9,205**	10,805
Total equity and liabilities	**219,178**	202,195

The balance sheet of the Company was approved by the Board of Directors on 22 March 2017 and was signed on its behalf.

MA Mingzhe	SUN Jianyi	YAO Jason Bo
Director	Director	Director

58. BALANCE SHEET AND RESERVE MOVEMENT OF THE HOLDING COMPANY (CONTINUED)

(2) RESERVE MOVEMENT OF THE HOLDING COMPANY:

(in RMB million)	Share premium	Available-for-sale investment reserve	Others	Surplus reserve fund	General reserve	Retained profits	Total
As at 1 January 2016	**128,737**	**533**	**877**	**8,498**	**395**	**34,070**	**173,110**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**28,678**	**28,678**
Other comprehensive income	**–**	**(285)**	**–**	**–**	**–**	**–**	**(285)**
Dividend declared	**–**	**–**	**–**	**–**	**–**	**(10,054)**	**(10,054)**
Appropriations to surplus reserves	**–**	**–**	**–**	**2,868**	**–**	**(2,868)**	**–**
Share purchase scheme	**–**	**–**	**244**	**–**	**–**	**–**	**244**
As at 31 December 2016	**128,737**	**248**	**1,121**	**11,366**	**395**	**49,826**	**191,693**
As at 1 January 2015	127,535	97	1,472	7,470	395	32,678	169,647
Profit for the year	–	–	–	–	–	10,280	10,280
Other comprehensive income	–	436	–	–	–	–	436
Conversion of convertible bonds	10,342	–	(1,471)	–	–	–	8,871
Transfer of capital reserves to share capital	(9,140)	–	–	–	–	–	(9,140)
Dividend declared	–	–	–	–	–	(7,860)	(7,860)
Appropriations to surplus reserves	–	–	–	1,028	–	(1,028)	–
Share purchase scheme	–	–	185	–	–	–	185
Others	–	–	691	–	–	–	691
As at 31 December 2015	128,737	533	877	8,498	395	34,070	173,110

According to the Company's articles of association, the Company shall set aside 10% of its net profit determined in its statutory financial statements, prepared in accordance with PRC Accounting Standards, to a statutory surplus reserve fund. The Company can cease such profit appropriation to this fund if its balance reaches 50% of the Company's registered share capital. The Company may also make appropriations from its net profit to the discretionary surplus reserve fund provided the appropriation is approved by a resolution of the shareholders. These reserves cannot be used for purposes other than those for which they are created. Profits are used to offset prior year losses before allocations to such reserves.

Subject to resolutions passed in shareholders' meetings, the statutory surplus reserve fund, discretionary surplus reserve fund and capital reserve can be transferred to share capital. The balance of the statutory surplus reserve fund after transfers to share capital shall not be less than 25% of the registered capital.

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures and fund businesses. The Group's respective entities engaged in such businesses would need to make appropriations for such reserves based on their respective year-end profit or risk assets, as determined in accordance with PRC Accounting Standards, and based on the applicable PRC financial regulations, in their annual financial statements. Such reserves are not available for profit distribution or transfer to capital.

In accordance with the relevant regulations, the net profit after tax of the Company for profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profits determined in accordance with IFRSs.

Definitions

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

Ping An, Company, the Company, Group, the Group, Ping An Group	Ping An Insurance (Group) Company of China, Ltd.
Ping An Life	Ping An Life Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Property & Casualty	Ping An 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, Shenzhen Development Bank	Original Shenzhen Development Bank Co., Ltd., an associate of the Company since May 2010, became a subsidiary of the Company in July 2011. On July 27, 2012, its name was changed to "Ping An Bank Co., Ltd."
Original Ping An Bank	Original Ping An Bank Co., Ltd., became a subsidiary of SDB in July 2011, before that, it was a subsidiary of the Company. It was deregistered on June 12, 2012 due to absorption merger by SDB
Ping An Overseas Holdings	China Ping An Insurance Overseas (Holdings) Limited, a subsidiary of the Company
Ping An Financial Leasing	Ping An International Financial Leasing Co., Ltd., a subsidiary of the Company
Ping An Financial Technology	Shenzhen Ping An Financial Technology Consulting Co., Ltd., a subsidiary of the Company
Ping An Hong Kong	China Ping An Insurance (Hong Kong) 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

Definitions

Ping An Pioneer Capital	Ping An Pioneer Capital Co., Ltd., a subsidiary of Ping An Securities
Ping An Securities (Hong Kong)	Ping An of China Securities (Hong Kong) Company Limited, a subsidiary of Ping An Securities
Ping An New Capital	Shenzhen Ping An New Capital Investment Co., Ltd., a subsidiary of Ping An Trust
Ping An Technology	Ping An Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Financial Technology
Ping An Financial Services	Shenzhen Ping An Financial Services Co., Ltd., formerly Ping An Processing & Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Financial Technology
Ping An-UOB Fund	Ping An-UOB Fund Management Company Limited, a subsidiary of Ping An Trust
Lufax Holding	Lufax Holding Company Limited, an associate of the Company
Lufax	Shanghai Lujiazui International Financial Assets Commodity Exchange Co., Ltd., a subsidiary of Lufax Holding
Gem Alliance Limited	Gem Alliance Company Limited, a subsidiary of Lufax Holding
Puhui Financial	The companies under Gem Alliance Limited with the business including financing guarantee, commercial factoring and micro-credit loan
CQFAE	Chongqing Financial Assets Exchange Company Limited, a subsidiary of Lufax Holding
QEX	Shenzhen Qianhai Financial Assets Exchange Company Limited, a subsidiary of Gem Alliance Limited
E-wallet	Formerly Ping An Pay Intelligence Technology Co., Ltd., a subsidiary of Ping An Financial Technology. Its name was changed to Ping An E-wallet Electronic Commerce Company Limited in June 2016
Ping An Good Doctor	Ping An Health Cloud Co., Ltd., a subsidiary of Ping An Financial Technology
Finance One Account	Shanghai Yee Account Internet Technology Co., Ltd., a subsidiary of Ping An Financial Technology
Wanjia Healthcare	Ping An Wanjia Healthcare Investment Management Co., Ltd., a subsidiary of Ping An Financial Technology

Ping An Healthcare Management, City One Account	Ping An Medical and Healthcare Management Co., Ltd., a subsidiary of Ping An Financial Technology
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 Premium	All premiums received from the policies underwritten by the Company, which are prior to the significant insurance risk testing and separating 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
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
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.
CP Group Ltd.	Charoen Pokphand Group Company Limited, the flagship company of CP Group

Corporate Information

REGISTERED NAMES

Full name of the Company (Chinese/English)

中國平安保險(集團)股份有限公司

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

Short name of the Company (Chinese/English)

中國平安

Ping An of China

LEGAL REPRESENTATIVE

MA Mingzhe

TYPE OF SECURITY AND LISTING PLACE

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

STOCK SHORT NAME AND CODE

A share	中國平安	601318
H share	Ping An of China	2318

AUTHORIZED REPRESENTATIVES

SUN Jianyi
YAO Jun

SECRETARY OF THE BOARD OF DIRECTORS

JIN Shaoliang

COMPANY SECRETARY

YAO Jun

REPRESENTATIVE OF SECURITIES AFFAIRS

LIU Cheng

TELEPHONE

+86 400 8866 338

FAX

+86 755 8243 1029

E-MAIL

IR@pingan.com.cn
PR@pingan.com.cn

REGISTERED ADDRESS

Offices at 15, 16, 17 and 18 Floors,
Galaxy Development Center,
Fuhua No. 3 Road,
Futian District,
Shenzhen

PLACE OF BUSINESS

47th, 48th, 109th, 110th, 111th and 112th Floors,
Ping An Finance Center,
No. 5033 Yitian Road,
Futian District,
Shenzhen

POSTAL CODE

518033

COMPANY WEBSITE

www.pingan.cn

DESIGNATED MEDIA FOR INFORMATION DISCLOSURE OF A SHARE

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

WEBSITES FOR THE PUBLICATION OF THE REGULAR REPORTS

www.sse.com.cn
www.hkexnews.hk

LOCATION OF REGULAR REPORTS AVAILABLE FOR INSPECTION

Board Office of the Company

CONSULTING ACTUARIES

PricewaterhouseCoopers Consultants (Shenzhen) Limited

AUDITORS AND PLACES OF BUSINESS

Domestic Auditor

PricewaterhouseCoopers Zhong Tian LLP
11/F, PricewaterhouseCoopers Center,
2 Corporate Avenue, No. 202 Hubin Road,
Huangpu District, Shanghai, PRC

Name of Certified Public Accountants

Charles Chow
Kevin Chen HUANG

International Auditor

PricewaterhouseCoopers
22/F Prince's Building,
Central, Hong Kong

LEGAL ADVISOR

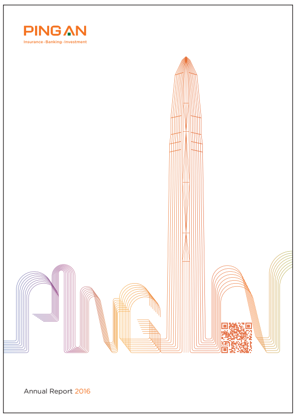
DLA Piper Hong Kong
17th Floor, Edinburgh Tower, The Landmark,
No. 15 Queen's Road,
Central, Hong Kong

H SHARE REGISTRAR

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

AMERICAN DEPOSITARY SHARES REGISTRAR

The Bank of New York Mellon



At 600m tall, PAFC is the tallest building in Shenzhen. It also serves as the headquarters of Ping An. The building has brought together a number of features – environmental protection, humanized design, artistic beauty, energy saving and high efficiency – to achieve an exquisite blend of technology and architectural aesthetics. Ping An is dedicated to "technological innovation" and aims to provide customers with "optimum services". PAFC was designed to embody these two developmental ideas. The brand name, using "Ping An Orange" as the main color, is delineated by musical notes in gradient colors on a musical stave. Its integration with the building reflects Ping An's philosophy of providing simple, diversified, innovative and optimum services.

This report is printed on environmental friendly paper manufactured from elemental chlorine-free pulp and acid free.