PING AN

Finance · Technology

Expertise Makes Life Simple

2018 Annual Report

Contents

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

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

中国平安 PING AN

Dream Chaser on a New Journey

After 30 years of hard work, with flowers and fruits

To his original aspiration, the dream chaser remains true

He set sail in Shekou to explore modern insurance

He developed integrated finance with determination

Now he leads technological innovation with passion

He conducts Ping An Rural Communities Support to contribute to society

He promotes Smart City to empower the ecosystem

He seeks technological breakthroughs and advancements

Artificial intelligence, fintech and smart poverty alleviation

He enables countless use cases

By proactively applying cutting-edge technologies

This is a new day, a new beginning

He is determined to seize the day

And seize the future

The 40th anniversary of reform and opening-up

The 70th birthday of the People's Republic of China

At this critical moment, Ping An embarks on a new journey

Marching ahead with you, each family, and the nation

To pursue a better future

Ping An strives to become a world-leading technology-powered retail financial services group. Ping An furthers "finance + technology" and pursues "finance + ecosystem," focusing innovative technologies on two major industries of pan financial assets and pan health care. As an industry and technology leader, Ping An applies technologies to traditional financial businesses and five ecosystems, namely financial services, health care, auto services, real estate services, and smart city services.

For Ping An, now 30 years old, 2019 marks a new starting point. The Company will continue to seek survival via competition and pursue development via innovation. Ping An will provide customers with better services by empowering financial services with technologies, empowering ecosystems with technologies, and empowering financial services with ecosystems. Ping An will proceed with the Ping An Rural Communities Support to eradicate poverty, develop rural communities, and improve people's livelihood.

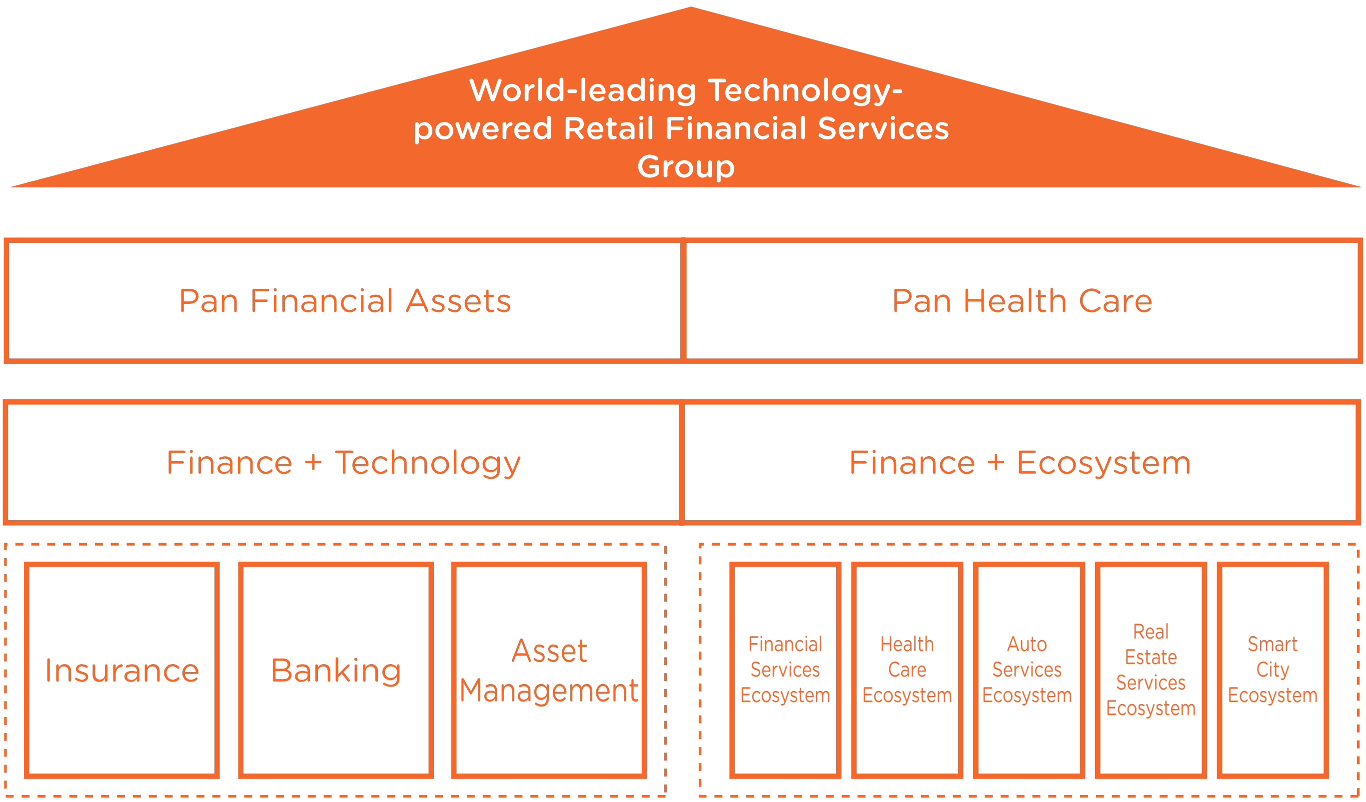
Five-Year Summary

(in RMB million)	**2018/ December 31, 2018**	2017/ December 31, 2017	2016/ December 31, 2016	2015/ December 31, 2015	2014/ December 31, 2014
CUSTOMER DEVELOPMENT					
Number of internet users (in million)	**538.43**	436.39	346.30	241.57	137.34
Number of retail customers (in million)	**183.96**	165.73	131.07	109.10	89.35
Number of contracts per customer (contract)	**2.53**	2.32	2.21	2.03	1.93
Operating profit per customer (in RMB)	**531.25**	449.69	N/A	N/A	N/A
Proportion of customers holding multiple contracts with different subsidiaries (%)	**34.6**	28.5	24.0	19.0	N/A
Proportion of the Group's new customers from internet users within the Group's five ecosystems (%)	**35.6**	40.4	22.3	19.4	11.8
GROUP					
Operating return on embedded value (%)	**23.7**	26.7	21.0	19.5	20.0
Embedded value	**1,002,456**	825,173	637,703	551,514	458,812
Operating profit attributable to shareholders of the parent company	**112,573**	94,708	68,252	N/A	N/A
Operating ROE (%)	**21.9**	22.0	19.0	N/A	N/A
Basic operating earnings per share (in RMB)	**6.31**	5.31	3.82	N/A	N/A
Equity attributable to shareholders of the parent company	**556,508**	473,351	383,449	334,248	289,564
Net profit attributable to shareholders of the parent company	**107,404**	89,088	62,394	54,203	39,279
Dividend per share[(1)] (in RMB)	**1.72**	1.50	0.75	0.53	0.375
Group comprehensive solvency margin ratio (%)	**216.4**	214.9	210.0	204.9	205.1
LIFE AND HEALTH INSURANCE BUSINESS					
Operating return on embedded value (%)	**30.8**	35.5	27.0	21.4	21.7
Value of new business	**72,294**	67,357	50,805	38,420	21,966
Embedded value	**613,223**	496,381	360,312	325,474	264,223
Operating profit	**71,345**	52,824	40,518	N/A	N/A
Residual margin	**786,633**	616,319	454,705	330,846	N/A
Comprehensive solvency margin ratio – Ping An Life (%)	**218.8**	234.1	225.9	219.7	219.9
PROPERTY AND CASUALTY INSURANCE BUSINESS					
Net profit	**12,274**	13,372	12,700	12,650	8,817
Combined ratio (%)	**96.0**	96.2	95.9	95.6	95.3
Comprehensive solvency margin ratio (%)	**223.8**	217.5	267.3	269.5	164.5
BANKING BUSINESS					
Net profit	**24,818**	23,189	22,599	21,865	19,802
Net interest margin (%)	**2.35**	2.37	2.75	2.81	2.57
Cost-to-income ratio (%)	**30.32**	29.89	25.97	31.31	36.33
Non-performing loan ratio (%)	**1.75**	1.70	1.74	1.45	1.02
Provision coverage ratio for loans more than 90 days overdue (%)	**159.45**	105.67	98.51	N/A	N/A
Core tier 1 capital adequacy ratio (%)	**8.54**	8.28	8.36	9.03	8.64
ASSET MANAGEMENT BUSINESS					
Net profit of trust business	**3,012**	3,957	2,322	2,888	2,212
Assets held in trust of trust business	**534,124**	652,756	677,221	558,435	399,849
Net profit of securities business	**1,680**	2,123	2,215	2,478	924
FINTECH & HEALTHTECH BUSINESS					
Operating profit	**7,748**	5,488	(3,575)	N/A	N/A

Notes: (1) The dividend per share was RMB1.72 in 2018. In addition, the Company distributed the 30th Anniversary Special Dividend of RMB0.20 per share in the first quarter of 2018.
(2) Some indicators have been disclosed for less than five years. Certain figures have been reclassified or restated to conform to relevant periods' presentation.

Introduction

Ping An strives to become a world-leading technology-powered retail financial services group. Ping An furthers "finance + technology" and pursues "finance + ecosystem," focusing on two major industries of pan financial assets and pan health care. Ping An applies new technologies to traditional financial businesses and five ecosystems, namely financial services, health care, auto services, real estate services, and smart city services. Ping An is empowering financial services with technologies, empowering ecosystems with technologies, and empowering financial services with ecosystems. Ping An leverages local advantages in line with global corporate governance standards. Ping An provides 184 million retail customers and 538 million internet users with financial products and services under an integrated financial business model of "one customer, multiple products, and one-stop services."



Ping An Milestones

Founding of the Company

May 27, 1988

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

Foreign investors

1994

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

April 1996

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

Founding of the Group

February 14, 2003

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

December 2003

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

1988 1992 1994 1995 1996 2002 2003

June 4, 1992

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

Expanding nationwide

October 1995

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

October 8, 2002

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

Stake acquired by HSBC

1994

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

First life insurance policy

H-share listing

June 24, 2004

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

2004 2006 2007 2011 2012 2016 2018

May 2006

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

July 2006

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

March 1, 2007

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

A-share listing

Acquiring SDB

July 2011

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

2012

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

Lufax

2016

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

2018

In response to the government's call for poverty alleviation, Ping An launched the Ping An Rural Communities Support (covering village officers, village doctors and village teachers) in nine provinces or autonomous regions across China at the 30th anniversary.

Ping An Rural Communities Support

Chairman’s Statement

The year 2018 marked the 40th anniversary of China’s reform and opening-up. Also in 2018, Ping An celebrated its 30th birthday. With the global economic landscape changing and reshaping, China’s economy has entered a new era of development. Technologies are advancing rapidly, with unprecedented impacts. The global financial services industry is also experiencing rapid and fundamental changes, and facing huge challenges and opportunities. Against this backdrop and with a strong sense of mission and urgency, Ping An has taken careful steps to manage the risks and to seize the opportunities. As a result, we realized stable and healthy growth in assets, revenue and profit in 2018. To embrace the opportunities ahead, we made greater investment in our technologies at a faster pace in the year. We continued with our “finance + ecosystem” transformation. We are exploring data-driven operations and we made encouraging progress in developing our business models and technological innovations.

In 2018, our market cap rose above RMB1 trillion as our strengths and achievements gained world-wide recognition. We ranked 29th in the Fortune Global 500 and 10th in the Forbes Global 2000 for the first time. Our operating profit attributable to shareholders of the parent company reached RMB112,573 million, up 18.9% year on year. Our net profit attributable to shareholders of the parent company grew to RMB107,404 million, up 20.6% year on year. With fast growing operating profit, we are increasing dividends. The cash dividend per share for 2018 jumped by 14.7% year on year to RMB1.72. In addition, the Company distributed the 30th Anniversary Special Dividend of RMB0.20 per share. Our integrated financial business model of “one customer, multiple products and one-stop services” provided 184 million retail customers and 538 million internet users with financial products and services via cross-selling. The operating profit per customer was RMB531. About 63.64 million retail customers held multiple contracts with different subsidiaries of the Group, up 34.7% from the beginning of 2018.

On April 27, 2018, Ping An signed a strategic partnership agreement with Shenzhen Public Security Bureau to develop “smart policing.”

At Ping An we are empowering our financial services with technologies by leveraging world-leading AI, blockchain and cloud computing to contain cost, boost efficiency, enhance risk management, and improve our customer experience. As a result, our financial offerings gained competitiveness and our core financial businesses grew steadily. The operating profit of the life and health insurance business was RMB71,345 million, up 35.1% year on year. NBV rose 7.3% year on year to RMB72,294 million. We adopted innovative agent management models and tools, including an AI-based interview functionality, which helped us sharply boost our agent retention rate. Ping An Property & Casualty expanded its market share and increased premium income by 14.6% year on year to RMB247,444 million, with a better-than-industry combined ratio of 96.0%. We processed 96.4% of onsite auto claim investigations within 5-10 minutes via our upgraded “510 City Superfast Onsite Investigation” services. Ping An Bank made significant progress in its strategic transformation toward retail banking, which accounted for 53.0% and 69.0% of the Bank’s revenue and net profit respectively. Ping An Bank continued to de-risk itself and strengthen its risk compensation.

At Ping An we empower ecosystems with technologies. We are building five ecosystems, covering financial services, health care, auto services, real estate services, and smart city services. The contribution from our technology innovation greatly increased. In the fintech and healthtech sectors, we have explored and developed innovative business models and built a number of unicorns from scratch. Several of our unicorns have completed financing to enhance their strength. Ping An Good Doctor went public on the Main Board of HKEX and successfully pursued overseas expansion. OneConnect completed a Series A financing at a post-money valuation of USD7,500 million. OneConnect established a subsidiary in Singapore and also began to export technologies to overseas markets. Ping An HealthKonnect completed a Series A financing at a post-money valuation of USD8,800 million. Lufax

On May 4, 2018, Ping An Healthcare and Technology Co., Ltd. (Ping An Good Doctor, 01833.HK) was successfully listed on the HKEX.

Holding, a leading online wealth management platform in China, also concluded a refinancing at a post-money valuation of USD39.4 billion, again favored by leading global investors.

To serve the country, society and public, we are empowering China's smart city initiative by building "1+N" platforms with our core technologies. Such platforms now cover more than 100 Chinese cities, including Beijing, Shanghai and Shenzhen, as well as countries and regions along the Belt and Road Initiative. The platforms serve hundreds of millions of people through a variety of applications, including fiscal management, government administration, transportation, life, health care, customs control, education, agriculture, judicial activities, environmental protection, and community governance. We help provincial and municipal governments to address pain points and difficulties in city governance, improve efficiency and effectiveness, reduce urban development costs, and help promote citizen satisfaction.

The (fourth) China Smart City International Expo 2018 was held in Shenzhen during August 21-24, 2018, co-sponsored by China Center for Urban Development under National Development and Reform Commission, Shenzhen Municipal Government, and Ping An.

Ping An has been a beneficiary of the changing era. On turning 30, Ping An gratefully promoted the Ping An Rural Communities Support, covering village officers, doctors and teachers. We support rural industrial upgrade, strengthen health care in poor areas, and improve rural education. Through the Village Officer Program, we input over RMB5,000 million for poverty alleviation and aided over 15,000 poor rural residents by the end of 2018. Of the RMB5,000 million, RMB3,819 million was invested in poverty alleviation bonds, benefiting millions of people in 65 undeveloped counties in Guangxi, Yunnan, Guizhou and Sichuan. We integrate our financial and technological resources to support entire industry chains in poverty-stricken areas. We granted poverty-alleviation loans to support oat growing and poultry raising in Ulanqab, Inner Mongolia, where 1,995 registered poor households increased their average income by nearly RMB3,300. Our Village Doctor Program channeled urban medical resources to rural areas through AI and telemedicine. We built or upgraded over 400 village clinics, and held over 100 free medical services programs, providing 19,271 checkups and consultations.

Through our Village Teacher Program, we built or upgraded nearly 400 village schools, trained nearly 5,000 village teachers, and provided distance learning courses for tens of thousands of teachers and students. Moreover, we established the Ping An Volunteers Association to engage employees in volunteer activities. As of the end of 2018, over 100,000 employees took part in volunteer activities.

The year 2019 marks the 70th anniversary of the founding of the People's Republic of China and is the beginning of Ping An's fourth decade, a crucial period for our strategic transformation. We have updated our brand logo, defining "finance + technology" as our core businesses. In 2019, we will maintain stable, healthy growth of core businesses, optimize the business mix, strictly manage risks, and build the foundation of our future. We will continue to increase investment in technology, pursue "finance + ecosystem," and enhance our data-driven operations and smart risk management capabilities to create value for customers, shareholders and society.

Competition between ecosystems is heated and the era of smart operations has come. Technologies and data will empower us to anticipate trends, make timely decisions, and take actions ahead of others. At this new starting point, Ping An will continue to pursue "finance + ecosystem" and the all-round development and promotion of our smart data-driven operations. With the efforts of our outstanding staff and the support of our shareholders, Ping An will bravely navigate through the uncharted deep waters ahead toward a brighter future.

In 2018, Ping An launched the Ping An Rural Communities Support. Li Jian, a famous singer and Ping An brand ambassador, gave an outdoor music lesson to children in Baise, Guangxi Province.

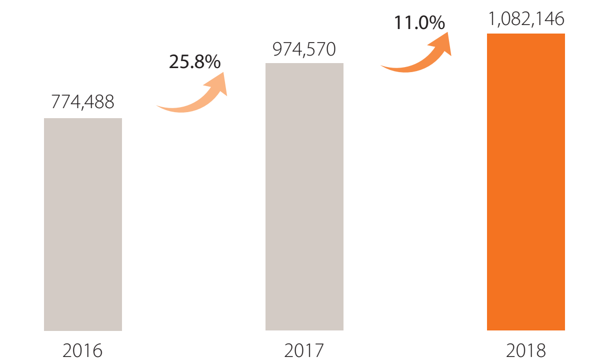
Chairman and Chief Executive Officer

Shenzhen, China
March 12, 2019

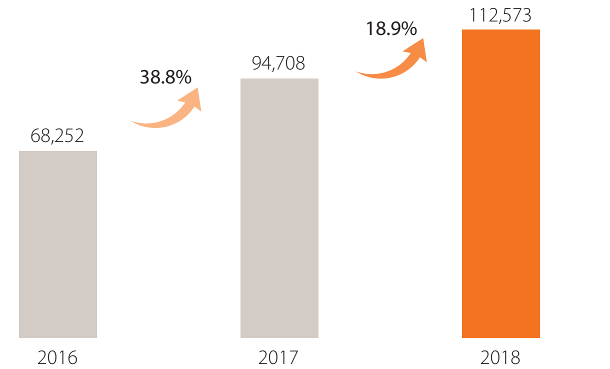
Business Performance at a Glance

Financial Results of the Group

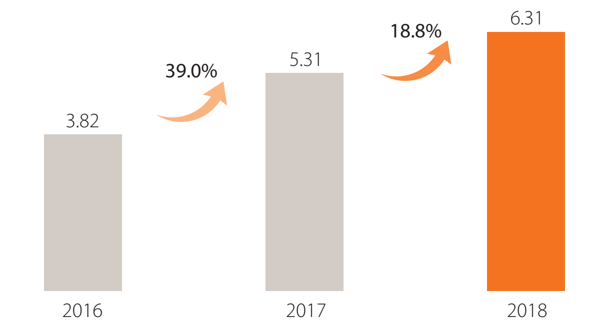
Total Revenue *(in RMB Million)*



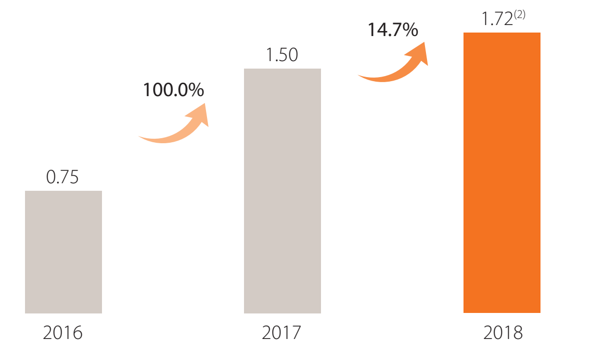
Operating Profit Attributable to Shareholders of the Parent Company *(in RMB Million)*



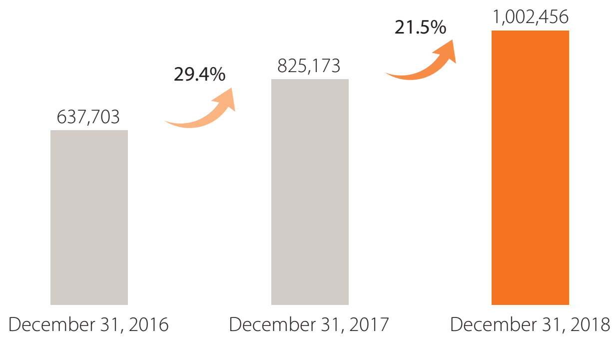
Basic Operating EPS *(in RMB)*



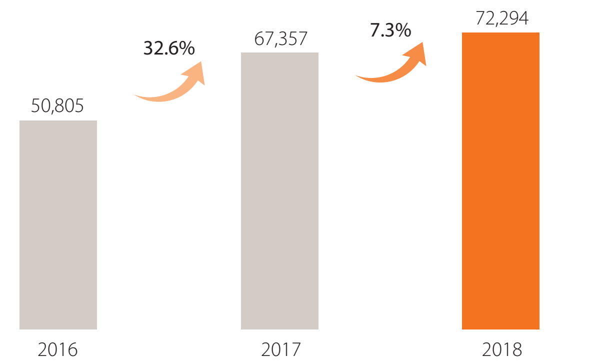
Dividend Per Share[1] *(in RMB)*



Embedded Value *(in RMB Million)*



Value of New Business *(in RMB Million)*



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

(2) This includes a final dividend of RMB1.10 per share pending approval at the 2018 Annual General Meeting. In addition, the Company distributed the 30th Anniversary Special Dividend of RMB0.20 per share in the first quarter of 2018.

Top Ten Highlights

1 The Group's operating profit attributable to shareholders of the parent company rose **18.9%** year on year to RMB**112,573** million. The operating ROE was **21.9%**. The net profit attributable to shareholders of the parent company rose **20.6%** year on year to RMB**107,404** million.

2 With strong operating profit growth, Ping An is increasing cash dividends. The yearly dividend per share for 2018 rose by **14.7%** year on year to RMB**1.72**. In addition, the Company distributed the 30th Anniversary Special Dividend of RMB**0.20** (tax inclusive) per share in the first quarter of 2018.

3 Customer development yielded good results. The operating profit of retail business rose by **31.1%** year on year to RMB**97,729** million, accounting for **86.8%** of the operating profit attributable to shareholders of the parent company. Retail customers grew by **11.0%** from the beginning of 2018 to **184** million. In 2018, the Company acquired **40.78** million new customers, **35.6%** of whom were sourced from internet users within the Group's five ecosystems. Operating profit per customer gained **18.1%** year on year to RMB**531**. Contracts per customer rose **9.1%** from the beginning of 2018 to **2.53**. About **63.64** million retail customers held multiple contracts with different subsidiaries, up **34.7%** from the beginning of 2018, accounting for **34.6%** of all customers (up **6.1** pps from the beginning of 2018).

4 Operating profit after tax of the life and health insurance business rose **35.1%** year on year to RMB**71,345** million. The annual operating ROEV reached **30.8%**. Value of new business (NBV) rose **7.3%** year on year to RMB**72,294** million as we optimized our business mix amid industry restructuring. NBV grew by **16.9%** year on year in the second half of 2018.

5 Ping An Property & Casualty's premium income grew by **14.6%** year on year to RMB**247,444** million. The combined ratio was **96.0%**, which improved by **0.2** pps year on year. In 2018, Ping An Property & Casualty processed **96.4%** of the onsite auto claim investigations within **5-10** minutes via the upgraded "510 City Superfast Onsite Investigation" services.

6 Ping An Bank maintained steady, healthy business growth, with significant progress in its strategic transformation toward retail banking. In 2018, retail banking accounted for **53.0%** and **69.0%** of the Bank's revenue and net profit, up **8.9** pps and **1.4** pps year on year respectively. Ping An Bank continued to de-risk itself. The Bank's deviation of non-performing loans was **97%**, down **46** pps from the beginning of 2018. The balance and proportion of loans more than 90 days overdue **both decreased** from the beginning of 2018.

7 The Company continued to pursue innovative business models in fintech and healthtech. The fintech and healthtech business recorded RMB**6,770** million in operating profit attributable to shareholders of the parent company, accounting for **6.0%** of the Group's operating profit attributable to shareholders of the parent company.

8 The Company strengthened its technological capabilities. As of December 31, 2018, Ping An's technology patent applications increased by **9,021** from the beginning of the year to **12,051**, more than most international financial institutions. The applications include **3,397** filed under the Patent Cooperation Treaty (PCT) and abroad. Focusing on AI, blockchain and cloud computing, Ping An won several international awards in fields including fintech, medical imaging and smart city services.

9 Ping An empowers China's smart city initiative by building "1+N" platforms in over **100** Chinese cities including Beijing, Shanghai and Shenzhen as well as countries and regions involved in the Belt and Road Initiative. The platforms cover fields including fiscal management, government, transportation, life, health care, customs control, education, agriculture, judicial activities, environmental protection, and community governance.

10 The Company launched the Ping An Rural Communities Support comprising the Village Officer Program, Village Doctor Program and Village Teacher Program for smart poverty alleviation via industry promotion, health care and education support. As of the end of 2018, the Company had implemented the Ping An Rural Communities Support in **nine** provinces or autonomous regions across China. We input RMB**5,394** million for poverty alleviation, and built or upgraded over **400** rural clinics, trained **5,702** village doctors, built or upgraded **391** rural schools, and trained **4,819** village teachers.

Customer Development

- The Group's retail business operating profit rose 31.1% year on year to RMB97,729 million, accounting for 86.8% of the Group's operating profit attributable to shareholders of the parent company (up 8.1 pps year on year). Retail profit growth was mainly driven by steady increases in retail customers and operating profit per customer.
- The Group's retail customers(1) grew by 11.0% from the beginning of the year to 184 million. In 2018, the Company acquired 40.78 million new customers, 35.6% of whom were sourced from internet users within the Group's five ecosystems. Operating profit per customer gained 18.1% year on year to RMB531. Contracts per customer rose by 9.1% from the beginning of 2018 to 2.53.
- The Group's internet users(2) increased 23.4% from the beginning of 2018 to 538 million. Yearly active users(3) reached 252 million. On average, each internet user used 2.37 online services.
- Cross-selling within Ping An Group continues to improve as about 63.64 million retail customers held multiple contracts with different subsidiaries, up 34.7% from the beginning of 2018, accounting for 34.6% of all customers (up 6.1 pps from the beginning of 2018).

CUSTOMER DEVELOPMENT STRATEGY

Focusing on retail customers, Ping An is committed to becoming a world-leading technology-powered retail financial services group. Ping An adheres to the philosophy of "one customer, multiple products and one-stop services." Centering on five ecosystems of "financial services, health care, auto services, real estate services and smart city services," Ping An continues to increase investment in technologies and pursue "finance + ecosystem." Moreover, Ping An provides customers with diverse products and services by empowering financial services with technologies, empowering ecosystems with technologies, and empowering financial services with ecosystems.

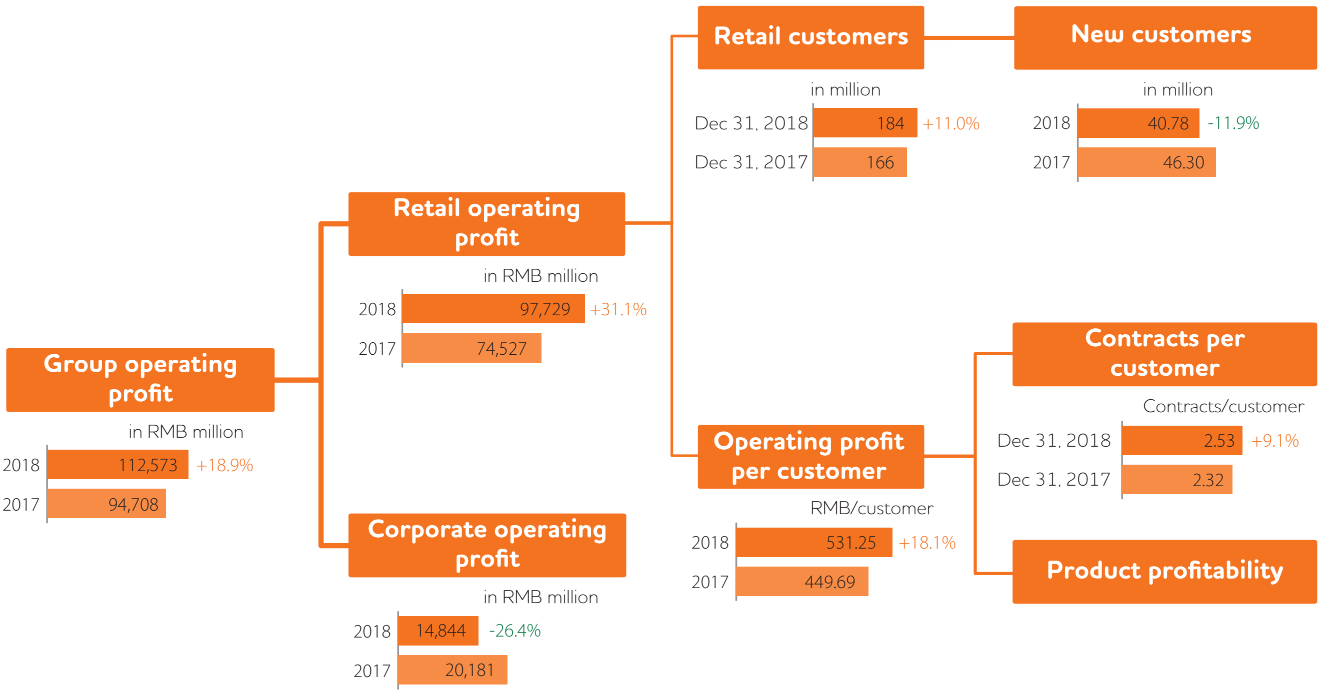
Progress of Ping An's integrated financial services strategy has been accompanied by increased cross-selling. Retail business has become a strong growth driver as its operating profit grew steadily thanks to increasing customers, contracts per customer and product profitability.

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

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

(3) The number of yearly active users refers to the number of active users in the 12 months to the end of the Reporting Period.

Core drivers of the Group's operating profit growth



Note: Group operating profit is the operating profit attributable to shareholders of the parent company.

SCALE: THE GROUP'S RETAIL CUSTOMERS AND INTERNET USERS INCREASED STEADILY

Retail customers

Ping An continues to optimize its products, channels and use cases to deliver excellent customer experience. As at the end of 2018, the Group had nearly 184 million retail customers, up 11.0% from the beginning of 2018. In 2018, the Company acquired 40.78 million new customers, 14.50 million or 35.6% of whom were sourced from internet users within the Group's five ecosystems.

Retail customer structure

(in million)	December 31, 2018	December 31, 2017	Change (%)
Life insurance[3]	**60.70**	53.03	14.5
Auto insurance[3]	**46.43**	40.98	13.3
Retail banking	**60.10**	50.18	19.8
Credit card	**47.33**	35.10	34.8
Securities, fund and trust	**38.17**	33.43	14.2
Others[4]	**45.51**	35.56	28.0
The Group	**183.96**	165.73	11.0

Notes: (1) The numbers of accumulated customers and new customers do not add up to the total due to elimination of double counted customers.

(2) The number of customers as of the end of 2018 is not equal to the sum of the number of customers as of the end of 2017 and new customers in the Reporting Period, due to customer attrition.

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

(4) "Others" include fintech & healthtech, other loans and other insurance product lines.

Ping An continued to promote migration and conversion between customers and users by improving service experience across online platforms. The proportion of customers who were also internet users increased steadily.

Online customers

(in million)	December 31, 2018 Persons	December 31, 2018 % of customers	December 31, 2017 Persons	December 31, 2017 % of customers
Number of customers who were also internet users	**157.00**	**85.3**	135.85	82.0
Number of customers who were also app users	**151.66**	**82.4**	127.38	76.9

Customer Development

Internet users

Ping An provides internet users with one-stop services, constantly improves online user experience, and aligns use cases with user needs. As at the end of 2018, the Group had 538 million internet users, up 23.4% from the start of 2018. App users increased to 474 million, up 28.3% from the beginning of 2018. On average, each internet user used 2.37 online services from Ping An. Meanwhile, both user activity and stickiness increased, and yearly active users reached 252 million due to efficient user development.

Number of internet users

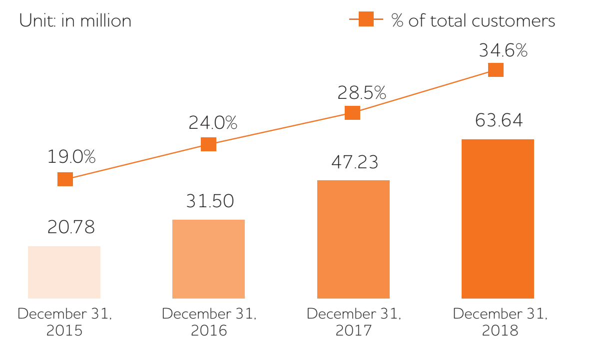
(in million)	December 31, 2018	December 31, 2017	Change (%)
Internet users	**538.43**	436.39	23.4
Fintech & healthtech companies	**477.10**	383.32	24.5
Core financial companies	**313.58**	236.55	32.6
App users	**473.88**	369.42	28.3
Fintech & healthtech companies	**305.51**	241.01	26.8
Core financial companies	**293.60**	215.94	36.0

Note: Internet users and app users of the Group included users of fintech & healthtech companies and core financial companies, excluding duplicates.

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

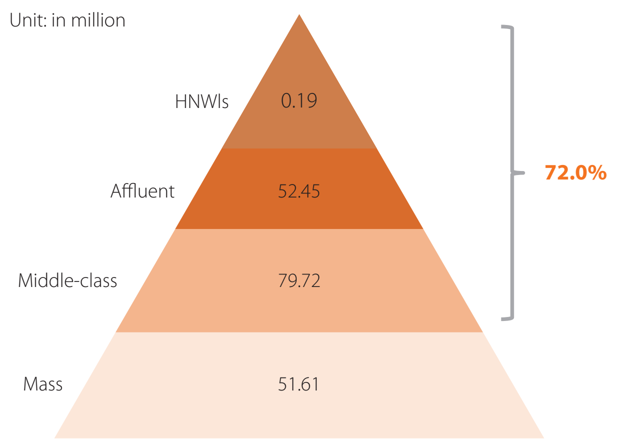
Ping An promotes cross-selling under an integrated financial business strategy. As a result, contracts per customer and customer value increase year by year. As at the end of 2018, about 38.79 million customer migrations happened among core financial companies of Ping An. About 63.64 million retail customers held multiple contracts with different subsidiaries, accounting for 34.6% of all customers, up 6.1 pps from the beginning of 2018. Each customer held 2.53 contracts on average, 9.1% more than at the beginning of 2018. Empowered by technologies, Ping An maintained healthy, rapid profitability growth of major product lines. In 2018, the Group's operating profit per customer was RMB531, up 18.1% year on year.

Number of customers holding multiple contracts with different subsidiaries



Ping An has gained better insights into customers from its long-term customer development: the wealthier customers are, the more contracts they hold and the more valuable they are. As at the end of 2018, the Group had 132 million middle-class or higher-level customers, accounting for 72.0% of the total, up 6.9 pps from the beginning of 2018. On average, each high net worth individual (HNWI) held 11.30 contracts, far more than affluent customers.

Customer wealth structure



Customers and contracts per customer by segment

	Number of customers (in million)	Contracts per customer
HNWIs	0.19	11.30
Affluent	52.45	3.78
Middle-class	79.72	2.25
Mass	51.61	1.67
The Group	**183.96**	**2.53**

Notes: (1) Mass customers are those with annual income below RMB100,000, middle class customers RMB100,000-240,000, and affluent customers above RMB240,000. HNWIs have personal assets of RMB10 million or more.
(2) The numbers of customers may not match totals due to rounding.

Cross-selling of insurance businesses maintained significant growth. In 2018, new premium income of Ping An Property & Casualty, Ping An Annuity and Ping An Health from the agent channel rose by 18.8% year on year to RMB51,453 million.

New premium income from cross-selling by agents

	2018		2017	
(in RMB million)	**Amount**	**Channel contribution percentage (%)**	Amount	Channel contribution percentage (%)
Ping An Property & Casualty	**41,436**	**16.7**	35,828	16.6
Short-term group insurance business of Ping An Annuity	**7,921**	**45.9**	6,728	45.7
Ping An Health	**2,096**	**56.6**	754	35.1

Going forward, Ping An will continue to focus on retail customers, striving to become a world-leading technology-powered retail financial services group. Centering on five ecosystems of "financial services, health care, auto services, real estate services and smart city services," Ping An will empower financial services with technologies, empower ecosystems with technologies, and empower financial services with ecosystems. Ping An will improve service efficiency and quality of its products and channels, enhance customer experience, and boost both retail customer value and corporate value.

Technology-Powered Business Transformation

- As of December 31, 2018, Ping An's technology patent applications increased by 9,021 from the beginning of the year to 12,051, including 3,397 filed under the Patent Cooperation Treaty (PCT) and abroad. The applications cover the core technologies, namely artificial intelligence (AI), blockchain and cloud computing. Ping An is No.1 on the 2018 Global Fintech Invention Patents Ranking.
- The Ping An Brain smart engine won the Wu Wenjun AI Science & Technology Award. Ping An's medical imaging technology won world No.1s in contests covering lung nodule detection, stomach cancer pathology, and diabetic retinopathy detection.

THE GROUP'S "FINANCE + TECHNOLOGY" AND "FINANCE + ECOSYSTEM" STRATEGIES

Ping An furthers "finance + technology" and pursues "finance + ecosystem." Ping An focuses on three core technologies, namely AI, blockchain and cloud computing, to support five ecosystems: financial services, health care, auto services, real estate services, and smart city services. Ping An strengthens competitiveness by diversifying use cases, increasing efficiency, cutting costs, enhancing risk management, and creating excellent products and customer experiences. Moreover, Ping An exports innovative technologies and services, promotes the efficiency of technology commercialization and empowers the whole industry with technologies.

Ping An has industry-leading technology human resources. The Group has about 99 thousand employees in fintech and healthtech, and about 29 thousand employees in technological R&D. Ping An has partnered with top universities and research institutes including Peking University, Tsinghua University, Fudan University, Massachusetts Institute of Technology, and National Institute of Health to pursue fintech and healthtech researches.

Ping An attaches great importance to developing core technologies and securing proprietary intellectual property rights. Each year, Ping An increases technological R&D investments by investing 1% of its revenue in technological R&D. As of December 31, 2018, Ping An's technology patent applications increased by 9,021 from the beginning of the year to 12,051, more than most international financial institutions. The applications include 3,397 filed under the Patent Cooperation Treaty (PCT) and abroad.

SUPPORTING BUSINESS DEVELOPMENT WITH THREE CORE TECHNOLOGIES

Ping An continued to strengthen R&D of the core technologies, namely AI, blockchain and cloud computing. Ping An boosted business value by applying the three core technologies to customer development, channel management, customer services, and risk management of core businesses. Ping An successfully incubated fintech and healthtech unicorns including Lufax Holding, OneConnect, Ping An Good Doctor, and Ping An HealthKonnect.

AI

Ping An is committed to developing AI-based industry-leading capabilities for use cases in financial services and health care. Ping An has built basic cognitive capabilities of seeing (facial recognition, micro-expression recognition), listening (voiceprint recognition, speech recognition), and speaking/reading (speech synthesis, text robot). Moreover, Ping An has established a comprehensive knowledge system and created specialized solutions.

Ping An has world-leading facial, voiceprint and medical image recognition technologies. The facial and voiceprint recognition technologies have accuracy rates of 99.8% and 99.7% respectively. The Ping An Brain smart engine won the Wu Wenjun AI Science & Technology Award. The natural language processing (NLP) technology was ranked No.1 in the 2018 SQuAD2.0 global machine reading comprehension contest. OneConnect Gamma Lab's Memory Augmented Neural Networks achieved excellent results in an international top dialogue system challenge. In the International "AI + Environmental Protection Competition" organized by Schneider, Ping An won a world No. 1 with an accuracy rate above 80% in detection of abnormal energy consumption.

Ping An has applied AI technologies to financial services, health care, and smart city services. In financial services, Ping An's AI-based prediction, risk management and service capabilities facilitate quick claims, smart photography and video recording, small and medium-sized business loan approval, and smart customer services. In smart risk management, nearly 90% of decisions made by the loan approval system on the basis of smart micro-expression recognition are consistent with those made by humans; as a result, labor cost was cut by nearly 40%. In health care, Ping An is committed to building an end-to-end smart health care management platform covering all the steps before, during and after medical services. Ping An provides governments, medical institutions and patients with full services including AI-based disease prediction, image reading, medical assistance, service quality control, medical follow-ups and patient education. Ping An won many world No.1s in contests of lung nodule detection, stomach cancer pathology, and diabetic retinopathy detection. So far, Ping An has partnered with 249 medical institutions. In smart city services, Ping An empowers China's smart city initiative by applying AI to various fields including transportation, education, government, security, environmental protection, and daily life.

Blockchain

By developing FiMAX, a proprietary blockchain technology, Ping An has exclusively mastered the zero-knowledge proof technology in non-currency use cases. In the zero-knowledge environment using China's state encryption algorithms, FiMAX equals or surpasses traditional databases by performance, and supports a throughput in excess of 50,000 transactions per second with latency lower than 0.05 seconds. Through OneConnect, Ping An built the largest commercial blockchain platform in the world, providing services to over 200 domestic and foreign banks, 200,000 businesses, 500 governmental and other business organizations. Over 44,000 blockchain nodes have been established. FiMax won the IDC FinTech Ranking Real Result Award from IDC, a world-renowned data services company.

Cloud Computing

Ping An Cloud hosts the trillion-yuan core business of Ping An and offers efficient, secure cloud services to users in industries including financial services, health care, auto services, real estate services, and smart city services. With 12 authoritative certifications and over 400 cloud computing patent applications, Ping An Cloud is seeking market development and building a cloud platform covering various industries. In 2018, Ping An Cloud became GitHub's first managed service provider (MSP) in Greater China. Moreover, in addition to nine data centers in the People's Republic of China (the PRC), Ping An Cloud established three overseas data centers in Singapore and other places.

Pursuing "Finance + Ecosystem" by Exporting Technologies

Positioned as a "world-leading technology-powered retail financial services group," Ping An proactively exports its leading technologies to build five ecosystems, namely financial services, health care, auto services, real estate services, and smart city services. Ping An uses the five ecosystems to empower and develop its core financial businesses.

Technology-Powered Business Transformation

Financial Services Ecosystem

Ping An has launched financial innovation platforms including Lufax Holding and OneConnect, powered by "finance + technology" and linking assets to funds via "open platforms + open marketplaces."

Lufax Holding is a world-leading online wealth management and retail lending technology platform, and a leader in providing financial institutions and local governments with comprehensive financial solutions. Lufax Holding has established extensive asset partnerships with over 300 institutions, and provided over 11 million active investor users with over 5,000 products and customized financial services. In retail lending, Lufax Holding has provided financing services to over 10 million customers, with RMB375,006 million in balance of loans under management.

OneConnect is committed to building a world-leading fintech service cloud platform, basing its operations on Ping An's financial services and cutting-edge technologies. OneConnect has launched Smart Banking Cloud, Smart Insurance Cloud, Smart Investment Cloud and an open tech-powered platform, providing end-to-end fintech solutions for various types of financial institutions. As of the end of 2018, OneConnect had provided services for over 3,000 financial institutions in China. Moreover, OneConnect has expanded abroad and established subsidiaries in Hong Kong, Singapore and Indonesia to serve local financial institutions.

With use cases powered by payment technologies, Ping An E-wallet provides customers with optimal solutions in terms of accounts, payment and loyalty programs. In 2018, Ping An E-wallet processed a transaction volume of RMB5.7 trillion, and had over 200 million registered users.

Health Care Ecosystem

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

As to portals, Ping An Good Doctor is China's No.1 online health care portal. As of the end of 2018, Ping An Good Doctor had served over 265 million users. Ping An Good Doctor conducts R&D in AI technologies and uses an AI-based consultation system to help over 100 hospitals to increase efficiency. Moreover, Ping An Good Doctor has built an offline healthcare service network covering over 3,000 traditional Chinese medicine clinics, checkup centers, dental clinics, and medical cosmetic institutions. This enables users to access efficient, convenient offline consultation services. By integrating AI-assisted in-house medical staff and the offline service network, Ping An Good Doctor improved the closed loop of OMO (Online Merge Offline) services. Ping An Good Doctor provides one-stop and whole-process health care services, satisfying various needs of users.

In healthcare regulation and servicing, Ping An uses multiple technologies to empower over 10 provincial/municipal health bureaus as well as over 3,000 medical institutions. In smart imaging, Ping An developed over 40 disease models, 20 of which were deployed at about 200 hospitals to read over 15 million images with an accuracy rate above 90%. Covering 35 diseases, Ping An's disease prediction models have been predicting epidemics in Shenzhen and Chongqing, with an accuracy rate above 92% in influenza prediction. Ping An's AI-based medical decision support system debuted at the "Smart Medical Decision Support System for General Medicine" contest co-sponsored by Zhongshan Hospital affiliated to Fudan University and Ping An's smart healthcare team. A community physician team equipped with the AI-based medical decision support system defeated a team that used traditional management methods by a sweeping margin of 86.2-51.5.

As to payers, centering on the smart social health insurance (SHI) cloud platform, Ping An HealthKonnect has developed industry-leading technologies including AI, blockchain and cloud computing and a powerful medical knowledge bank. This enabled Ping An HealthKonnect to build a high barrier to entry for "technology + ecosystem." Ping An HealthKonnect's services cover all participants of the health care ecosystem, including SHI, private insurers, medical service providers, pharmaceutical companies and the insureds. As of the end of 2018, Ping An HealthKonnect had provided SHI management and member services for SHI fund managers in over 200 cities. Over 5,000 hospitals had connected with the smart private insurance platform. The "City OneConnect" app, targeting the insureds, had covered 69 cities. Registered family doctors on the platform exceeded 50,000.

Auto Services Ecosystem

Ping An provides auto services via Autohome, Ping An Bank, Ping An Property & Casualty, and Ping An Financial Leasing. Moreover, Ping An empowers auto assembly plants and service providers by building a comprehensive auto services ecosystem covering auto showcasing, purchase and use.

As to individual users, Ping An provides auto owners with excellent services. In December 2018, the "Autohome" app had an average of 29 million independent user visits per day. Ping An Property & Casualty's "Ping An Auto Owner" app had over 55 million registered users. As to businesses, Ping An now covers over 90% of major service providers across China. Ping An is working closely with over 90 auto assembly plants, over 20,000 new car dealers, over 30,000 second-hand car dealers and over 70,000 garages on the car dealer cloud platform, new car and second-hand car trading cloud platforms, and spare part cloud platform. As a result, it facilitated RMB15.8 billion in auto finance and insurance. In 2018, Ping An Bank's new loans in the auto finance business grew by 24.7% year on year; Ping An Financial Leasing's auto lease business volume grew by over 100% year on year.

Real Estate Services Ecosystem

Ping An Urban-Tech is combining construction, management, operations and services to build a real estate services ecosystem. Ping An Urban-Tech created a digital backbone of city space by integrating city spatial data and city operational data to facilitate digitalized, smart and visualized city planning, operations and management. Ping An Urban-Tech established a collaborative services platform for construction, trading, and services in the real estate industry under a holistic, city-centric approach to smart city construction. Ping An Urban-Tech connects the industry collaboration network with the government compliance, approval and services platforms to empower the entire industry value chain, including development, design, construction, supply chain, and operations, and to establish the full-cycle real estate services ecosystem. As of December 31, 2018, Ping An Urban-Tech had signed contracts with 50 cities, launched projects in 20 cities, and developed three model cities. Ping An Urban-Tech's services help the government to break down data silos, increase efficiency, strengthen regulation, and improve services.

Smart City Ecosystem

Ping An is committed to empowering China's smart city initiative and addressing issues in social development. Under the three philosophies of "smart planning & decision, smart management & operation, and smart impact assessment," Ping An has built multiple smart city platforms for government services, economic development and people's livelihood. By doing so, Ping An strives to make life easier and cities better.

In smart government services, Ping An has built several benchmark platforms with government departments of Shenzhen. These platforms enable Shenzhen government to oversee 3.1 million business entities. In the 2018 "Internet + Government Service" Contest, Ping An won the Innovative Business Award for its solutions and practice in smart government service platforms.

In smart economy and trade, the "Shenzhen Digital Economy and Trade Platform" enables economic analysis via 4,300 indicators, helping the government to strengthen business administration and servicing capabilities. The platform was among the Top 50 "Internet + Government Service" Cases in 2018.

In smart daily life services, Ping An cooperates with Shenzhen Municipal Government to promote the sharing, development and use of public information resources. An integrated portal and a universal account have been developed for diverse government and daily life services. Functionalities including facial recognition, smart customer services, smart guidance, smart reservation, smart profiling, and all-in-one cards have been put into use. Ping An's "i Shenzhen" app enables over 700 online government services in health care, education, housing and transportation, sparing citizens the trouble of visiting government departments in person.

Business Analysis
Performance Overview

- In 2018, the Group's operating profit attributable to shareholders of the parent company rose 18.9% year on year to RMB112,573 million. The operating ROE was 21.9%.
- The net profit attributable to shareholders of the parent company rose 20.6% year on year to RMB107,404 million. The ROE was 20.9%. Under the old accounting standards for financial instruments, our net profit attributable to shareholders of the parent company would have risen 39.5% year on year to RMB124,245 million.
- In 2018, the Group's basic operating earnings per share rose 18.8% year on year to RMB6.31. The operating ROEV was 23.7%.

We offer a wide range of financial products and services via various distribution channels under a uniform brand. We engage in three core financial businesses of insurance, banking and asset management through companies 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 Financial Leasing. We engage in the fintech & healthtech business through companies including Lufax Holding, Ping An Good Doctor, OneConnect, Ping An HealthKonnect, and Autohome.

CONSOLIDATED RESULTS

(in RMB million)	**2018**	2017	Change (%)
Operating profit attributable to shareholders of the parent company	**112,573**	94,708	18.9
Basic operating earnings per share (in RMB)	**6.31**	5.31	18.8
Operating ROE (%)	**21.9**	22.0	-0.1 pps
Net profit attributable to shareholders of the parent company	**107,404**	89,088	20.6
ROE (%)	**20.9**	20.7	0.2 pps

(in RMB million)	**December 31, 2018**	December 31, 2017	Change (%)
Total assets	**7,142,960**	6,493,075	10.0
Total liabilities	**6,459,317**	5,905,158	9.4
Shareholders' equity	**683,643**	587,917	16.3
Equity attributable to shareholders of the parent company	**556,508**	473,351	17.6

SEGMENT REPORTING

The life and health insurance business represents results of Ping An Life, Ping An Annuity, and Ping An Health. The property and casualty insurance business represents results of Ping An Property & Casualty. The banking business represents results of Ping An Bank. The trust business represents results of Ping An Trust and Ping An New Capital. The securities business represents results of Ping An Securities. The other asset management business represents results of companies that engage in asset management business including Ping An Asset Management, Ping An Financial Leasing, and Ping An Overseas Holdings. The fintech & healthtech business represents results of companies that engage in fintech & healthtech business including Lufax Holding, Ping An Good Doctor, OneConnect, Ping An HealthKonnect, and Autohome. Eliminations include offsets against cross-shareholding among business lines. In 2018, the Company reviewed the presentation of cross-shareholding within the Company based on the operations of various business lines to provide clearer and more concise information. The data for 2017 were restated for comparison purposes.

OPERATING PROFIT OF THE GROUP

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

- Short-term investment variance, which is the variance between the actual investment return of the life and health insurance business and the EV ultimate investment return assumption, net of associated relevant impact on insurance and investment contract liability. The investment return of the life and health insurance business is locked at 5% after excluding the short-term investment variance;
- The impact of discount rate[1] change is the effect on insurance contract liability of the life and health insurance business due to changes in the discount rate;
- Impacts of one-off non-operating items are material items that management considered to be non-operating income and expenses.

Note: (1) Refer to "Significant Accounting Policies" in the Notes to Consolidated Financial Statements in the 2018 Annual Report for information about the discount rate.

The operating profit after tax which excludes fluctuations of the above non-operating items can provide a clearer and more objective representation of the Company's business performance and trend.

In 2018, the Group's operating profit attributable to shareholders of the parent company grew by 18.9% year on year to RMB112,573 million. The basic operating earnings per share was RMB6.31, up by 18.8% year on year. The life and health insurance business's operating profit attributable to shareholders of the parent company rose by 34.9% year on year to RMB70,320 million.

	2018								
(in RMB million)	Life and health insurance business	Property and casualty insurance business	Banking business	Trust business	Securities business	Other asset management business	Fintech & healthtech business	Other businesses and elimination	The Group
Net profit attributable to shareholders of the parent company	57,914	12,215	14,394	3,008	1,599	8,264	14,006	(3,996)	107,404
Net profit attributable to non-controlling interests	843	59	10,424	4	81	753	978	(94)	13,048
Net profit (A)	58,757	12,274	24,818	3,012	1,680	9,017	14,984	(4,090)	120,452
Excluding:									
Short-term investment variance[1] (B)	(12,853)	-	-	-	-	-	-	-	(12,853)
Impact of discount rate change (C)	265	-	-	-	-	-	-	-	265
Impact of one-off material non-operating items (D)	-	-	-	-	-	-	7,236[2]	-	7,236
Operating profit (E=A-B-C-D)	71,345	12,274	24,818	3,012	1,680	9,017	7,748	(4,090)	125,804
Operating profit attributable to shareholders of the parent company	70,320	12,215	14,394	3,008	1,599	8,264	6,770	(3,996)	112,573
Operating profit attributable to non-controlling interests	1,026	59	10,424	4	81	753	978	(94)	13,231

MANAGEMENT DISCUSSION AND ANALYSIS

Business Analysis
Performance Overview

(in RMB million)	Life and health insurance business	Property and casualty insurance business	Banking business	Trust business	Securities business	Other asset management business	Fintech & healthtech business	Other businesses and elimination	The Group
	2017								
Net profit attributable to shareholders of the parent company	35,658	13,307	13,449	3,953	2,043	7,108	16,270	(2,700)	89,088
Net profit attributable to non-controlling interests	485	65	9,740	4	80	395	68	53	10,890
Net profit (A)	36,143	13,372	23,189	3,957	2,123	7,503	16,338	(2,647)	99,978
Excluding:									
Short-term investment variance(1) (B)	4,532	–	–	–	–	–	–	–	4,532
Impact of discount rate change (C)	(21,213)	–	–	–	–	–	–	–	(21,213)
Impact of one-off material non-operating items (D)	–	–	–	–	–	–	10,850(2)	–	10,850
Operating profit (E=A-B-C-D)	52,824	13,372	23,189	3,957	2,123	7,503	5,488	(2,647)	105,809
Operating profit attributable to shareholders of the parent company	52,128	13,307	13,449	3,953	2,043	7,108	5,420	(2,700)	94,708
Operating profit attributable to non-controlling interests	696	65	9,740	4	80	395	68	53	11,101

Notes: (1) Short-term investment variance is the variance between the actual investment return and the EV ultimate investment return assumption (5%), net of the associated impact on insurance and investment contract liability.
(2) The impact of one-off non-operating item in 2018 referred to the fair value revaluation gain, as required by the accounting standards, of the convertible bonds issued by Lufax Holding to the Group as the consideration of Puhui transaction. The fair value of the convertible bonds significantly increased due to Lufax Holding's Series C financing. The one-off material item that management considered to be non-operating income and expense in 2017 was the financial gain from Ping An Good Doctor's restructuring.
(3) Numbers may not match totals due to rounding.

Equity attributable to shareholders of the parent company

(in RMB million)	December 31, 2018	December 31, 2017	Change (%)
Life and health insurance business	**178,824**	160,450	11.5
Property and casualty insurance business	**77,014**	69,804	10.3
Banking business	**139,224**	128,791	8.1
Asset management business	**88,854**	77,009	15.4
Including:			
Trust business	**17,717**	19,509	(9.2)
Securities business	**27,976**	25,842	8.3
Other asset management business	**43,161**	31,658	36.3
Fintech & healthtech business	**79,541**	50,679	57.0
Other businesses and elimination	**(6,949)**	(13,382)	(48.1)
The Group	**556,508**	473,351	17.6

Operating ROE

(%)	2018	2017	Change (pps)
Life and health insurance business	**40.7**	37.6	3.1
Property and casualty insurance business	**16.7**	20.0	(3.3)
Banking business	**11.5**	11.6	(0.1)
Asset management business	**14.7**	17.1	(2.4)
Including:			
Trust business	**16.1**	20.6	(4.5)
Securities business	**5.9**	8.0	(2.1)
Other asset management business	**19.5**	22.3	(2.8)
Fintech & healthtech business	**10.8**	11.7	(0.9)
Other businesses and elimination	**N/A**	N/A	N/A
The Group	**21.9**	22.0	(0.1)

Operating return on embedded value (Operating ROEV)

(%)	2018	2017	Change (pps)
Operating ROEV of the Group	**23.7**	26.7	(3.0)
Operating ROEV of the life and health insurance business	**30.8**	35.5	(4.7)

Other information about insurance business's net profit attributable to shareholders of the parent company

The Group follows the International Financial Reporting Standards 9 – Financial Instruments (the "new accounting standards") from January 1, 2018. The insurance subsidiaries continue to follow the old standards for financial instruments when preparing their respective statutory financial statements because they qualify for a temporary exemption. In accordance with the Group's accounting policies, the insurance subsidiaries separately prepare financial statements and notes under the new standards for Group consolidation purposes. Reconciliations between net profit attributable to shareholders of the parent company in the insurance business's statutory financial statements and statements under the new standards are presented below to allow comparison with peers.

	Life and health insurance business			Property and casualty insurance business			Total of insurance business		
(in RMB million)	2018	2017	Change (%)	2018	2017	Change (%)	2018	2017	Change (%)
Profit attributable to shareholders of the parent company in statutory financial statements under the old accounting standards for financial instruments	**73,825**	35,658	107.0	**13,145**	13,307	(1.2)	**86,970**	48,965	77.6
Investment income adjustments(1)	**(15,911)**	–	N/A	**(930)**	–	N/A	**(16,841)**	–	N/A
Profit attributable to shareholders of the parent company in financial statements under the new accounting standards for financial instruments(2)	**57,914**	35,658	62.4	**12,215**	13,307	(8.2)	**70,129**	48,965	43.2

Notes: (1) Adjustments mainly arise from changes in classification, measurement, and impairment of financial assets under the new accounting standards for financial instruments.

(2) In accordance with rules for transition to the new accounting standards for financial instruments, the Company does not need to restate comparable figures for 2017.

Business Analysis
Life and Health Insurance Business

- In 2018, operating ROEV of the life and health insurance business was 30.8%. As the Company continued to optimize the business mix amid industry restructuring, value of new business (NBV) rose 7.3% year on year to RMB72,294 million. NBV rose 16.9% year on year in the second half of 2018 versus 0.2% in the first half. Agent channel NBV rose 5.9% year on year driven by a 4.8% increase in average number of agents per month and a 1.1% rise in annual NBV per agent. Overall NBV margin reached 43.7%, up 4.4 pps year on year which included a 57.1% NBV margin in the agent channel which was up 7.2 pps year on year.
- In 2018, operating profit after tax rose 35.1% year on year to RMB71,345 million. The residual margin stood at RMB786,633 million, up 27.6% from the beginning of 2018.
- AI is widely used within our life and health insurance business. Since AI-based screening and interview functionalities went live, they have been applied to screening of over 11 million potential agents. Via backtesting on historical data, our AI-based screening model achieved an accuracy rate of 95.4% in identifying agents who would remain with us for 13 months.

BUSINESS OVERVIEW

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

In 2018, China's economy grew steadily despite the volatile world economy. As financial reforms continued, transformations of the insurance industry were in full swing. Remaining customer-centric, the Company carried out "product+" and "technology+" strategies on the basis of strict compliance and risk management. In 2018, NBV of the life and health insurance business grew by 7.3% year on year to RMB72,294 million. NBV grew by 16.9% year on year in the second half of 2018, 16.7 pps faster than in the first half. Agent channel NBV rose 5.9% year on year driven by a 4.8% increase in the average number of agents per month and a 1.1% rise in annual NBV per agent. The NBV margin was up 4.4 pps year on year. In particular, the NBV margin of the agent channel reached 57.1%, up 7.2 pps year on year.

	2018	2017	Change (%)
NBV (in RMB million)	**72,294**	67,357	7.3
Agent productivity and income			
Agent channel NBV (in RMB million)	**64,401**	60,786	5.9
Average number of agents per month (in million)	**1.32**	1.26	4.8
NBV per agent (RMB per agent per year)	**48,789**	48,243	1.1
Activity rate of agents[1] (%)	**62.6**	65.5	-2.9 pps
New individual life insurance policies per agent (policies per agent per month)	**1.22**	1.22	–
Agent income (RMB per agent per month)	**6,294**	6,250	0.7

Note: (1) Activity rate of agents = annual total of monthly agents who issued policies/annual total of monthly onboard agents

Ping An Life provides individuals and groups with life insurance products through its nationwide service network of 42 branches (including 7 telemarketing centers) and over 3,300 business outlets.

Ping An Life maintained steady business growth under the value creation strategy. Ping An Life continued to develop the agent channel and boost the written premium. As at December 31, 2018, sales agents increased by 2.3% from the beginning of 2018 to 1.42 million. The bancassurance channel improved its business mix. The telemarketing channel maintained a large market share. The internet channel further optimized its product mix.

Ping An Life developed protection products, optimized services, and diversified service scenarios under the "product+" strategy. Ping An Life continued to prioritize the protection products. On the one hand, Ping An Life tapped various market segments, launched the premium-returned critical illness insurance product "Fu Man Fen" for adults, and reached higher-end customers of critical illness insurance. On the other hand, Ping An Life strengthened competitiveness of its protection products by increasing the number of covered critical illnesses to more than 80. Ping An Life continued to further the "product +" strategy. Ping An Life increased interactions between customers, agents and itself by optimizing the reward rules for "Ping An RUN" and creating more service scenarios. In this way, Ping An Life improved customer experience, increased customer stickiness, and enhanced customer development.

Ping An Life pursued AI-powered transformations under the "technology+" strategy. In sales management, Ping An Life applied AI-based solutions to multiple scenarios including agent team expansion, training, team management, and sales models. Ping An Life developed a set of innovative AI-enabled solutions to agent retention and productivity promotion. Since AI-based screening and interview functionalities went live, they have been applied to screening of over 11 million potential agents. Moreover, via backtesting on historical data, our AI-based screening model achieved an accuracy rate of 95.4% in identifying agents who would remain with us for 13 months. In customer development, the upgraded "Jin Guan Jia" app can recommend products according to customer profiles and facilitate management of customer segments. As of the end of 2018, the "Jin Guan Jia" app had 184 million registered users and over 26 million monthly active users. In customer services, AI has enabled Ping An Life to significantly reduce turnaround times of underwriting, policy administration and claims by upgrading "Smart Customer Services." Of the nearly 20 million insurance applications received as of December 31, 2018, 96% were underwritten by AI automatically, even in real time. Of the nearly 40 million online policy administration cases handled via "Smart Customer Services," 90% were processed by AI automatically with a daily average of around 24,000 cases and a shortest turnaround time of three minutes. An innovative task-based robot was launched, replacing traditional menu clicks with smart interactive Q&As; the robot was accessed more than 100,000 times per day on average. Ping An Life continued to upgrade the "Smart Quick Claim" service. Of the 3.81 million claims, 60% were settled within 30 minutes, the shortest turnaround time being 26 seconds. Designated family doctors were assigned to nearly 60% or 33 million of customers, handling 2.2 online consultations per customer. All the customers enrolled after 2016 have been assigned family doctors. In 2018, Ping An Life's net promoter score (NPS) increased by 6.0 pps from the beginning of 2018. Going forward, Ping An Life will apply AI to more scenarios to improve customer services and business management.

Business data of Ping An Life are as follows:

(%)	2018	2017	Change
13-month persistency ratio	**91.4**	91.8	-0.4 pps
25-month persistency ratio	**88.2**	88.0	0.2 pps

	December 31, 2018	December 31, 2017	Change (%)
Number of customers (in thousand)			
Retail[(1)]	**57,309**	52,004	10.2
Corporate	**2,362**	2,062	14.5
Total	**59,671**	54,066	10.4
Distribution network			
Number of individual life insurance sales agents	**1,417,383**	1,385,987	2.3
Number of group insurance sales representatives	**4,937**	4,916	0.4
Number of bancassurance relationship managers	**3,151**	3,159	(0.3)
Number of telemarketing agents	**36,344**	29,837	21.8

Note: (1) The number of retail customers is counted on the basis of the number of holders of in-force policies. As at December 31, 2018, individual policyholders and insureds totaled 95.946 million.

OPERATIONS OF INSURANCE PRODUCTS

Top five products of Ping An Life in terms of premium income are presented below.

(in RMB million)	Distribution channel	Premium income	Surrender
Yingyue Rensheng Annuity (participating)	Sales agents, Bancassurance	38,974	165
Zunhong Rensheng Endowment Insurance (participating)	Sales agents, Bancassurance	19,350	163
Ping An Fu Whole Life Insurance	Sales agents, Bancassurance	16,869	301
Xiyue Rensheng Annuity for Children (participating)	Sales agents, Bancassurance	15,570	44
Xiyue Rensheng Annuity for Adults (participating)	Sales agents, Bancassurance	14,166	51

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF OPERATING PROFIT AND PROFIT SOURCES

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

- Short-term investment variance, which is the variance between actual investment return of the life and health insurance business and the EV ultimate investment return assumption, net of associated relevant impact on insurance and investment contract liability. The investment return of the life and health insurance business is locked at 5% after excluding the short-term investment variance;
- The impact of discount rate[1] change is the effect on insurance contract liability of the life and health insurance business due to changes in the discount rate;
- Impacts of one-off non-operating items are material items that management considered to be non-operating income and expenses.

Note: (1) Refer to "Significant Accounting Policies" in the Notes to Consolidated Financial Statements in the 2018 Annual Report for information about the discount rate.

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

(in RMB million)	2018	2017	Change (%)
Release of residual margin (A)	**62,287**	49,811	25.0
Return on net worth[1] (B)	**8,959**	7,357	21.8
Spread income[2] (C)	**5,048**	5,637	(10.4)
Operating variance and others (D)	**21,749**	10,108	115.2
Operating profit before tax (E=A+B+C+D)	**98,043**	72,912	34.5
Income tax (F)	**(26,698)**	(20,088)	32.9
Operating profit after tax (G)	**71,345**	52,824	35.1
Short-term investment variance[3] (H)	**(12,853)**	4,532	N/A
Impact of discount rate change (I)	**265**	(21,213)	N/A
Net profit (J=G+H+I)	**58,757**	36,143	62.6

Notes: (1) Return on net worth is the investment return on shareholder equity based on the EV ultimate investment return assumption (5%).
(2) Spread income is the expected investment return from assets backing contract liability based on the EV ultimate investment return assumption (5%) exceeding the interest required on contract liability.
(3) Short-term investment variance is the variance between actual investment return and the EV ultimate investment return assumption (5%), net of associated relevant impact on insurance and investment contract liability.
(4) Figures may not match totals due to rounding.

As at December 31, 2018, the residual margin of the life and health insurance business was RMB786,633 million, up 27.6% from the beginning of 2018 due to contribution from new business.

(in RMB million)	2018	2017	Change (%)
Opening residual margin	**616,319**	454,705	35.5
Contribution from new business	**177,485**	168,426	5.4
Expected interest growth	**28,498**	22,642	25.9
Release of residual margin	**(62,287)**	(49,811)	25.0
Lapse variances and others	**26,617**	20,357	30.8
Closing residual margin	**786,633**	616,319	27.6

Note: Figures may not match totals due to rounding.

SOLVENCY MARGIN

As at December 31, 2018, the solvency margin ratios of Ping An Life, Ping An Annuity and Ping An Health met regulatory requirements. The solvency margin ratios of Ping An Life, Ping An Annuity and Ping An Health declined from the beginning of 2018 due to dividend distribution and business development.

	Ping An Life			Ping An Annuity			Ping An Health		
(in RMB million)	**December 31, 2018**	December 31, 2017	Change (%)	**December 31, 2018**	December 31, 2017	Change (%)	**December 31, 2018**	December 31, 2017	Change (%)
Core capital	**741,727**	680,450	9.0	**8,677**	7,895	9.9	**1,690**	1,254	34.8
Actual capital	**764,727**	703,450	8.7	**8,677**	7,895	9.9	**1,690**	1,254	34.8
Minimum capital	**349,513**	300,453	16.3	**3,473**	2,978	16.6	**553**	383	44.4
Core solvency margin ratio (%) (regulatory requirement ≥50%)	**212.2**	226.5	-14.3 pps	**249.8**	265.1	-15.3 pps	**305.5**	327.2	-21.7 pps
Comprehensive solvency margin ratio (%) (regulatory requirement ≥100%)	**218.8**	234.1	-15.3 pps	**249.8**	265.1	-15.3 pps	**305.5**	327.2	-21.7 pps

Notes: (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 calculation due to rounding.

ANALYSIS OF FINANCIAL STATEMENTS

(in RMB million)	2018	2017	Change (%)
Written premium	**570,523**	475,895	19.9
Less: Premium deposits of policies without significant insurance risk transfer	**(5,654)**	(5,886)	(3.9)
Less: Premium deposits separated out from universal life and investment-linked products	**(93,169)**	(81,367)	14.5
Premium income	**471,700**	388,642	21.4
Reinsurance premium income	**659**	–	N/A
Gross written premium	**472,359**	388,642	21.5
Earned premium	**465,583**	384,567	21.1
Claims and policyholders' benefits	**(323,494)**	(320,957)	0.8
Commission expenses of insurance operations	**(84,142)**	(77,754)	8.2
Administrative expenses(1)	**(50,202)**	(47,569)	5.5
Total investment income(2)	**79,384**	113,811	(30.2)
Other net revenue and expenses	**(5,870)**	(1,427)	311.4
Profit before tax	**81,259**	50,671	60.4
Income tax	**(22,502)**	(14,528)	54.9
Net profit	**58,757**	36,143	62.6

Notes: (1) Administrative expenses include the administrative expenses, taxes and surcharges on investment operations and impairment losses on receivables and others under the segmented income statement.
(2) Total investment income includes interest revenue from non-banking operations, investment income, share of profits and losses of associates and jointly controlled entities, impairment losses on investment assets, and interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions under the segmented income statement.

Net profit reconciliations between the life and health insurance businesses' statutory financial statements and statements under the new accounting standards for financial instruments are presented below to allow comparison with peers.

(in RMB million)	2018	2017	Change (%)
Profit in statutory financial statements under the old accounting standards for financial instruments	**74,586**	36,143	106.4
Investment income adjustments(1)	**(15,829)**	–	N/A
Profit in financial statements under the new accounting standards for financial instruments(2)	**58,757**	36,143	62.6

Notes: (1) Adjustments mainly arise from changes in classification, measurement, and impairment of financial assets under the new accounting standards for financial instruments.
(2) In accordance with rules for transition to the new accounting standards for financial instruments, the Company does not need to restate comparable figures for 2017.

Written premium

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

(in RMB million)	2018	2017	Change (%)
Retail business	**548,555**	455,611	20.4
New Business	**156,599**	160,446	(2.4)
Agent channel	**130,715**	136,657	(4.3)
Including: regular premium	**124,394**	128,437	(3.1)
Bancassurance channel	**5,500**	8,109	(32.2)
Including: regular premium	**4,252**	4,803	(11.5)
Telemarketing, internet and others	**20,384**	15,680	30.0
Including: regular premium	**12,322**	12,063	2.1
Renewed business	**391,956**	295,165	32.8
Agent channel	**353,343**	268,259	31.7
Bancassurance channel	**10,001**	6,741	48.4
Telemarketing, internet and others	**28,612**	20,165	41.9
Group business	**21,968**	20,284	8.3
New Business	**21,907**	20,252	8.2
Renewed business	**61**	32	90.6
Total	**570,523**	475,895	19.9

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

(in RMB million)	2018	2017	Change (%)
Participating insurance	**207,856**	187,374	10.9
Universal insurance	**111,029**	98,790	12.4
Traditional life insurance	**100,449**	79,218	26.8
Long-term health insurance	**90,105**	66,205	36.1
Accident & short-term health insurance	**43,903**	34,537	27.1
Annuity	**15,679**	8,189	91.5
Investment-linked insurance	**1,502**	1,582	(5.1)
Total	**570,523**	475,895	19.9

Business Analysis
Life and Health Insurance Business

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

(in RMB million)	2018	2017	Change (%)
Guangdong	**102,697**	84,870	21.0
Shandong	**34,825**	29,149	19.5
Jiangsu	**31,999**	27,201	17.6
Zhejiang	**31,498**	26,179	20.3
Beijing	**29,988**	26,431	13.5
Sub-total	**231,007**	193,830	19.2
Total	**570,523**	475,895	19.9

Claims and policyholders' benefits

(in RMB million)	2018	2017	Change (%)
Surrenders	**21,539**	20,519	5.0
Claim expenses of insurance contracts			
Claims paid	**15,836**	13,032	21.5
Annuities	**22,725**	7,371	208.3
Maturity and survival benefits	**22,186**	27,709	(19.9)
Death, injury and medical care benefits	**23,966**	18,897	26.8
Reinsurer's share of claim expenses of insurance contracts	**(2,653)**	(2,001)	32.6
Policyholder dividends	**16,445**	13,129	25.3
Net increase in insurance reserves	**186,043**	198,428	(6.2)
Interest credited to policyholder contract deposits	**17,407**	23,873	(27.1)
Total	**323,494**	320,957	0.8

Claims paid grew by 21.5% year on year, primarily due to continued growth in the short-term health insurance business.

Annuity payments increased sharply year on year as some products matured in 2018.

Maturity and survival benefits decreased by 19.9% year on year because survival benefits of some insurance products peaked in 2017.

Death, injury and medical care benefits were 26.8% higher year on year, driven by growth in the long-term health insurance business.

Policyholder dividends climbed 25.3% year on year as a result of growth in the participating insurance business.

Net increase in insurance reserves decreased by 6.2% year on year, mostly due to business growth and movement of the benchmarking yield curve for measuring reserves for insurance contracts.

Interest credited to policyholder contract deposits was down 27.1% year on year as lower investment income decreased the interest payment on universal insurance accounts.

Commission expenses on insurance operations

(in RMB million)	2018	2017	Change (%)
Health insurance	**32,198**	26,159	23.1
Accident insurance	**7,205**	7,130	1.1
Life insurance and others	**44,739**	44,465	0.6
Total	**84,142**	77,754	8.2

In 2018, the commission expense of the insurance business (mainly paid to the Company's sales agents) increased by 8.2% year on year due to expansion of the insurance business.

Administrative expenses

(in RMB million)	2018	2017	Change (%)
Operating expenses	**49,276**	46,766	5.4
Tax and surcharges	**883**	742	19.0
Impairment losses on receivables and others	**43**	61	(29.5)
Total	**50,202**	47,569	5.5

Total Investment Income

(in RMB million)	2018	2017	Change (%)
Net investment income(1)	**114,169**	107,827	5.9
Realized gains(2)	**1,482**	5,248	(71.8)
Profit or loss from fair value changes	**(36,067)**	640	N/A
Impairment losses on investment assets	**(200)**	96	N/A
Total Investment Income	**79,384**	113,811	(30.2)
Net investment yield(3) (%)	**5.2**	5.8	-0.6 pps
Total investment yield(3) (%)	**3.6**	6.1	-2.5 pps

Notes: (1) Net investment income includes interest income from deposits and debt financial assets, dividend income from equity financial assets, operating lease income from investment properties, and the share of profits and losses of associates and jointly controlled entities.
(2) Realized gains include realized capital gains from securities investments.
(3) Net exchange gains or losses on investment assets denominated in foreign currencies are excluded from computation of the above yields. Average investment assets used as the denominator are computed in line with principles of the Modified Dietz method.

In 2018, the net investment yield of the life and health insurance business was 5.2%, down 0.6 pps year on year, largely because of lower dividend income from equity investments and the larger scale of the portfolio. In 2018, the domestic and international capital markets were quite volatile. After the life and health insurance subsidiaries implemented the new accounting standards for financial instruments, assets carried at fair value through profit or loss increased sharply, resulting in wider fluctuation in gains or losses from fair value changes. As a result, the total investment income dropped by 30.2% year on year and the total investment yield declined 2.5 pps to 3.6%.

INCOME TAX

The income tax increased sharply year on year due to rising taxable income driven by business growth.

Business Analysis
Property and Casualty Insurance Business

- In 2018, Ping An Property & Casualty's premium income grew by 14.6% year on year, 3.0 pps faster than the market average. The combined ratio was 96.0%, improved by 0.2 pps year on year; the ROE was 16.7%, indicating high quality of business.
- Ping An Property & Casualty enhanced claims services to build differentiated advantages. Through upgraded "510 City Superfast Onsite Investigation" services, we processed 96.4% of the urban onsite auto claim investigations within 5-10 minutes in daytime in 2018. The net promoter score at auto claim points of contact stayed above 80%.
- Ping An Property & Casualty applied new technologies to online customer development and improved the service system. The "Ping An Auto Owner" app had over 55 million registered users, over 34 million of whom linked their auto use with the app. In December 2018, the app had over 11 million monthly active users, topping the list of auto service apps in China.

BUSINESS OVERVIEW

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

In 2018, China's economic growth remained stable and transformations continued. New growth drivers emerged for property and casualty insurance due to recoveries of domestic and foreign upstream industries including infrastructure, high technology and equipment manufacturing. Three provinces, namely Shaanxi, Guangxi and Qinghai, fully liberalized auto insurance premium rates after the third reform of commercial auto insurance premium rates was conducted in seven regions. Commercial auto insurance premium rates declined on average, unlocking reform dividends, benefiting customers, and improving the market environment.

Ping An Property & Casualty maintained excellent business quality with strong management and risk screening capabilities. Ping An Property & Casualty is the second largest property and casualty insurer in China by premium income. In 2018, Ping An Property & Casualty's profit before tax rose 3.3% year on year. The net profit decreased 8.2% year on year due to the impact of an increase in income tax induced by the rising commission rates and business growth. Ping An Property & Casualty steadily expanded its share in the auto insurance market by following a robust marketing strategy, and realized fast growth in the non-auto insurance business. Ping An Property & Casualty worked with other members of the Group to expand the credit guarantee insurance business, keeping risks under control by means of fintechs.

(in RMB million)	**2018**	2017	Change (%)
Premium income	**247,444**	215,984	14.6
Including:			
auto insurance	**181,768**	170,508	6.6
Non-auto insurance	**56,211**	38,929	44.4
Accident and health insurance	**9,465**	6,547	44.6
Market share[(1)] (%)	**21.0**	20.5	0.5 pps
Including:			
auto insurance (%)	**23.2**	22.7	0.5 pps
Combined ratio (%)	**96.0**	96.2	-0.2 pps
Profit before tax	**19,515**	18,899	3.3
Net profit	**12,274**	13,372	(8.2)
ROE (%)	**16.7**	20.0	-3.3 pps

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

Business Analysis
Property and Casualty Insurance Business

Under the Group's "technology + ecosystem" strategy, Ping An Property & Casualty improved the claim efficiency and built differentiated advantages. For eight years in a row, Ping An Property & Casualty has been honored as China's "No.1 Auto and Property & Casualty Insurance Brand" for industry-leading customer satisfaction. Ping An Property & Casualty provided "superfast, convenient, considerate" claims services under a "customer-centric" standard, keeping the net promoter score above 80% among auto claim points of contact. The "510 City Superfast Onsite Investigation" capabilities were enhanced. The "smart grid" can help Ping An Property & Casualty dynamically assign investigators based on their locations. The "smart management engine" can automatically plan the optimal paths. Under an OMO (Online Merge Offline) service model, 96.4% of daytime auto accidents in cities requiring onsite investigation were investigated offline within 5-10 minutes. Moreover, Ping An Property & Casualty assessed losses within seconds via "AI-based image recognition" and settled claims online via "facial recognition." In this way, Ping An Property & Casualty provided 62.6% of its customers with one-stop video-based claims self-services.

Ping An Property & Casualty applied technologies to online customer development and improved the service system. Ping An Property & Casualty provided one-stop auto use services and diverse auto aftermarket services via the "Ping An Auto Owner" app. As at December 31, 2018, the "Ping An Auto Owner" app had over 55 million registered users, over 34 million of whom linked their auto use with the app. Of these 34 million users, 26 million are auto insurance customers of Ping An Property & Casualty. In December 2018, the app had over 11 million monthly active users, topping the list of auto service apps in China. In 2018, Ping An Property & Casualty upgraded its Digital Risk System (DRS). The "online + offline" risk management system provided customers with superb service experience. In 2018, Ping An Property & Casualty provided over 12,000 corporate customers with disaster/loss prevention services and over 400 major engineering projects with risk monitoring services. These included 13 major disaster warning/prevention campaigns and 550,000 early warnings messages. In this way, Ping An Property & Casualty reduced underwriting risks and delivered business growth. Ping An Property & Casualty sought innovative risk management technologies by combining business with research. Ping An Property & Casualty built the industry's first fire experiment base and developed a fire control IoT (Internet of things) platform to help customers reduce risks.

NUMBER OF CUSTOMERS AND DISTRIBUTION NETWORK

Ping An Property & Casualty distributed the products mainly through its network of 42 branches and over 2,660 sub-branches, sales service outlets and business outlets across China. Main distribution channels included in-house sales representatives, sales agents, insurance brokers, telemarketing, online marketing and cross-selling.

	December 31, 2018	December 31, 2017	Change (%)
Number of customers (in thousand)			
Retail	**60,577**	52,063	16.4
Corporate	**1,959**	1,683	16.4
Total	**62,536**	53,746	16.4
Distribution network			
Number of direct sales representatives(1)	**9,272**	8,479	9.4

Note: (1) In 2018, Ping An Property & Casualty transformed the organizational structure for group business. The number of direct sales representatives of group business was calculated under the new organizational structure. And the data for 2017 was restated.

Combined Ratio

Ping An Property & Casualty pursued innovation and development, gaining expertise while maintaining strong profitability.

	2018	2017	Change (%)
Expense ratio(1) (%)	**41.1**	39.6	1.5 pps
Loss ratio(2) (%)	**54.9**	56.6	-1.7 pps
Combined ratio (%)	**96.0**	96.2	-0.2 pps

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

Operating Data by Product Type

Among all insurance products offered by Ping An Property & Casualty in 2018, the top five sources of premium income were auto insurance, guarantee insurance, liability insurance, accidental injury insurance and corporate property and casualty insurance. Premium income of these five insurance segments accounted for 95.9% of Ping An Property & Casualty's total premium income in 2018.

(in RMB million)	Insured amount	Premium income	Earned premium	Claim expenses	Underwriting profit	Combined ratio	Insurance contract liabilities
Auto insurance	55,213,568	181,768	170,117	91,633	4,354	97.4%	132,594
Guarantee insurance	335,613	33,012	19,414	13,789	2,205	88.6%	46,411
Liability insurance	644,610,594	8,463	6,492	3,309	656	89.9%	8,522
Accidental injury insurance	600,225,807	8,422	7,478	2,257	1,324	82.3%	5,726
Corporate property and casualty insurance	14,834,461	5,701	2,687	1,470	150	94.4%	6,325

Solvency Margin

As at December 31, 2018, Ping An Property & Casualty's solvency margin ratio met the regulatory requirement. The solvency margin ratio of Ping An Property & Casualty increased from the beginning of 2018 as Ping An Property & Casualty implemented a proactive risk management strategy.

(in RMB million)	**December 31, 2018**	December 31, 2017	Change (%)
Core capital	**77,057**	70,095	9.9
Actual capital	**85,557**	78,595	8.9
Minimum capital	**38,236**	36,141	5.8
Core solvency margin ratio (%) (regulatory requirement ≥50%)	**201.5**	194.0	7.5 pps
Comprehensive solvency margin ratio (%) (regulatory requirement ≥100%)	**223.8**	217.5	6.3 pps

Notes: (1) Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.
(2) For details of Ping An Property & Casualty's solvency margin, please visit the Company's website (www.pingan.cn).

FINANCIAL ANALYSIS

In 2018, Ping An Property & Casualty's profit before tax rose 3.3% year on year to RMB19,515 million. Net profit was RMB12,274 million, down 8.2% year on year, mainly due to the impact of an increase in income tax induced by the rising commission rates and business growth.

(in RMB million)	**2018**	2017	Change (%)
Premium income	**247,444**	215,984	14.6
Reinsurance premium income	**82**	106	(22.6)
Total premium income	**247,526**	216,090	14.5
Net earned premiums	**211,918**	188,219	12.6
Claim expenses	**(116,305)**	(106,474)	9.2
Commission expenses of insurance operations	**(49,337)**	(38,973)	26.6
Administrative expenses[1]	**(44,760)**	(41,886)	6.9
Reinsurance commission revenue	**6,964**	6,226	11.9
Underwriting profit	**8,480**	7,112	19.2
Combined ratio (%)	**96.0**	96.2	-0.2 pps
Total investment income[2]	**11,016**	11,667	(5.6)
Average investment assets	**249,576**	219,006	14.0
Total investment yield (%)	**4.4**	5.3	-0.9 pps
Other net revenue and expenses	**19**	120	(84.2)
Profit before tax	**19,515**	18,899	3.3
Income tax	**(7,241)**	(5,527)	31.0
Net profit	**12,274**	13,372	(8.2)

Notes: (1) Administrative expenses include administrative expenses and impairment losses on receivables and others under the segmented income statement.
(2) Total investment income includes interest revenue from non-banking operations, investment income, share of profits and losses of associates and jointly controlled entities, impairment losses on investment assets and interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions under the segmented income statement.
(3) The 2018 data are financial results of implementing the new accounting standards for financial instruments. In accordance with rules for transition to the new accounting standards for financial instruments, the Company does not need to restate comparable figures for 2017.

Reconciliations between net profit in Ping An Property & Casualty's statutory financial statements and statements under the new standards are presented below to allow comparison with peers.

(in RMB million)	2018	2017	Change (%)
Profit in statutory financial statements under the old accounting standards for financial instruments	**13,209**	13,372	(1.2)
Investment income adjustments[1]	**(935)**	–	N/A
Profit in financial statements under the new accounting standards for financial instruments[2]	**12,274**	13,372	(8.2)

Notes: (1) Adjustments mainly arise from changes in classification, measurement, and impairment of financial assets under the new accounting standards for financial instruments.
(2) In accordance with rules for transition to the new accounting standards for financial instruments, the Company does not need to restate comparable figures for 2017.

Premium Income

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

(in RMB million)	2018 Amount	2018 %	2017 Amount	2017 %	Amount Change (%)
Car dealers	**59,426**	**24.0**	50,488	23.4	17.7
Agencies	**57,442**	**23.2**	32,047	14.8	79.2
Cross-selling	**48,903**	**19.8**	39,192	18.1	24.8
Direct selling	**37,167**	**15.0**	22,843	10.6	62.7
Telemarketing and online channels	**26,976**	**10.9**	58,915	27.3	(54.2)
Others	**17,530**	**7.1**	12,499	5.8	40.3
Premium income in total	**247,444**	**100.0**	215,984	100.0	14.6

In 2018, Ping An Property & Casualty transformed its channel-based business model from being sales-focused to an OMO model of services and operations to facilitate business transformation and strategic development.

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

(in RMB million)	2018	2017	Change (%)
Guangdong	**43,788**	34,799	25.8
Jiangsu	**17,125**	14,960	14.5
Zhejiang	**14,920**	12,705	17.4
Shandong	**13,127**	11,158	17.6
Shanghai	**12,974**	13,568	(4.4)
Subtotal	**101,934**	87,190	16.9
Premium income in total	**247,444**	215,984	14.6

Reinsurance Arrangements

Facing a developing global reinsurance market, Ping An Property & Casualty maintained a prudent approach to reinsurance and its close cooperation with reinsurance brokers and reinsurers. Ping An Property & Casualty fully leveraged reinsurance to scale up its underwriting and diversify operating risks. While ensuring the healthy and steady growth, Ping An Property & Casualty also empowered reinsurance with technologies. The reinsurance business of Ping An Property & Casualty received strong support in key reinsurance markets in Europe, the U.S., Bermuda and Asia. Ping An Property & Casualty has been in close cooperation with nearly 100 reinsurance companies and reinsurance brokers worldwide, including China Property & Casualty Re, Swiss Re, Munich Re and Hannover Re.

(in RMB million)	2018	2017	Change (%)
Ceded premium	**14,881**	14,294	4.1
Auto insurance	**6,895**	7,524	(8.4)
Non-auto insurance	**7,895**	6,712	17.6
Accident and health insurance	**91**	58	56.9
Inward reinsurance premium	**82**	106	(22.6)
Non-auto insurance	**82**	106	(22.6)

Claim expenses

(in RMB million)	2018	2017	Change (%)
Auto insurance	**91,634**	89,563	2.3
Non-auto insurance	**21,523**	14,842	45.0
Accident and health insurance	**3,148**	2,069	52.2
Total claim expenses	**116,305**	106,474	9.2

Commission Expenses of Insurance Operations

(in RMB million)	2018	2017	Change (%)
Auto insurance	**42,994**	34,596	24.3
Non-auto insurance	**3,834**	2,904	32.0
Accident and health insurance	**2,509**	1,473	70.3
Total commission expenses	**49,337**	38,973	26.6
Commission expenses as a percentage of premium income (%)	**19.9**	18.0	1.9 pps

In 2018, commission expenses of insurance operations grew by 26.6% year on year, while their proportion in premium income climbed by 1.9 pps year on year, mainly due to premium income growth and intensified competition.

Administrative expenses

(in RMB million)	2018	2017	Change (%)
Operating expenses	**42,253**	39,794	6.2
Tax and surcharges	**1,284**	1,349	(4.8)
Impairment losses on receivables and others	**1,223**	743	64.6
Total	**44,760**	41,886	6.9

In 2018, administrative expenses rose by 6.9% year on year, mainly driven by continued growth in insurance business.

Total Investment Income

(in RMB million)	2018	2017	Change (%)
Net investment income(1)	**13,438**	12,810	4.9
Realized income(2)	**(1,203)**	(1,136)	5.9
Profit or losses from fair value changes	**(1,032)**	44	N/A
Impairment losses on investment assets	**(187)**	(51)	266.7
Total investment income	**11,016**	11,667	(5.6)
Net investment yield (3) (%)	**5.4**	5.8	-0.4 pps
Total investment yield (3) (%)	**4.4**	5.3	-0.9 pps

Notes: (1) Net investment income includes interest income from deposits and debt financial assets, dividend income from equity financial assets, operating lease income from investment properties, and the share of profits and losses of associates and jointly controlled entities.
(2) Realized gains include capital gains from securities investments.
(3) Net exchange gains or losses on investment assets denominated in foreign currencies are excluded from computing of the above yields. Average investment assets used as the denominator are computed in line with principles of the Modified Dietz method.

In 2018, affected by factors including the lower dividend income from equity investments and the larger scale of the portfolio, the property and casualty insurance business investment portfolio's net investment yield was 5.4%, down by 0.4 pps year on year. In 2018, capital markets at home and abroad fluctuated widely. After Ping An Property & Casualty implemented the new accounting standards for financial instruments, assets carried at fair value through profit or loss surged, while gains or losses from fair value changes became more volatile. The property and casualty insurance business investment portfolio's total investment income dropped by 5.6% year on year and the total investment yield was 4.4%, down 0.9 pps year on year.

Income Tax

	2018	2017	Change
Effective tax rate (1) (%)	**37.1**	29.2	7.9 pps

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

In 2018, Ping An Property & Casualty's effective income tax rate grew by 7.9 pps year on year, largely due to the impact of an increase in income tax induced by the rising commission rates and business growth.

Business Analysis
Investment Portfolio of Insurance Funds

- As of December 31, 2018, the Company's investment portfolio of insurance funds grew to RMB2.79 trillion by 14.1% from the beginning of 2018.
- In 2018, the portfolio's net investment yield and total investment yield were 5.2% and 3.7% respectively. Under the old accounting standards for financial instruments, the portfolio's total investment yield was 5.2%.
- The Company maintained robust asset-liability management, lengthened asset durations, and continued to narrow the duration gap between assets and liabilities. The Company improved risk management mechanisms, further refined risk limits, increased the monitoring frequency, and enhanced early warning and risk review to ensure that overall investment risks are controllable.

The insurance funds are comprised of investable funds from the life and health insurance business and the property and casualty insurance business.

The year 2018 witnessed mixed performance of the world's major economies. China's economy grew steadily and underwent some changes. The central government upheld a new development philosophy and continued the supply-side structural reform. China furthered the reform and opening-up, and strengthened infrastructure. The quality of China's economic growth improved. However, China's stock markets became more volatile and bond rates dropped due to the Fed's rate hikes, offshore market fluctuations, China-U.S. trade frictions, and risks in A share pledging.

We continued to improve asset allocation of insurance funds. The Company conducted in-depth macro-economic research, tracked hot issues and analyzed market rates. Based on these efforts, the Company increased allocation to tax-exempt bonds including central and local government bonds as well as long-duration low-risk bonds including financial bonds issued by policy banks. The Company further narrowed the duration gap between assets and liabilities to improve asset-liability matching although this remains challenging given a shortage of long duration assets in the domestic market. In addition, we dynamically adjusted proportions of equity assets in the portfolio, increased long-term equity stakes, and diversified the portfolio to reduce impacts of equity market volatility.

We constantly improved internal controls for investment risk management. First, the Company strengthened risk management under the C-ROSS, reviewed and enhanced risk appetite management, and optimized control mechanisms of market risks and credit risks. We implemented the C-ROSS Phase II project to improve the solvency management system. Second, we carried out asset-liability risk management, improved the asset-liability management mechanism, and estimated and managed the asset-liability mismatch risk. Third, we continued to implement the framework for managing and monitoring insurance fund operations, and strictly conducted special risk management including five-category asset classification to ensure compliance of insurance fund utilization. Fourth, we explored AI technologies and applied smart early warning and knowledge graphs to investment risk management processes for efficient, effective investment risk warning and monitoring.

INVESTMENT PORTFOLIO (BY CATEGORY)

We optimized the presentation of investment assets for 2018 on the basis of risk management to provide clearer information, and restated comparable figures for the same period in 2017.

(in RMB million)	December 31, 2018 Carrying value	%	December 31, 2017 Carrying value	%
Cash and cash equivalents	**116,532**	**4.1**	139,169	5.7
Term deposits	**201,251**	**7.2**	163,074	6.6
Debt financial assets				
Bond investments	**1,270,765**	**45.4**	1,071,688	43.7
Bond funds	**43,541**	**1.6**	11,973	0.5
Preferred stocks	**79,881**	**2.9**	78,546	3.2
Policy loans	**111,219**	**4.0**	83,203	3.4
Debt schemes	**156,501**	**5.6**	140,292	5.7
Wealth management products[1]	**285,663**	**10.2**	242,761	9.9
Equity financial assets				
Stocks	**231,801**	**8.3**	272,474	11.1
Equity funds	**44,276**	**1.6**	33,226	1.4
Wealth management products[1]	**32,183**	**1.2**	39,760	1.6
Unlisted equities	**49,757**	**1.8**	38,785	1.6
Long-term equity stakes	**93,225**	**3.3**	58,413	2.4
Investment properties	**53,356**	**1.9**	47,769	2.0
Other investments[2]	**24,669**	**0.9**	28,341	1.2
Total investments	**2,794,620**	**100.0**	2,449,474	100.0

Notes: (1) Wealth management products include trust plans from trust companies, products from insurance asset management companies, and wealth management products from commercial banks.
(2) Other investments mainly include statutory deposits for insurance operations, three-month or longer-term financial assets purchased under reverse repurchase agreements, and financial derivatives.

INVESTMENT PORTFOLIO (BY ACCOUNTING MEASUREMENT)

(in RMB million)	December 31, 2018 Carrying value	%	December 31, 2017 Carrying value	%
Financial assets carried at fair value through profit or loss[1]	**515,114**	**18.5**	45,771	1.9
Fixed income	**310,886**	**11.2**	31,102	1.3
Stocks	**78,757**	**2.8**	10,729	0.4
Equity funds	**44,276**	**1.6**	54	–
Other equity financial assets	**81,195**	**2.9**	3,886	0.2
Financial assets carried at fair value through other comprehensive income[1]	**411,074**	**14.7**	–	–
Financial assets measured at amortized cost[1]	**1,721,808**	**61.6**	–	–
Others[2]	**146,624**	**5.2**	106,203	4.3
Available-for-sale financial assets	**-**	**-**	675,148	27.6
Held-to-maturity investment	**-**	**-**	881,657	36.0
Loans and receivables	**-**	**-**	740,695	30.2
Total investments	**2,794,620**	**100.0**	2,449,474	100.0

Notes: (1) The Company follows the new accounting standards for financial instruments from January 1, 2018. In accordance with rules for transition to the new accounting standards for financial instruments, the Company does not need to restate comparable figures for the same period in 2017.
(2) Others include long-term equity stakes and investment properties.

INVESTMENT INCOME

(in RMB million)	2018	2017	Change (%)
Net investment income(1)	**126,707**	121,340	4.4
Realized gains(2)	**280**	4,118	(93.2)
Profits/losses from fair value changes	**(37,099)**	648	N/A
Impairment losses	**(387)**	44	N/A
Total investment income	**89,501**	126,150	(29.1)
Total investment income under the old accounting standards for financial instruments	**125,970**	126,150	(0.1)
Net investment yield(3) (%)	**5.2**	5.8	-0.6 pps
Total investment yield(3) (%)	**3.7**	6.0	-2.3 pps
Total investment yield under the old accounting standards for financial instruments(3)(%)	**5.2**	6.0	-0.8 pps

Notes: (1) Net investment income includes interest income from deposits and debt financial assets, dividend income from equity financial assets, operating lease income from investment properties, and the share of profits and losses of associates and jointly controlled entities.
(2) Realized gains include capital gains from securities investments.
(3) Net exchange gains or losses on investment assets denominated in foreign currencies are excluded from computation of the above yields. Average investment assets used as the denominator are computed in line with principles of the Modified Dietz method.
(4) The Company follows the new accounting standards for financial instruments from January 1, 2018. The investment income data above for the current Reporting Period is under the new accounting standards for financial instruments. In accordance with rules for transition to the new accounting standards for financial instruments, the Company does not need to restate comparable figures for the same period in 2017.

In 2018, the portfolio's net investment yield was 5.2%, down 0.6 pps year on year. This was mainly due to the lower dividend income from equity assets and the larger scale of the portfolio. As domestic and foreign capital markets fluctuated widely, assets carried at fair value through profit or loss surged. Meanwhile, gains and losses from fair value changes became more volatile under the new accounting standards for financial instruments. The Company's total investment yield was 3.7%, down 2.3 pps year on year.

To allow comparison with peers, under the old accounting standards for financial instruments, the portfolio's total investment yield was 5.2%.

Corporate bonds in capital markets

As at December 31, 2018, the Company held RMB162,040 million worth of corporate bonds, which accounted for 5.8% of the investable assets. The overall credit rating has improved compared with the end of 2017. About 92% of the corporate bonds have AA and higher ratings while about 80% have AAA ratings. Credit quality of the portfolio remained sound as these corporate bonds are secure and risks are under control. For investment in corporate bonds, the Company carried out comprehensive risk management covering asset allocation, admission management and dynamic monitoring. The Company conducted strict rating and admission management, and reviewed and adjusted ratings to ensure that credit ratings reasonably reflected the credit profiles of bond issuers. Moreover, the Company conducted ex-ante monitoring of corporate bonds with potential risks on the basis of a name list, and established a rapid response mechanism to deal with negative opinions. The Company effectively identified and reported high-risk corporate bonds to enhance early warning and risk management.

Debt schemes and debt wealth management products

As at December 31, 2018, our investment in debt schemes and debt wealth management products totaled RMB442,164 million, accounting for 15.8% of the investable assets. We manage risks in debt schemes and debt wealth management products at three levels. The first level is asset allocation. We have developed a set of effective, robust asset allocation models. While keeping the overall risk within the risk appetite, we formulated a strategic asset allocation plan for each account, and set upper and lower limits on proportions of asset allocation. In tactical asset allocation, we gave opinions on capital allocation to non-standard debt instruments according to funds in each account, the return and liquidity demands, and similar assets' relative attractiveness. The second level is asset selection. The selection of assets is subject to strict internal and external requirements as well as the approval by clients. When selecting assets, we prefer projects located in developed areas and industry leaders encouraged by China's industry policies. The third level is post-investment management. Our post-investment management team closely monitors the assets. We have established a multi-dimensional risk warning framework covering all investment areas, assets, and instruments to ensure that overall investment risks are thoroughly assessed and controllable.

Structure and yield distribution of debt schemes and debt wealth management products

Industry	Investment proportion (%)	Nominal yield (%)	Maturity (year)	Remaining maturity (year)
Infrastructure	**34.9**	**5.77**	**9.12**	**5.17**
Expressway	16.5	5.88	9.73	5.41
Electric power	6.3	5.50	7.30	2.89
Infrastructure and development zones	5.5	5.69	10.44	7.59
Others (water supply, environmental protection, railway...)	6.6	5.84	8.22	4.74
Non-banking financial services	**30.8**	**5.73**	**7.27**	**3.77**
Real estate	**22.2**	**6.14**	**5.40**	**2.33**
Coal mining	**2.7**	**7.20**	**7.00**	**2.08**
Others	**9.4**	**5.75**	**6.83**	**4.23**
Total	**100.0**	**5.84**	**7.46**	**3.96**

Notes: (1) The debt schemes and debt wealth management products were classified by industry in line with Shenyin Wanguo's industry classification.
(2) Non-banking financial services refer to financial institutions other than banks, including insurers, asset management companies, and financial leasing companies.
(3) Some industries have been grouped into "others" as they account for small proportions.

There has been no default on the debt schemes and debt wealth management products held by Ping An, and overall risks are controllable. Over 98% of the debt schemes and trust plans held by Ping An have AAA external ratings, and about 2% of them have AA+ or AA external ratings. While some high-credit entities do not need credit enhancement for their financing, most of the assets have guarantees or collateral. In terms of industry and geographic distribution, we avoid high-risk industries and regions. Our target assets are mainly in the non-banking financial services, real estate, and expressway industries in developed and coastal areas including Beijing, Shanghai and Guangdong. In terms of investment timing and returns, Ping An seized time windows of large supplies of high-quality assets to boost overall portfolio yields.

Equity wealth management products

As at December 31, 2018, our investment in equity wealth management products totaled RMB32,183 million, accounting for 1.2% of the investable assets. The equity wealth management products held by Ping An are mainly products from insurance asset management companies. The underlying assets of these products are mainly tradable shares of domestic and foreign high-quality companies, indicating no significant liquidity risk. Private equity funds account for a tiny proportion; the exposure to them is small, and their underlying assets are mainly from the central and local governments' partnerships, with risks being controllable.

Business Analysis
Banking Business

- Ping An Bank maintained stable, healthy business growth and realized a revenue of RMB116,716 million, up 10.3% year on year, and a net profit of RMB24,818 million, up 7.0% year on year.
- Ping An Bank made significant progress in its strategic transformation toward retail banking. In 2018, retail banking accounted for 53.0% and 69.0% of the Bank's revenue and net profit, up 8.9 pps and 1.4 pps year on year respectively. The proportions of retail deposits and loans rose by 4.7 pps and 8.0 pps from the beginning of 2018 to 21.7% and 57.8% respectively.
- Ping An Bank continues to de-risk itself. The Bank's deviation of non-performing loans was 97%, down 46 pps from the beginning of 2018. Both the balance and the percentage of loans more than 90 days overdue declined from the beginning of 2018.
- Ping An Bank's core tier 1 capital adequacy ratio was 8.54%, up 0.26 pps from the end of 2017. On January 25, 2019, the Bank issued RMB26 billion worth of A-share convertible corporate bonds to supplement the core tier 1 capital.

BUSINESS OVERVIEW

In 2018, Ping An Bank continued to implement the strategy of "technology-driven breakthroughs in retail banking and enhancement of corporate banking." The Bank attached great importance to boosting business, improving customer experiences, and enhancing risk management through technological innovation and application. Besides, the Bank enhanced its capability of serving the real economy and managed financial risks in an all-round manner, laying a solid foundation for future development.

Ping An Bank maintained stable, healthy business growth. In 2018, the Bank's revenue increased by 10.3% year on year to RMB116,716 million. Net profit rose by 7.0% year on year to RMB24,818 million.

(in RMB million)	December 31, 2018	December 31, 2017	Change (%)
Deposits and loans[1]			
Loans and advances	**1,997,529**	1,704,230	17.2
Including: Retail loans	**1,154,013**	849,035	35.9
Corporate loans	**843,516**	855,195	(1.4)
Deposits	**2,128,557**	2,000,420	6.4
Including: Retail deposits	**461,591**	340,999	35.4

(in RMB million)	2018	2017	Change (%)
Operating results			
Net profit	**24,818**	23,189	7.0
Net interest revenue	**74,745**	74,009	1.0
Net non-interest revenue[2]	**41,971**	31,777	32.1
Operating efficiency			
Cost-to-income ratio (%)	**30.32**	29.89	0.43 pps
Net interest margin (%)	**2.35**	2.37	-0.02 pps

Notes: (1) Loans and advances, deposits, and their components are exclusive of interest receivable.
(2) In accordance with the *Ministry of Finance's Circular on Releasing Financial Report Formats for Financial Companies for 2018* (Cai Kuai [2018] No.36), we reclassified the net interest revenue generated by financial assets carried at fair value through profit or loss from net interest revenue into net non-interest revenue, and did not restate comparable figures for the same period in 2017.

Ping An Bank made significant progress in its strategic transformation toward retail banking. In 2018, Ping An Bank made significant progress in the transformation toward retail banking by optimizing its business mix on the basis of the Group's integrated financial business model and core technologies.

Core KPIs of retail banking maintained rapid growth. As at the end of 2018, the Bank's retail assets under management (AUM) rose by 30.4% from the beginning of 2018 to RMB1,416,796 million. The balance of retail loans increased by 35.9% from the beginning of 2018 to RMB1,154,013 million. Ping An Bank increased customer assets and took deposits by adhering to the strategy of customer management and resource allocation. The Bank also raised settlement deposits by developing payroll and acquiring services, and boosted retail deposits by enhancing active liability products. As of December 31, 2018, the balance of retail deposits had grown by 35.4% from the beginning of 2018 to RMB461,591 million. Cross-selling's contributions to retail banking continued to grow. Customers referred by the cross-selling channel have lower non-performing loan ratios and better asset quality than proprietary channels.

	2018	
	Cross-selling channel's contribution amount	Cross-selling channel's contribution percentage (%)
Cross-selling channel's contributions to retail banking		
Credit cards issued (in million)	**6.78**	**39.0**
Xin Yi Dai unsecured loans granted (in RMB million)	**48,708**	**43.4**
Auto loans granted (in RMB million)	**34,167**	**23.1**

	December 31, 2018	
	Overall non-performing loan ratio	Cross-selling channel's non-performing loan ratio
Asset quality of the retail cross-selling channel		
Credit card receivables	**1.32%**	**1.10%**
Xin Yi Dai unsecured loans	**1.00%**	**0.45%**
Auto loans	**0.54%**	**0.41%**

Ping An Bank pays close attention to risk management while developing business. As at the end of December 2018, the non-performing asset ratio of retail banking declined steadily. The retail non-performing loan ratio was 1.07%, down 0.11 pps from the beginning of 2018. Risks in the consumer finance industry were on the rise, amid the economic slowdown, the joint-debt risk and other negative factors. The non-performing asset ratios of credit card receivables and Xin Yi Dai stood at 1.32% and 1.00%, up 0.14 pps and 0.35 pps respectively from the beginning of 2018. The risk profile of the Bank's auto finance business remained stable. As at the end of December 2018, the non-performing loan ratio of the Bank's auto finance business was 0.54%, down 0.05 pps from the beginning of 2018. Since the end of 2017, Ping An Bank has adjusted its risk policies proactively to prevent the joint-debt risk and reduce the proportion of high-risk customers. The quality of new loans remained stable. According to a vintage analysis, cardholders' loans more than 30 days overdue as at the end of a six-month period following credit card issuance accounted for 0.29%, down 0.06 pps year on year. Xin Yi Dai unsecured loans more than 30 days overdue as at the end of a six-month period following granting reached 0.18%, down 0.02 pps year on year. Auto loans more than 30 days overdue as at the end of a six-month period following granting dropped by 0.02 pps year on year to 0.16%.

(%)	2018	2017	2016	2015
The proportion of loans more than 30 days overdue as at the end of the 6-month vintage period				
Credit card receivables	**0.29**	0.35	0.45	0.48
Xin Yi Dai loans	**0.18**	0.20	0.16	0.27
Auto loans	**0.16**	0.18	0.12	0.12

Note: Vintage analysis, also known as static pool analysis of default rates, is a method of evaluating the credit quality of account holders by monitoring credit assets in accounts opened in different periods and analyzing the vintages. The proportion of loans more than 30 days overdue as at the end of the 6-month vintage period = the balance of current-year new loans or credit card receivables more than 30 days overdue as at the end of the 6-month vintage period/the balance of current-year new loans or credit card receivables that have been on books for 6 months.

Business Analysis
Banking Business

In 2018, Ping An Bank increased investment in technologies and built a technology development team of over 3,200 employees dedicated to retail banking. We updated the "Ping An Pocket Bank" app, in which multiple financial technologies and services have been embedded. In December 2018, the app's monthly active users grew by 74.6% year on year to 25.88 million. Moreover, we built 136 new offline retail outlets under a "light, community-based, intelligent, and diversified" concept. We integrated the app and outlets into a smart OMO (Online Merge Offline) service system.

In 2018, Ping An Bank implemented the private banking strategy. With a fully-staffed private banking team, Ping An Bank significantly improved its abilities in terms of product supply and management, marketing and asset allocation, laying a solid foundation for a quick increase in assets under management (AUM). On the back of technology-powered investment advisory services and remote support, Ping An Bank can recommend the best asset allocation portfolios thorough the most suitable channel at the perfect time. In products, Ping An Bank fully integrated internal and external resources and established an open product platform for ongoing supply of excellent wealth management products.

	December 31, 2018	December 31, 2017	Change (%)
Customer structure			
Retail customers[(1)] (in million)	**83.90**	69.91	20.0
Contribution to the number of the Group's retail customers (%)	**45.6**	42.2	3.4 pps
Customers holding products from other subsidiaries of the Group (in million)	**47.75**	30.49	56.6
Customers holding Ping An Life's products (in million)	**19.23**	16.29	18.0
Retail assets under management (AUM, in RMB million)	**1,416,796**	1,086,688	30.4
Retail loans (in RMB million)	**1,154,013**	849,035	35.9
Credit cards in circulation (in million)	**51.52**	38.34	34.4

Note: (1) Retail customers include debit card holders and credit card holders, with duplicates removed.

(in RMB million)	2018	2017	Change (%)
Operating results of retail banking			
Revenue from retail banking	**61,883**	46,692	32.5
% of revenue from retail banking	**53.0**	44.1	8.9 pps
Net profit from retail banking	**17,129**	15,679	9.2
% of net profit from retail banking	**69.0**	67.6	1.4 pps

Ping An Bank strives to build a smart boutique corporate bank. In 2018, Ping An Bank focused on developing high-quality businesses, channels and projects of corporate banking. The Bank fully leverages technologies including cloud computing, blockchain and the internet of things to empower management and business innovation, and develop a smart boutique corporate banking system. As at the end of 2018, the "Ping An Pocket Finance" app had 280,000 registered users that contributed a trading volume of over RMB830 billion. In 2018, transactions on the supply chain accounts receivable service platform (SAS) exceeded RMB10,000 million. The platform has provided financial services for 111 core enterprises and upstream medium, small and micro-businesses. As at the end of 2018, Ping An Bank reviewed 14,103 customers through "KYB for Small Enterprises," and granted KYB loans of RMB10,700 million. Besides, the Bank fully implemented the asset-light financing strategy in developing boutique investment banking and interbank business. In 2018, the Bank underwrote RMB161.9 billion worth of bonds in the interbank market, up 54.0% year on year. Ping An Bank increased the value of interbank institutional customers by integrating asset management, trading and sales. As at the end of 2018, ET-Bank had cooperated with 2,079 customers, up 150 from the beginning of 2018.

Technology-driven business yielded strong results. Taking "technology-driven business" as the driver of strategic transformation, Ping An Bank increased investment in technology. In 2018, IT capital expenditure grew by 82% year on year. As at the end of 2018, the Bank's IT staff members (including outsourcing personnel) grew to nearly 6,000, up over 44% from the beginning of 2018. **Ping An Bank implemented agile transformation.** Under the lean and agile R&D models, the Bank fully integrated technology with business to improve the product iteration speed, delivery quality, and customer experiences. In 2018, the Bank's business requirement development deliveries increased by over 100% year on year. **Ping An Bank developed a leading technology platform.** The Bank transformed its IT architecture from a centralized framework to a distributed one, and its infrastructure from a traditional framework to a cloud-based one, to support rapid business growth, transformation towards online operations, and product and service innovation. **Ping An Bank continued to promote technological innovations.** The Bank empowered its businesses with the Group's core technologies and resources including AI, blockchain, and cloud. In this way, Ping An Bank improved customer experiences, diversified financial products, innovated business models, optimized risk management and operational efficiency, and promoted smart management. For instance, Ping An Bank applied the robotic process automation (RPA) technology to various use cases, including background checking for corporate account opening and reporting of corporate account opening to the PBC. With these innovations, business processing efficiency rose by over 60% compared with manual operation.

Asset quality improved markedly. To tackle external risks, Ping An Bank adjusted its business mix and strengthened recovery of non-performing assets (NPAs), which improved the asset quality significantly. As of the end of 2018, the non-performing loan ratio was generally stable, up 0.05 pps from the beginning of 2018; special mention loans accounted for 2.73%, down 0.97 pps from the beginning of 2018. The balance of loans more than 90 days overdue accounted for 1.70%, down 0.73 pps from the beginning of 2018. The provision coverage ratio of loans more than 90 days overdue grew by 53.78 pps from the end of 2017 to 159.45%. The Bank's deviation of non-performing loans was 97%, down 46 pps from the beginning of 2018. In 2018, Ping An Bank recovered NPAs of RMB18,744 million, up 96.7% year on year; 96.8% of the recovered amount was collected in cash, while the rest was in kind.

(in RMB million)	December 31, 2018	December 31, 2017	Change (%)
Loan quality			
Pass	**1,908,072**	1,612,249	18.3
Special mention	**54,552**	62,984	(13.4)
Sub-standard	**17,955**	12,510	43.5
Doubtful	**4,509**	3,343	34.9
Loss	**12,441**	13,144	(5.3)
Total loans and advances	**1,997,529**	1,704,230	17.2
Total non-performing loans	**34,905**	28,997	20.4
Non-performing loan ratio (%)	**1.75**	1.70	0.05 pps
Deviation of non-performing loans(1) (%)	**97**	143	-46 pps
Balance of loans more than 90 days overdue	**33,984**	41,460	(18.0)
Percentage of loans more than 90 days overdue (%)	**1.70**	2.43	-0.73 pps
Percentage of special mention loans (%)	**2.73**	3.70	-0.97 pps
Impairment provision balance	**(54,187)**	(43,810)	23.7
Loan loss provision ratio (%)	**2.71**	2.57	0.14 pps
Provision coverage ratio (%)	**155.24**	151.08	4.16 pps
Provision coverage ratio for loans more than 90 days overdue (%)	**159.45**	105.67	53.78 pps

Note: (1) Deviation of non-performing loans = Balance of loans more than 90 days overdue/Balance of non-performing loans

Ping An Bank enhanced its financial strength by replenishing capital. Ping An Bank furthered the reform in capital management, and conducted robust capital management. As at the end of 2018, the core tier 1 capital adequacy ratio stood at 8.54%, up 0.26 pps from the end of 2017. In addition to stable internal sources of capital such as retained earnings, Ping An Bank forged ahead with the plans for issuing RMB26,000 million worth of A-share convertible corporate bonds and RMB30,000 million worth of qualified tier-2 capital bonds to seek capital replenishments from external sources. The Bank issued the RMB26,000 million worth of A-share convertible corporate bonds on January 25, 2019. The equity portion of RMB3,700 million has been directly calculated into the core tier 1 capital and the remaining portion will be used to replenish the core tier 1 capital after conversion to improve the Bank's capital adequacy.

(in RMB million)	December 31, 2018	December 31, 2017	Change (%)
Capital adequacy ratio			
Net core tier 1 capital	**199,782**	184,340	8.4
Net tier 1 capital	**219,735**	204,293	7.6
Net capital	**269,115**	249,227	8.0
Total risk weighted assets	**2,340,236**	2,226,112	5.1
Core tier 1 capital adequacy ratio (%) (regulatory requirement ≥ 7.5%)	**8.54**	8.28	0.26 pps
Tier 1 capital adequacy ratio (%) (regulatory requirement ≥ 8.5%)	**9.39**	9.18	0.21 pps
Capital adequacy ratio (%) (regulatory requirement ≥ 10.5%)	**11.50**	11.20	0.30 pps

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

Ping An Bank continued to make its outlets smarter and improved their geographic distribution. As at December 31, 2018, Ping An Bank had 80 branches and 1,057 business outlets. The Bank has opened or renovated 136 retail stores.

FINANCIAL ANALYSIS

Operating Results

(in RMB million)	2018	2017	Change (%)
Net interest revenue	**74,745**	74,009	1.0
Average balance of interest-earning assets	**3,186,151**	3,120,038	2.1
Net interest margin(1) (%)	**2.35**	2.37	-0.02 pps
Net non-interest revenue	**41,971**	31,777	32.1
Including: Net fee and commission revenue	**31,297**	30,674	2.0
Other net non-interest revenue	**10,674**	1,103	867.7
Revenue	**116,716**	105,786	10.3
General and administrative expenses	**(35,391)**	(31,616)	11.9
Cost-to-income ratio(2) (%)	**30.32**	29.89	0.43 pps
Loan impairment loss	**(43,657)**	(40,803)	7.0
Average balance of loans (including bill discount)	**1,858,353**	1,602,503	16.0
Credit cost(3) (%)	**2.35**	2.55	-0.20 pps
Other expenses	**(5,437)**	(3,210)	69.4
Profit before tax	**32,231**	30,157	6.9
Income tax	**(7,413)**	(6,968)	6.4
Net profit	**24,818**	23,189	7.0

Notes: (1) Net interest margin = net interest revenue/average balance of interest-earning assets.
(2) Cost-to-income ratio = general and administrative expenses/total revenue.
(3) Credit cost = loan impairment loss/average balance of loans (including bill discount).
(4) In accordance with rules for transition to the new accounting standards for financial instruments, the Company does not need to restate comparable figures for 2017.

Ping An Bank continued to optimize the business mix as the retail loans grew in terms of size and proportion, and the return on interest-earning assets increased from the beginning of the year. In 2018, the net interest spread was 2.26%, up 0.06 pps year on year. The net interest margin was 2.35%, down 0.02 pps year on year. The Bank has optimized its business mix, reversed the downward trend, and steadily raised the net interest margin quarter on quarter since the second quarter of 2018.

Net Interest Revenue

(in RMB million)	2018	2017	Change (%)
Interest revenue			
Due from the PBC	**4,002**	4,232	(5.4)
Due from financial institutions	**10,933**	10,726	1.9
Loans and advances	**118,184**	94,976	24.4
Interest revenue from investment	**28,363**	34,078	(16.8)
Others	**1,406**	4,056	(65.3)
Total interest revenue	**162,888**	148,068	10.0
Interest expenses			
Due to the PBC	**(4,299)**	(2,671)	61.0
Due to financial institutions	**(18,686)**	(19,155)	(2.4)
Deposits	**(49,638)**	(37,875)	31.1
Bonds payable	**(15,520)**	(14,358)	8.1
Total interest expenses	**(88,143)**	(74,059)	19.0
Net interest revenue	**74,745**	74,009	1.0

Net Fee and Commission Revenue

(in RMB million)	2018	2017	Change (%)
Fee and commission revenue			
Settlement fee revenue	**2,477**	2,392	3.6
Wealth management fee revenue	**1,365**	3,411	(60.0)
Agency commission revenue	**4,123**	3,350	23.1
Bank card fee revenue	**25,266**	18,511	36.5
Advisory fee revenue	**1,463**	2,659	(45.0)
Asset custody fee revenue	**2,856**	3,046	(6.2)
Account management fee revenue	**149**	156	(4.5)
Others	**1,663**	2,200	(24.4)
Total fee and commission revenue	**39,362**	35,725	10.2
Fee and commission expense			
Agency commission expense	**(1,210)**	(493)	145.4
Bank card fee expense	**(6,426)**	(4,213)	52.5
Others	**(429)**	(345)	24.3
Total fee and commission expense	**(8,065)**	(5,051)	59.7
Net fee and commission revenue	**31,297**	30,674	2.0

In 2018, the net fee and commission revenue of the Bank grew 2.0% year on year to RMB31,297 million mainly due to the increase in the bank card fee revenue.

Other net non-interest revenue

Other net non-interest revenue is comprised of investment income, gains and losses from fair value changes, foreign exchange gains and losses, other business revenue, asset disposal gains and losses and other incomes. In 2018, other net non-interest revenue increased sharply year on year to RMB10,674 million.

Cost-to-income ratio

(in RMB million)	2018	2017	Change (%)
General and administrative expenses	**35,391**	31,616	11.9
Cost-to-income ratio (%)	**30.32**	29.89	0.43 pps

In 2018, as Ping An Bank increased investment in strategic transformation and technology development, the cost-to-income ratio rose by 0.43 pps from the beginning of 2018.

Loan impairment loss

In 2018, loan impairment losses increased by 7.0% year on year.

Income tax

	2018	2017	Change
Effective tax rate(1) (%)	**23.00**	23.11	-0.11 pps

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

Business Analysis
Asset Management Business

- Ping An Trust strengthened risk management, devised new strategies, and adopted new business models.
- Ping An Securities continued to outperform peers by pursuing business transformation and building differentiated advantages with the support of Group's integrated financial services model and technology.
- Ping An Asset Management maintained steady business growth. As at the end of 2018, the investment assets under management (AUM) reached nearly RMB2.89 trillion, up 8.3% from the beginning of the year.
- Ping An Financial Leasing focused on leasing markets in mature industries, and developed innovative industry benchmarks including Ping An Healthcare Diagnostics Center. Ping An Financial Leasing recorded strong net profit growth of 64.7% year on year.

TRUST BUSINESS

Business Overview

The Company provides trust services through Ping An Trust and Ping An New Capital.

In 2018, China's economy remained stable and the economic structure improved. Committed to responsible investment, Ping An Trust connected customers to opportunities in "institutional asset management, boutique alternative investment banking, and trust business." Ping An Trust constantly enhances product, investment and risk management capabilities. Under the new strategies, Ping An Trust will focus on its core businesses including "financial services, infrastructure investment, private equity, and investment banking" in the coming years. Ping An Trust has been improving its capacity to provide excellent products and services. In financial services, Ping An Trust provided institutional investors including financial institutions with quality trust products and premium asset management services. In infrastructure investment, Ping An Trust focused on industries including urban infrastructure, transportation and energy. Ping An Trust channeled private capital to China's key infrastructure projects. In private equity, Ping An Trust developed business in consumption upgrade, health care, modern services, cutting-edge technologies and advanced manufacturing, facilitating upgrade of the real economy. In investment banking, Ping An Trust mainly provided small and medium-sized financial institutions with comprehensive asset and liability management services. Leveraging the Group's technologies, Ping An Trust improved its smart risk management platform to well manage risks and empower business. Ping An Trust continued to upgrade the risk management framework featuring full participation, full-process control and full coverage of business. As at December 31, 2018, it had RMB17,145 million in net capital, while the ratio of net capital to the total of all risk capital was 192.2% (regulatory requirement ≥100%), and the ratio of net capital to net assets was 82.8% (regulatory requirement ≥40%), meeting regulatory requirements.

Results of Operation

(in RMB million)	2018	2017	Change (%)
Fees and commission revenue	**3,801**	4,292	(11.4)
Monthly average assets held in trust	**588,788**	651,302	(9.6)
Fee rate of assets held in trust(1) (%)	**0.65**	0.66	-0.01 pps
Fees and commission expenses	**(116)**	(276)	(58.0)
Net fees and commission revenue	**3,685**	4,016	(8.2)
Administrative expenses(2)	**(1,039)**	(1,319)	(21.2)
Total investment income(3)	**1,104**	2,236	(50.6)
Other net revenue and expense	**163**	42	288.1
Profit before tax	**3,913**	4,975	(21.3)
Income tax	**(901)**	(1,018)	(11.5)
Net profit	**3,012**	3,957	(23.9)

Notes: (1) Fee rate of assets held in trust = fees and commission revenue/monthly average assets held in trust.
(2) Administrative expenses include administrative expenses, and impairment losses on receivables and others under the segmented income statement.
(3) Total investment income includes interest revenue from non-banking operations, investment income, share of profits and losses of associates and jointly controlled entities, impairment losses on investment assets, and interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions under the segmented income statement.
(4) The 2018 data are financial results of implementing the new accounting standards for financial instruments. In accordance with rules for transition to the new accounting standards for financial instruments, the Company does not need to restate comparable figures for the same period in 2017.

In 2018, net profit of the trust business dropped by 23.9% year on year due to: (a) year-on-year decreases in exits from projects and dividend income; and (b) a year-on-year decrease in net fees and commission revenue as Ping An Trust proactively adjusted its business mix to comply with the new regulations on asset management.

Assets held in trust

(in RMB million)	December 31, 2018	December 31, 2017	Change (%)
Investment category	**100,829**	133,353	(24.4)
Capital market investment	**46,767**	23,341	100.4
Financial institutions' investment	**11,644**	49,966	(76.7)
Other investments[1]	**42,418**	60,046	(29.4)
Financing category	**185,870**	167,081	11.2
Infrastructure industry financing	**12,421**	18,016	(31.1)
Real estate financing	**92,930**	47,028	97.6
Corporate loans	**72,753**	96,661	(24.7)
Pledge and other financing[2]	**7,766**	5,376	44.5
Administrative category[3]	**247,425**	352,322	(29.8)
Total	**534,124**	652,756	(18.2)

Notes: (1) Other investments refer to investments other than the above, including structured equity investment, industrial investment, and other investment businesses.
(2) Pledge and other financing refers to financing other than the above, including financing by pledging or acquiring securities, financial assets and other debts.
(3) An administrative trust refers to a trust scheme under which a trust company, acting as the trustee, provides the trustor (beneficiary) with administrative and executive services for specified purposes.

As at December 31, 2018, Ping An Trust had RMB534,124 million in assets under management, 18.2% lower than at the beginning of 2018, as the assets under administration decreased due to the business mix adjustment under the new regulations on asset management.

Fees and commission revenue

(in RMB million)	2018	2017	Change (%)
Fees and commission revenue	**3,801**	4,292	(11.4)
Investment category	**1,406**	2,163	(35.0)
Financing category	**1,913**	1,499	27.6
Administrative category	**482**	630	(23.5)
Fee rate of assets held in trust (%)	**0.65**	0.66	-0.01 pps
Investment category (%)	**1.14**	1.60	-0.46 pps
Financing category (%)	**1.10**	0.97	0.13 pps
Administrative category (%)	**0.17**	0.17	-

In 2018, the fees and commission revenue from trust business declined by 11.4% year on year, mainly due to a year-on-year decrease in floating fees and commission revenue of the investment business amid capital market volatility.

SECURITIES BUSINESS

Business Overview

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

In 2018, the capital market delivered lackluster performance amid changes in China's macro economic conditions and international trade frictions. Facing huge challenges, the securities industry recorded a year-on-year drop of 41.2% in net profit. Ping An Securities sought development by building differentiated advantages on the basis of the Group's integrated financial business model and technologies. In 2018, net profit of Ping An Securities dropped by 20.9% year on year, still better than industry average. In brokerage business, Ping An Securities continued to empower its business with technologies, strengthened internal and external cooperation, and integrated offline and online businesses. In addition, Ping An Securities conducted customer development on the basis of segmentation, and adopted technologies to upgrade customer services and improve customer experience. The market share by trading volume in December 2018 was 3.14%, up 0.57 pps year on year. In investment banking, Ping An Securities improved its industry-specific expertise. Ping An Securities ranked among the top tier by the number of bonds and ABS underwritten. In trading business, Ping An Securities continued to optimize its revenue structure by developing the Fixed Income, Currency and Commodities (FICC) capacity and employing multiple trading strategies.

Results of Operation

(in RMB million)	2018	2017	Change (%)
Fees and commission revenue	**4,014**	4,255	(5.7)
Fees and commission expenses	**(847)**	(811)	4.4
Net fees and commission revenue	**3,167**	3,444	(8.0)
Total investment income[1]	**4,654**	3,321	40.1
Other revenue[2]	**2,928**	2,196	33.3
Revenue	**10,749**	8,961	20.0
Administrative expenses[3]	**(3,497)**	(3,632)	(3.7)
Cost-to-income ratio[4] (%)	**52.7**	53.5	-0.8 pps
Finance costs	**(1,125)**	(580)	94.0
Other expenses[5]	**(4,113)**	(2,170)	89.5
Profit before tax	**2,014**	2,579	(21.9)
Income tax	**(334)**	(456)	(26.8)
Net profit	**1,680**	2,123	(20.9)

Notes: (1) Total investment income includes interest revenue from non-banking operations, investment income and share of profits and losses of associates and jointly controlled entities under the segmented income statement. Investment income excludes operating lease income from investment properties.
(2) Other revenue includes other revenues and other gains, foreign exchange gains or losses and operating lease income from investment properties under the segmented income statement. Other revenue and other gains exclude non-operating gains.
(3) Administrative expenses include administrative expenses and impairment losses on receivables and others under the segmented income statement.
(4) Cost-to-income ratio = administrative expenses/ (revenue – other expenses).
(5) Other expenses include interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions, other expenses, impairment losses on investment assets, and non-operating gains under the segmented income statement.
(6) The 2018 data are financial results of implementing the new accounting standards for financial instruments. In accordance with rules for transition to the new accounting standards for financial instruments, the Company does not need to restate comparable figures for the same period in 2017.

OTHER ASSET MANAGEMENT BUSINESSES

The other asset management business represents results of companies including Ping An Asset Management, Ping An Financial Leasing, and Ping An Overseas Holdings.

Ping An Asset Management

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

Amid changes in political and economic landscapes, Ping An Asset Management upheld the philosophies of value investing and prudence. Ping An Asset Management conducted in-depth macro-economic research, seized market opportunities, prevented market risks, and created value for customers. Ping An Asset Management gave full play to its advantages in alternative investment to support the real economy, facilitate development of the society and enhance people's livelihood. In addition to serving Ping An's insurance businesses, Ping An Asset Management continued to optimize the third-party asset management business mix, improve business quality and satisfy customers' demands. Third-party AUM declined because entrusted assets from banks shrank and growth in premium income slowed down due to tightening regulation and deleveraging. Following the promulgation of the new regulations on asset management, Ping An Asset Management, as a leading asset manager in China, will continue to improve its investment capability and risk management. Ping An Asset Management is committed to providing investors with professional, efficient and premium asset management services.

As a leading asset manager in China, Ping An Asset Management applied new technologies to investment research, investment decision-making, trade execution, risk management and so on. Going forward, Ping An Asset Management will increase investment to facilitate technology-powered transformation and innovation. Ping An Asset Management will leverage technology to enhance its core competitiveness and gain differentiated advantages.

Results of Operation

(in RMB million)	2018	2017	Change (%)
Net profit	**2,662**	2,581	3.1
Revenue from third-party asset management	**1,754**	1,888	(7.1)

(in RMB million)	December 31, 2018	December 31, 2017	Change (%)
Assets under management	**2,889,616**	2,668,805	8.3
Including: AUM of third-party asset management	**268,718**	305,881	(12.1)

Ping An Financial Leasing

Ping An Financial Leasing is a wholly-owned subsidiary of Ping An, specializing in financial leasing. Ping An Financial Leasing's goal is to become an expert leader in serving small and medium-sized enterprises (SMEs) and specialized markets with unique commercial vitality and scalability. To achieve this goal, Ping An Financial Leasing takes advantage of the Group's capital strength and strong brand, and the integrated financial service platform.

Since it was founded, Ping An Financial Leasing has upheld the philosophy of "lending everything with the heart" and given full play to the industry's characteristics of "financing and leasing." Ping An Financial Leasing has proactively served the real economy and led many segments of the leasing market including health care, energy, metallurgy, engineering, education, culture, manufacturing, and processing. Moreover, Ping An Financial Leasing pioneered the "Innovative Leasing 2.0" concept, focusing on operating leasing, leasing + the internet, and industry operations. Ping An Financial Leasing developed many innovative business models including Ping An Healthcare Diagnostics Center. Ping An Financial Leasing has become an industry leader and innovation pioneer by increasing the depth and width of leasing business and extending the business models.

Results of Operation

(in RMB million)	2018	2017	Change (%)
Revenue	**16,427**	9,349	75.7
Net profit	**3,292**	1,999	64.7

(in RMB million)	December 31, 2018	December 31, 2017	Change (%)
Total assets	**234,657**	177,111	32.5
Non-performing asset ratio (%)	**0.89**	0.91	-0.02 pps

Business Analysis
Fintech & Healthtech Business

- Lufax Holding maintained steady profit growth in wealth management, retail lending and government finance by seeking innovations and ensuring compliance. Lufax Holding completed its Series C financing from world-renowned institutional investors at a post-money valuation of USD39,400 million.
- Ping An Good Doctor (Stock Code: 01833.HK) provides online-merge-offline health care services for over 265 million registered users. In 2018, Ping An Good Doctor's revenue was RMB3,338 million, up 78.7% year on year; net loss was RMB913 million, down 8.9% from 2017.
- OneConnect serves more than 3,000 financial institutions as a fintech service platform covering the whole industry chain. In 2018, OneConnect completed Series A financing at a post-money valuation of USD7,500 million. Ping An HealthKonnect raised USD1,150 million in early 2018 at a post-money valuation of USD8,800 million.

The Company conducts fintech & healthtech business via companies including Lufax Holding, Ping An Good Doctor, OneConnect, Ping An HealthKonnect, and Autohome.

LUFAX HOLDING

Lufax Holding is a world-leading comprehensive online wealth management and retail lending technology platform, and also provides financial institutions and local governments with comprehensive financial solutions. In 2018, Lufax Holding embraced changes in the industry and regulations by adjusting the business lines and product mix for wealth management, retail lending and government finance. By optimizing its cost structure, Lufax Holding recorded rapid profit growth. Lufax Holding completed its Series C financing from world-renowned institutional investors at a post-money valuation of USD39,400 million.

In wealth management, Lufax Holding provides the middle class with over 5,000 financial products. In 2018, amid industry adjustments and deleveraging, Lufax Holding embraced regulatory requirements and pursued business transformations and innovations. By applying new technologies including AI, Lufax Holding placed a robo-advisor on its platform to cut operating costs and optimize interactions. The newly launched customer management system KYC4.0 facilitates precise customer profiling and customized product recommendation on the basis of customer tagging and machine learning. Lufax Holding uses blockchains to link regulators and other parties in the wealth management field, facilitating more secure, transparent and efficient transaction processes. As at the end of 2018, Lufax had 40.35 million registered users on its platform, up 19.3% from the beginning of 2018. AUM dropped by 20.0% from the beginning of 2018 to RMB369,414 million due to the asset structure adjustment and active product cleanup. AUM rebounded in the fourth quarter of 2018, up 2.1% from the end of September, driven by the product mix adjustment and business innovations.

In retail lending, Lufax Holding is a leading O2O (Offline to Online) non-bank service platform in China with 14 years' experience in credit business, providing over 10.28 million customers with online services. Lufax Holding has established a unique platform that provides lending services to qualified micro-, small and medium-sized business owners and individuals, based on its extensive experience in lending and cutting-edge technologies. Lufax Holding serves tens of millions of borrowers by leveraging high-quality resources of institutions in the financial services ecosystem. Lufax Holding enables purely online loan application processes without physical outlets by applying facial and voiceprint recognition to customer identification and micro-expression recognition to loan underwriting. This greatly improves customer experience and operational efficiency. Lufax Holding has successfully gone through different credit cycles and liquidity squeezes, owing to its unique business models and extensive experience in lending. The credit risk borne by funding and credit enhancement providers remained low. As at December 31, 2018, Lufax Holding's balance of loans under management reached RMB375,006 million, up 30.0% year to date; the ratio of loans more than 30 days overdue(1) was 2.3%.

In government finance, Lufax Holding builds Smart Fiscal Cloud platforms for provincial and municipal governments across China, providing them with customized smart fiscal management solutions. As of the end of 2018, Lufax Holding had piloted projects in cities including Nanning, Changsha and Shenzhen to develop role models for smart fiscal management. Lufax Holding aims to assist local governments in "debt control, asset preservation, revenue boosting and cost saving."

Note : (1) The ratio of loans more than 30 days overdue refers to the proportion of loans more than 30 days (inclusive) overdue to the balance of loans under management.

Number of Users

(in million)	December 31, 2018	December 31, 2017	Change (%)
Lufax's registered users	**40.35**	33.83	19.3
Active investor users(1)	**11.17**	9.61	16.2
Accumulated borrowers	**10.28**	7.49	37.2

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

Assets Under Management

(in RMB million)	December 31, 2018	December 31, 2017	Change (%)
Assets under management	**369,414**	461,699	(20.0)
Balance of loans under management	**375,006**	288,434	30.0

Trading Volume

(in RMB million)	2018	2017	Change (%)
Wealth management	**1,475,008**	2,117,485	(30.3)
New loans	**396,962**	343,792	15.5

PING AN GOOD DOCTOR

Ping An Good Doctor (Stock Code: 01833.HK) went public on the HKEX's Main Board on May 4, 2018, and was included in the Southbound Trading of Shanghai-Hong Kong Stock Connect on September 10, 2018. As an integral part of the Company's health care ecosystem strategy, Ping An Good Doctor leverages the Group's resources to expand its user base, providing users with one-stop high-quality health care services. As of December 31, 2018, Ping An Good Doctor had provided services for over 265 million users, including 54.66 million monthly active users in December 2018. Ping An Good Doctor is the largest online health care platform in China.

Ping An Good Doctor provides users with comprehensive family doctor services via AI-assisted in-house medical staff members and external doctors. These services include 24/7 online consultation, referral, registration, hospitalization arrangement, second medical opinions, and 1-hour drug delivery. Ping An Good Doctor also provides various offline services via its health care service network, as well as extensive health management offerings to help users embrace healthy lifestyles. As at the end of 2018, Ping An Good Doctor had over 1,000 in-house medical staff members and over 5,000 contracted external doctors (associated chief physicians or above at 3A hospitals). The 1-hour drug delivery network covered 86 cities across China. The health care service provider network covered nearly 400 clinics of traditional Chinese medicine, over 1,300 checkup centers, over 1,200 dental clinics, and over 120 medical cosmetic institutions.

Business Analysis
Fintech & Healthtech Business

Ping An Good Doctor improved its AI-based consultation/treatment system on the basis of over 407 million consultations and the expertise of its in-house medical staff members. In 2018, the in-house medical staff of Ping An Good Doctor and over 100 hospitals began to use this system for more efficient consultation and treatment. As at December 31, 2018, Ping An Good Doctor received 535,000 consultations per day on average, up 45.4% year on year.

Besides the domestic market, Ping An Good Doctor also shares resources and pursues joint development with leading companies overseas. In August 2018, Ping An Good Doctor signed an agreement to establish a joint venture with Grab, Southeast Asia's largest travel provider. Through this joint venture, Ping An Good Doctor will offer excellent AI-powered online health care services in Southeast Asia. Ping An Good Doctor acquired Wanjia Healthcare in October 2018 to develop our offline network, strengthen the closed loop, online-merge-offline healthcare services, and provide integrated services.

	December 31, 2018	December 31, 2017	Change (%)
Registered users (in million)	**265.19**	192.84	37.5
Consultations (in million)	**407.06**	211.80	92.2

	2018	2017	Change (%)
Monthly active users in December(1) (in million)	**54.66**	29.49	85.4

Note: (1) Monthly active users refer to users who access Ping An Good Doctor's service or product platform via apps, WAP (Wireless Application Protocol) or plug-ins at least once in any given month.

(in RMB million)	**2018**	2017	Change (%)
Revenue	**3,338**	1,868	78.7
Including: Revenue of family doctor business	**411**	242	69.8
Cost	**(2,426)**	(1,256)	93.2
Gross profit	**912**	612	49.0
Net profit	**(913)**	(1,002)	(8.9)

ONECONNECT

OneConnect is committed to building a world-leading fintech service cloud platform. OneConnect has launched Smart Banking Cloud, Smart Insurance Cloud, Smart Investment Cloud and an open tech-powered platform, providing end-to-end fintech solutions for various types of financial institutions. In early 2018, OneConnect completed Series A financing at a post-money valuation of USD7,500 million.

Adhering to the model of "technology + business", OneConnect helps financial institutions to solve pain points in business development with cutting-edge technologies. OneConnect has launched mobile banking, smart marketing, smart risk management, supply chain finance, Yi Qi Yin, Smart Quick Claim, asset and liability management, ABS ecosystem, Yi Zi Guan and core banking cloud. Correspondingly, there are more than 270 systems and 47 product categories. In 2018, OneConnect established subsidiaries in Hong Kong, Singapore and Indonesia to serve local financial institutions. OneConnect has built the eTradeConnect platform, the world's first government-backed, blockchain-based trade platform, in cooperation with Hong Kong Monetary Authority. The eTradeConnect platform was launched in October 2018. As of December 31, 2018, eTradeConnect had served 13 domestic and foreign banks. OneConnect has a world-leading fintech expert team recognized by authoritative international institutions for cutting-edge technologies including AI and blockchain.

As of December 31, 2018, OneConnect had provided services for 3,289 financial institutions, including 590 banks, 72 insurers and 2,627 non-bank financial institutions in China. The Internet Finance Alliance of Small and Medium-sized Banks, with OneConnect as an initiator, covers 260 small and medium-sized Chinese banks whose assets totaled more than RMB47 trillion.

	2018	2017	Change (%)
Value of transactions supported (in RMB trillion)	**20.32**	11.52	76.4
Risk management product use (million times)	**1,543**	931	65.7
Smart Certification product use (million times)	**1,223**	195	527.2

	December 31, 2018	December 31, 2017	Change (%)
Number of online products per partner bank	**2.32**	1.86	24.7
Number of blockchain nodes (thousand)	**44.6**	13.7	225.5
Number of partner financial institutions	**3,289**	2,675	23.0
Including: Number of partner banks(1)	**590**	416	41.8
Number of partner insurers	**72**	14	414.3
Number of other partner non-bank institutions(1)	**2,627**	2,245	17.0

Note: (1) In 2018, OneConnect optimized the definitions of partner banks and other partner non-bank institutions, and restated the comparable data for 2017. The new standard provides a more objective representation.

PING AN HEALTHKONNECT

Ping An HealthKonnect is committed to becoming China's leading tech-powered managed care service platform. Centering on the social health insurance (SHI) cloud platform, Ping An HealthKonnect has developed industry-leading technologies like AI, blockchain, cloud computing and health risk profiling. On this basis, Ping An HealthKonnect provides comprehensive smart solutions and technical services for SHI, private insurers, medical service providers and individual users. The smart SHI services for users are professional, personalized, dynamic and integrated. In early 2018, Ping An HealthKonnect raised USD1,150 million at a post-money valuation of USD8,800 million.

As of the end of 2018, Ping An HealthKonnect had provided SHI and private insurance management services in over 200 cities across China. Over 5,000 hospitals had connected with its service platform. "City OneConnect" app, targeting individual users, had covered 69 cities.

AUTOHOME

Autohome, a leading internet auto service platform in China, is committed to developing a smart auto ecosystem under the strategy of "auto content, auto dealing, auto finance and auto lifestyle." In this ecosystem centering on data and technology, Autohome provides auto consumers with diverse products and services.

In 2018, Autohome recorded rapid business growth and RMB7,230 million in revenue, 11.8% of which was from online marketplace bussiness. By optimizing user experiences, Autohome realized steady traffic growth. In December 2018, the "Autohome" app had an average of 29 million daily unique visitors, up approximately 10% year on year. These achievements have solidified Autohome's leading role among auto service apps in China. Besides, Autohome enhanced user engagement and loyalty by providing customized contents and recommendations. Autohome increased users' interactions with auto manufacturers and dealers by applying new technologies including virtual reality (VR) and augmented reality (AR).

Autohome has also developed other competitive businesses, including data-based business. Autohome integrated data products including smart recommendation, smart online sales and smart marketing to help auto manufacturers and dealers to increase conversion rates. Meanwhile, Autohome is developing a closed loop of second-hand car trading by exploiting synergies from the strategic investment in ttpai.cn, an online platform for second-hand car trading. In addition, Autohome has made steady progress in the financial business, which consists of lending, financial leasing and insurance services to consumers and dealers.

Analysis of Embedded Value and Operating Profit

- As at December 31, 2018, the embedded value of the Company hit a milestone by exceeding RMB1,000 billion and reaching RMB1,002,456 million (up by 21.5% from the beginning of the year).
- The operating ROEV of Group and of L&H were 23.7% and 30.8% respectively.
- In 2018, NBV of the life and health insurance business was RMB72,294 million (up by 7.3% year on year). The year-on-year NBV growth in the second half was 16.9%.
- As at December 31, 2018, the residual margin of L&H was RMB786,633 million (up by 27.6% from the beginning of the year). The release of residual margin of L&H was up by 25.0% year on year.
- The operating profit after tax attributable to shareholders of the parent company in 2018 was RMB112,573 million (up by 18.9% year on year). The L&H operating profit after tax attributable to shareholders of the parent company was up by 34.9% year on year.

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

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

We have reviewed the Analysis of Embedded Value and Operating Profit of Ping An Insurance (Group) Company of China, Ltd. ("The Company") as at December 31, 2018. The EV and Operating Profit results include embedded value, value of one year's new business after cost of capital ("NBV"), valuation methodology and assumptions, first year premium of new business, profit margin of new business, interest margin, embedded value movement, sensitivity analysis, operating profit, source of earning and residual margin related data.

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

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

- Review the embedded value, value of new business and interest margin of the Company as at December 31, 2018;
- Review the sensitivity analysis of the embedded value and NBV;
- Review the embedded value movement analysis, and
- Review the operating profit of the Company, source of earning and residual margin related data of the life and health insurance business ("L&H").

Our review procedures included, but were not limited to, considering whether the methodology and assumptions of the EV results are consistent with the Standards and available market information, considering whether the methodology of the operating profit results is consistent with the disclosed methodology in the 2018 annual report, validating actuarial models on the basis of sample testing, and inspecting related documentation. In forming our conclusion, we have relied on the audited and unaudited data and information provided by the Company.

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

OPINION:

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

- The EV and Operating Profit results, in all material aspects, are consistent with the methodology and assumptions stated in the Analysis of Embedded Value and Operating Profit chapter in the 2018 annual report.

We also confirm that the EV and Operating Profit results disclosed in the Analysis of Embedded Value and Operating Profit chapter in the 2018 annual report are consistent with the results we reviewed.

Jiang Hua Hua, Actuary

PricewaterhouseCoopers Consultants (Shenzhen) Limited

March 12, 2019

KEY DATA SUMMARY

(in RMB million)	2018/ December 31, 2018	2017/ December 31, 2017	Change (%)
EV of Group	**1,002,456**	825,173	21.5
Operating Return on EV (Operating ROEV) of Group	**23.7%**	26.7%	-3.0 pps
Group operating profit after tax attributable to shareholders of the parent company	**112,573**	94,708	18.9
EV of L&H	**613,223**	496,381	23.5
Operating ROEV of L&H	**30.8%**	35.5%	-4.7 pps
Value of one year's new business after cost of capital (NBV)	**72,294**	67,357	7.3
L&H operating profit after tax attributable to shareholders of the parent company	**70,320**	52,128	34.9
Residual margin of L&H	**786,633**	616,319	27.6
Ultimate investment return rate	**5.0%**	5.0%	–
Risk discount rate	**11.0%**	11.0%	–

Analysis of Embedded Value and Operating Profit

ANALYSIS OF EMBEDDED VALUE

In order to provide investors with an additional tool to understand our economic value and business performance results, the Company has disclosed information regarding embedded value ("EV") in this section. The embedded value represents the shareholders' adjusted net asset value ("ANA") plus the value of the Company's in-force life and health insurance business ("L&H") 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, 2018.

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

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 2018 in accordance with the Standards and China Risk Oriented Solvency System (C-ROSS).

Components of Economic Value

(in RMB million)	December 31, 2018	December 31, 2017
Adjusted net asset value (ANA)	**602,155**	512,713
Including: Adjusted net asset value of L&H	**212,922**	183,920
Value of in-force insurance business written prior to June 1999	**17,051**	16,758
Value of in-force insurance business written since June 1999	**418,534**	335,610
Cost of capital	**(35,284)**	(39,909)
EV of Group	**1,002,456**	825,173
Including: EV of L&H	**613,223**	496,381

(in RMB million)	2018	2017
Value of one year's new business	**88,889**	85,512
Cost of capital	**(16,596)**	(18,156)
Value of one year's new business after cost of capital	**72,294**	67,357

Note: Figures may not match totals due to rounding.

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

Key Assumptions

The assumptions used in the embedded value calculation in 2018 have been made on a "going concern" basis, assuming continuation of the economic and legal environment currently prevailing in China. The calculation is in line with the Standards and capital requirement under C-ROSS. Certain portfolio assumptions were based on the Company's own recent experience as well as considering the more general China market and other life insurance markets' experience. The principal bases and assumptions used in the calculation are described below:

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

2. **Investment return**
   For non-investment-linked insurance funds, the future investment return is assumed to be 4.75% in the first year and remains at 5.0% from the second year. For the investment-linked fund, future investment returns have been assumed to be slightly higher than the above non-investment-linked fund investment returns assumption. These returns have been derived by consideration of the current capital market 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 rates**
   Morbidity rate and accident rate assumptions have been based on the industry table or the Company's own pricing table. The trend of long-term morbidity deterioration has been taken into consideration. The loss ratios have been assumed to be within the range of 15% and 100% for short-term accident and health insurance business.

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

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

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

Analysis of Embedded Value and Operating Profit

Value of New Business

The new business volumes measured by first year premium (FYP) and its new business value by segment are:

(in RMB million)	FYP used to calculate value of new business 2018	2017	Change (%)	Value of new business 2018	2017	Change (%)
Retail business	**133,417**	142,361	(6.3)	**71,874**	67,027	7.2
Agency	**112,712**	121,798	(7.5)	**64,401**	60,786	5.9
Long-term protection	**51,701**	53,588	(3.5)	**48,975**	46,933	4.4
Protection & Saving hybrid (short-PPP)	**44,717**	51,842	(13.7)	**7,577**	8,113	(6.6)
Protection & Saving hybrid (long-PPP)	**9,365**	9,204	1.7	**5,192**	3,431	51.3
Short-term	**6,929**	7,163	(3.3)	**2,657**	2,309	15.1
Tele, internet and others	**16,091**	13,071	23.1	**6,608**	5,524	19.6
Bancassurance	**4,613**	7,492	(38.4)	**865**	716	20.7
Group business	**32,030**	29,186	9.7	**420**	330	27.2
Total	**165,446**	171,547	(3.6)	**72,294**	67,357	7.3

Notes: (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. Protection & Saving hybrid products (short-PPP) cover endowment and annuity products with PPP below 10 years. Protection & Saving hybrid products (long-PPP) cover endowment and annuity products with PPP of 10 years and above.

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

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

The profit margin of new business by segment:

	By FYP 2018	2017	By ANP 2018	2017
Retail business	**53.9%**	47.1%	**54.7%**	49.4%
Agency	**57.1%**	49.9%	**58.5%**	51.9%
Long-term protection	**94.7%**	87.6%	**94.6%**	87.9%
Protection & Saving hybrid (short-PPP)	**16.9%**	15.6%	**18.0%**	16.9%
Protection & Saving hybrid (long-PPP)	**55.4%**	37.3%	**55.2%**	39.4%
Short-term	**38.3%**	32.2%	**38.5%**	32.4%
Tele, internet and others	**41.1%**	42.3%	**40.5%**	41.7%
Bancassurance	**18.7%**	9.6%	**19.5%**	13.8%
Group business	**1.3%**	1.1%	**1.8%**	1.6%
Total	**43.7%**	39.3%	**46.7%**	43.3%

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.

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

	Interest margin as % of NBV	Other margins as % of NBV
Life and Health Insurance Business	**34.0%**	**66.0%**
Including: Long-term protection	23.5%	76.5%

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

Embedded Value Movement

The table below shows how the Company's embedded value changed from the opening balance of RMB825,173 million as at December 31, 2017 to the closing balance of RMB1,002,456 million as at December 31, 2018.

(in RMB million)		2018	Note
Opening EV of L&H	[1]	**496,381**	
Expected return on opening EV	[2]	45,326	Expected embedded value growth
Unwinding of in-force value		38,522	Unwinding of opening value of in-force and NBV of the Reporting Period calculated via prudent risk discount rate of 11%
ANA return		6,805	
NBV post-risk diversified, including:	[3]	93,237	
NBV pre-risk diversified		72,294	Business written during the Reporting Period, cost of capital calculated at policy level
Diversification effects within new business		9,582	Diversification effects within NB lower cost of capital
Diversification effects with in-force		11,361	Diversification effects between NB and in-force lower cost of capital
Operating assumptions and model changes	[4]	608	
Operating variances and others	[5]	13,938	Favorable operating experience
EV operating profit of L&H	[6]=[2+...+5]	**153,109**	
Economic assumptions changes	[7]	-	
Market value adjustment	[8]	7,191	Change in market value adjustment of free surplus during the Reporting Period
Investment return variance	[9]	(12,233)	
EV profit of L&H	[10]=[6+...+9]	**148,066**	
Capital injection		225	Capital injection from the Company to Ping An Health
Shareholder dividends		(31,449)	Dividends paid by Ping An Life to the Company
Closing EV of L&H		**613,223**	
Opening ANA of other business	[11]	**328,792**	
Operating profit of other business	[12]	42,253	
Non-Operating profit of other business		7,236	Revaluation gain of the convertible bonds held by the Company due to the Series C financing of Lufax Holding
Market value adjustment and other variances		12,998	
Closing ANA of other business before capital changes		**391,279**	
Dividends received		31,449	Dividends received from Ping An Life
Capital injection		(225)	Capital injection from the Company to Ping An Health
Dividends payout		(33,270)	Dividends paid by the Company to shareholders
Closing ANA of other business		**389,233**	
Closing EV		**1,002,456**	
EV per share (in RMB)		**54.84**	

Note: Figures may not match totals due to rounding.

Analysis of Embedded Value and Operating Profit

EV operating profit of Group was RMB195,362 million, which was comprised of RMB153,109 million of EV operating profit of L&H and RMB42,253 million of operating profit of other business. The main source of EV operating profit of L&H was NBV and expected return on opening EV.

(in RMB million)		2018	2017
EV operating profit of Group	[13]=[6]+[12]	**195,362**	170,569
EV operating profit of L&H	[6]	**153,109**	127,989
Operating ROEV of Group	[14]=[13]/([1]+[11])	**23.7%**	26.7%
Operating ROEV of L&H	[15]=[6]/[1]	**30.8%**	35.5%

Note: Figures may not match totals due to rounding.

Sensitivity Analysis

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

- Investment return and risk discount rate
- Assumptions and model used in 2017
- A 10% increase in mortality, morbidity and accident rates
- A 10% increase in policy discontinuance rates
- A 10% increase in maintenance expenses
- A 5% increase in the policyholders' dividend payout ratio
- A 10% decrease in fair value of equity asset

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

	Risk discount rate		
(in RMB million)	10.5%	11.0%	11.5%
Investment return increased by 50bps per annum	1,066,337	1,048,211	1,031,468
Central case	1,018,086	1,002,456	987,999
Investment return decreased by 50bps per annum	969,631	956,502	944,338

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

	Risk discount rate		
(in RMB million)	10.5%	11.0%	11.5%
Investment return increased by 50bps per annum	677,103	658,978	642,235
Central case	628,853	613,223	598,766
Investment return decreased by 50bps per annum	580,397	567,269	555,105

Sensitivity of NBV 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	83,213	78,981	75,042
Central case	76,119	72,294	68,727
Investment return decreased by 50bps per annum	68,993	65,577	62,383

Sensitivity to other assumptions

(in RMB million)	EV of Group	EV of L&H	NBV
Central case	1,002,456	613,223	72,294
Assumptions and model used in 2017	999,704	610,471	71,389
10% increase in mortality, morbidity and accident rates	982,055	592,822	66,100
10% increase in policy discontinuance rates	993,335	604,102	69,376
10% increase in maintenance expenses	999,445	610,212	71,731
5% increase in the policyholders' dividend payout ratio	993,460	604,227	71,491
10% decrease in fair value of equity asset	985,062	600,124	N/A

ANALYSIS OF OPERATING PROFIT

Below section contains Group Operating Profit and Source of Earning and Residual Margin Analysis of L&H. The Company has engaged PricewaterhouseCoopers Consultants (Shenzhen) Limited to review the reasonableness of the methodology and the calculation results of the Analysis of Operating Profit as at December 31, 2018.

Operating profit of the Group

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

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

- Impact of discount rate[(1)] change is the effect on insurance contract liability of L&H due to changes in discount rate;

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

The operating profit after tax which excludes fluctuations of above non-operating items can provide a clearer and more objective representation of the Company's business performance and trend.

Note: (1) Refer to "Significant Accounting Policies" in the Notes to Consolidated Financial Statements in the 2018 Annual Report for information about the discount rate.

The Group operating profit after tax attributable to shareholders of the parent company in 2018 was RMB112,573 million, which was up by 18.9% year on year. The L&H operating profit after tax attributable to shareholders of the parent company was RMB70,320 million, which was up by 34.9% year on year.

Analysis of Embedded Value and Operating Profit

Operating profit after tax attributable to shareholders of the parent company

(in RMB million)	2018	2017	Change (%)
Life and health insurance business	**70,320**	52,128	34.9
Property and casualty insurance business	**12,215**	13,307	(8.2)
Banking business	**14,394**	13,449	7.0
Asset management business	**12,871**	13,104	(1.8)
Trust business	**3,008**	3,953	(23.9)
Securities business	**1,599**	2,043	(21.7)
Others	**8,264**	7,108	16.3
Fintech & healthtech business	**6,770**	5,420	24.9
Other businesses and elimination	**(3,996)**	(2,700)	48.0
The Group	**112,573**	94,708	18.9

Note: Figures may not match totals due to rounding.

(in RMB million)		Group 2018	Group 2017	L&H business 2018	L&H business 2017
Net profit	[1]	**120,452**	99,978	**58,757**	36,143
Excluding:					
Short-term investment variance of L&H(1)	[2]	**(12,853)**	4,532	**(12,853)**	4,532
Impact of discount rate change of L&H	[3]	**265**	(21,213)	**265**	(21,213)
Impact of one-off material non-operating items(2)	[4]	**7,236**	10,850	**-**	-
Operating profit after tax	[5]=[1-2-3-4]	**125,804**	105,809	**71,345**	52,824
Attributable to:					
- Owners of the parent		**112,573**	94,708	**70,320**	52,128
- Non-controlling interests		**13,231**	11,101	**1,026**	696

Notes: (1) The short-term investment variance and impact of discount rate change of L&H listed above is net of tax.
(2) The impact of one-off non-operating item in 2018 referred to the fair value revaluation gain, as required by the accounting standards, of the convertible bonds issued by Lufax Holding to the Group as the consideration of Puhui transaction. The fair value of the convertible bonds significantly increased due to Lufax Holding's Series C financing. The one-off material item that management considered to be non-operating income and expense in 2017 was the financial gain from Ping An Good Doctor's restructuring.
(3) Figures may not match totals due to rounding.

Source of Earning and Residual Margin Analysis of L&H

The breakdown by source of earning of L&H operating profit has been shown as below.

(in RMB million)		2018	2017	Note
Release of residual margin	[1]	**62,287**	49,811	
Return on net worth	[2]	**8,959**	7,357	Investment return on shareholder equity based on EV ultimate investment return assumption (5%)
Spread income	[3]	**5,048**	5,637	Investment return from assets backing liability based on EV ultimate investment return assumption (5%) higher than interest required on liability
Operating variances and other	[4]	**21,749**	10,108	Favorable operating experiences
L&H operating profit before tax	[5]=[1+2+3+4]	**98,043**	72,912	
Income tax	[6]	**(26,698)**	(20,088)	
L&H operating profit after tax	[7]=[5+6]	**71,345**	52,824	

Note: Figures may not match totals due to rounding.

Residual margin is the present value of future profits with release pattern locked in at the time of policy issuance, resulting in stable release and immunity to capital market volatility. As at December 31, 2018, residual margin of the life and health insurance business was RMB786,633 million, which rose by 27.6% from the beginning of 2018 mainly due to contribution from new business. The movement of L&H residual margin has been illustrated below:

(in RMB million)		2018	2017	Note
Opening residual margin	[1]	**616,319**	454,705	
Contribution from new business	[2]	**177,485**	168,426	
Expected interest growth	[3]	**28,498**	22,642	
Release of residual margin	[4]	**(62,287)**	(49,811)	
Lapse variances and others	[5]	**26,617**	20,357	Business growth and favorable lapse experience
Closing residual margin	[6]=[1+…+5]	**786,633**	616,319	

Note: Figures may not match totals due to rounding.

Analysis of Embedded Value and Operating Profit

Appendix

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

12 months ended December 31 (in RMB million)	FYP used to calculate value of new business	FYP disclosed in MD&A	Difference	Reasons
Retail business	**133,417**	**156,599**	(23,183)	Guaranteed renewal and other short term products' renewal premiums are included in FYP disclosed in MD&A but not included in FYP used to calculate value of new business
Group business	**32,030**	**21,907**	10,123	In compliance with current accounting standards, group investment contracts are not included in FYP disclosed in MD&A, but included in FYP used to calculate value of new business due to their contribution to value of new business
Total	**165,446**	**178,506**	(13,060)	

Note: Numbers may not match totals due to rounding.

Liquidity and Capital Resources

- The Company manages its liquidity and capital resources from the perspective of the Group as a whole.
- As at December 31, 2018, the solvency of the Group was adequate. The comprehensive solvency margin ratio rose by 1.5 pps from the beginning of 2018 to 216.4%, higher than the regulatory requirement (100%).

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 its operating, investing and financing activities while maximizing shareholders' returns by optimizing its financial resources allocation and capital structure.

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

Liquidity management of the Group comprises capital management and cash flow management. The Group has put in place a comprehensive capital management and decision-making mechanism. As part of this process, the Group's subsidiaries put forward their capital requirements based on their own business development needs. The parent company then submits its recommendations on the overall capital plan for the Group, based on the overall situation of the 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 meet the requirements of liquidity management. Ping An Group and its insurance subsidiaries implement separate management of their operating cash inflows and outflows. Allocation and deployment of funds are centralized through the pooling of cash inflows and outflows. The Company and its subsidiaries are therefore able to monitor cash flow status in a timely manner.

	December 31, 2018	December 31, 2017	Change
Total liabilities to total assets ratio	**90.4%**	90.9%	-0.5 pps

Note: Total liabilities to total assets ratio = Total liabilities/Total Assets.

CAPITAL STRUCTURE

The Group's long-term capital stability stems from the profits continuously generated by its various businesses. Furthermore, based on the capital plan, the Group ensures capital adequacy by using capital market instruments, issuing equity securities, subordinated bonds, capital supplement bonds, hybrid capital bonds and tier-2 capital bonds to raise capital. Adjustments are made to surplus capital through dividend distribution. As at December 31, 2018, the Group's equity attributable to shareholders of the parent company was RMB556,508 million, up 17.6% from the beginning of 2018. The parent company's capital mainly comprises contributions from shareholders as well as proceeds from issuance of H shares and A shares.

Liquidity and Capital Resources

The following table indicates the balances of subordinated bonds, capital supplement bonds, hybrid capital bonds and tier-2 capital bonds issued by the Group and main subsidiaries as at the end of 2018:

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

FREE CASH OF THE HOLDING COMPANY

The free cash of the Company includes bonds, equity securities, bank deposits and cash equivalents that the Company holds. They can be invested in subsidiaries or used in daily operations or for dividend distribution. As at December 31, 2018, the Company's free cash amounted to RMB42,010 million, up RMB3,678 million compared with the beginning of the year.

(in RMB million)	2018	2017	Change (%)
Opening balance of free cash	**38,332**	35,570	7.8
Dividend from subsidiaries	**48,566**	25,711	88.9
Dividend out to shareholders	**(33,270)**	(19,194)	73.3
Capital injection into subsidiaries	**(8,584)**	(7,702)	11.5
Others	**(3,034)**	3,947	N/A
Closing balance of free cash	**42,010**	38,332	9.6

The major cash outflows were the dividend to A and H shareholders of RMB33,270 million and capital injection into subsidiaries of RMB8,584 million. The major cash inflow was the dividend from subsidiaries of RMB48,566 million which is illustrated below:

(in RMB million)	2018
Ping An Life	**31,449**
Ping An Property & Casualty	**7,001**
Ping An Trust	**6,492**
Ping An Asset Management	**2,467**
Ping An Bank	**1,157**
Total	**48,566**

DIVIDEND DISTRIBUTION

According to Article 217 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) is 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 cash dividend payout ratio, the Company shall take into account its profit, cash flow, solvency, operation and business development requirements. The Board of Directors of the Company shall be responsible for formulating and implementing a distribution plan according to the provisions of the Articles of Association. The Board of Directors will ensure the stability and continuity of the profit distribution policy, so that the Group can seize opportunities for growth in the future while maintaining financial flexibility.

Given sustained business growth and confidence in our prospect, the Board of Directors proposed to increase total ordinary dividend per share for 2018 by 14.7% year on year to RMB1.72.

	Cash dividend paid per share (in RMB)	Growth of cash dividend per share (%)	Cash dividend amount (in RMB million)	Net profit attributable to shareholders of the parent company (in RMB million)	Cash dividend payout ratio (%)
2018	1.72	14.7	31,442	107,404	29.3
2017	1.50	100.0	27,420	89,088	30.8
2016	0.75	41.5	13,710	62,394	22.0

Notes: (1) Cash dividends include the interim dividend and final dividend for the year.
(2) The cash dividend paid per share is based on the then share capital.
(3) Except the 2018 final dividend pending approval at the 2018 Annual General Meeting, the profit distribution for other years was completed during the relevant years.
(4) Total ordinary dividend per share for 2018 was RMB1.72, excluding the 30th Anniversary Special Dividend of RMB0.20 distributed in the first quarter. If the 30th Anniversary Special Dividend is included, the total cash dividend per share for 2018 will be RMB1.92, equating to a 28.0% dividend growth rate and a 32.7% payout ratio.

CAPITAL ALLOCATION

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

Liquidity and Capital Resources

LIQUIDITY RISK MANAGEMENT

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

To meet domestic and international regulatory requirements including 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). The Group has also established a robust liquidity risk management framework covering risk appetites and limits, risk strategies, risk monitoring, stress testing, emergency management, appraisal and accountability, and relevant policies. Ping An has constantly improved its management procedures and processes for better identification, evaluation, and management of the liquidity risk at the Group and its members.

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 analyses of the liquidity risk for a certain period in the future to identify the potential liquidity risk and take measures to control liquidity gaps.

The Group and its subsidiaries have established liquidity reserve policies and maintained stable, convenient, and diverse sources of financing to ensure that they have adequate liquidity to tackle possible impacts from adverse situations. The Group and its 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)	2018	2017	Change (%)
Net cash flows from operating activities	**206,260**	121,283	70.1
Net cash flows from investing activities	**(240,426)**	(354,767)	(32.2)
Net cash flows from financing activities	**31,264**	178,588	(82.5)

Net cash inflows from operating activities increased year on year mainly because Ping An Bank's cash outflows from operating activities declined significantly year on year.

Net cash outflows from investing activities dropped year on year mainly due to a year-on-year decline in net cash outflows from investing activities of Ping An Bank and Ping An Life.

Net cash inflows from financing activities fell year on year mainly due to a year-on-year decrease in net cash inflows from financing activities of subsidiaries including Ping An Bank.

CASH AND CASH EQUIVALENTS

(in RMB million)	December 31, 2018	December 31, 2017	Change (%)
Cash	**219,959**	202,471	8.6
Bonds to mature within 3 months	**2,534**	13,185	(80.8)
Financial assets purchased under reverse repo agreements to mature within 3 months	**85,531**	93,008	(8.0)
Total cash and cash equivalents	**308,024**	308,664	(0.2)

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

GROUP SOLVENCY MARGIN

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

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

(in RMB million)	December 31, 2018	December 31, 2017	Change (%)
Core capital	**1,258,768**	1,115,365	12.9
Actual capital	**1,290,268**	1,146,865	12.5
Minimum capital	**596,238**	533,775	11.7
Core solvency margin ratio (regulatory requirement >=50%)	**211.1%**	209.0%	2.1 pps
Comprehensive solvency margin ratio (regulatory requirement >=100%)	**216.4%**	214.9%	1.5 pps

Notes: (1) Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.
(2) Figures may not match the calculation due to rounding.

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

Stress test results about impacts of declines in interest rates and equity assets on Ping An Group, Ping An Life and Ping An Property & Casualty's solvency margin ratios as at December 31, 2018 are disclosed below:

	Comprehensive solvency margin ratio		
	Ping An Group	Ping An Life	Ping An Property & Casualty
Central case	216.4%	218.8%	223.8%
50bps decline in interest rate	208.7%	204.6%	224.2%
30% decrease in fair value of equity assets	205.9%	204.4%	219.8%

Risk Management

We strive to become a "world-leading technology-powered retail financial services group." To achieve this goal, we continuously optimize the risk management system and develop a risk management platform. By identifying, evaluating and mitigating risks, we achieve a balance between risks and returns which ultimately contributes to sustainable growth of the Group.

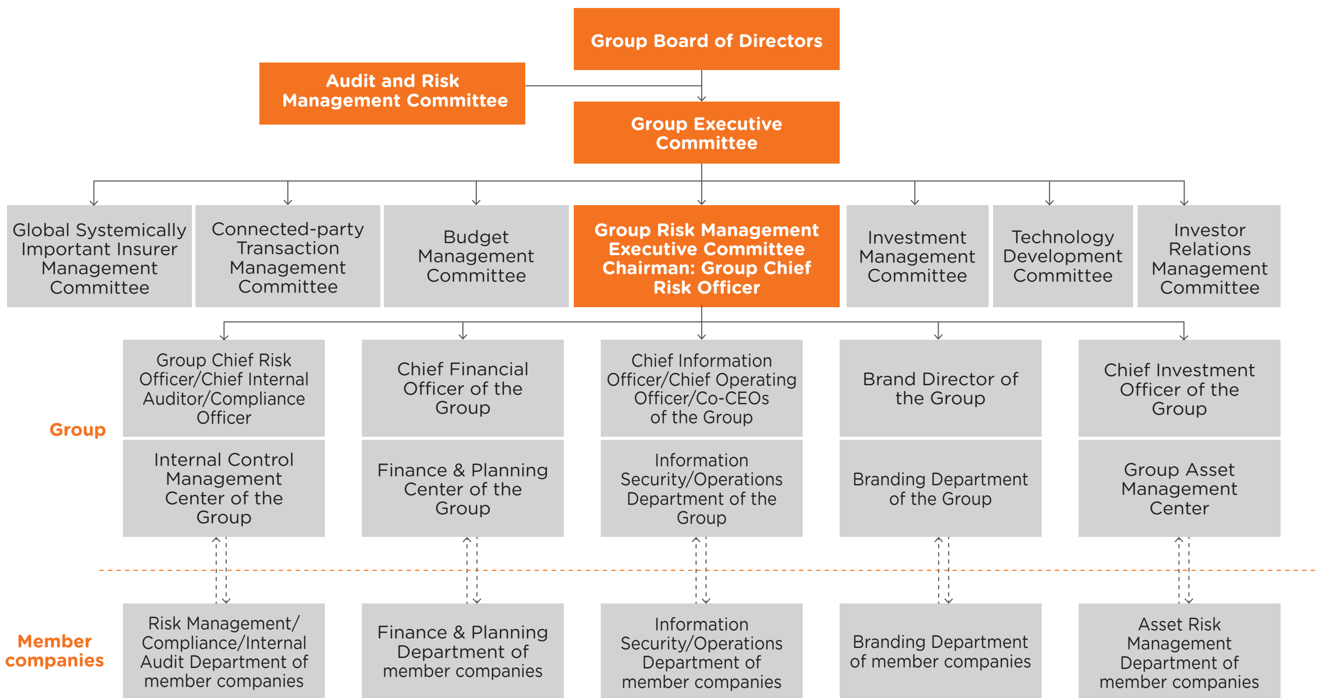
RISK MANAGEMENT OBJECTIVES

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

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

RISK MANAGEMENT ORGANIZATIONAL STRUCTURE

The Group proactively complies with the PRC Company Law and 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 Group 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 members and business lines.



The Board of Directors is the highest decision-making authority for the Company's risk management and takes responsibility for the effectiveness of the enterprise 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 effectiveness of the risk management framework, and making recommendations to the Board of Directors after deliberations on the following matters:

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

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

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

In 2018, the Group closely followed domestic and foreign regulatory trends such as G-SIIs, the New Basel Capital Accord, and the China Risk Oriented Solvency System (C-ROSS). We continued to strengthen the enterprise risk management framework, upgrade the risk governance and risk management policies of the Group and its members, and improve the Group-member risk management structure covering all risks and a centralized management platform to create synergies for enhanced risk management capabilities of the Group. The Group also improved its risk appetite system, developed risk management guidelines, evaluated enterprise risk management capabilities, improved monitoring indicators for enterprise risk management, standardized risk management requirements, reviewed business progress, and optimized capital utilization, to strike a balance between business development and risk management. The Group fulfilled risk management responsibilities and continued to optimize risk monitoring and reporting. Through the Risk Dashboard, the Group and its members have identified, classified and evaluated risks in a systematic manner, and applied smart risk management approaches to ensure that all risks are effectively managed on a timely basis.

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

Risk Management

Ping An has been designated by the Financial Stability Board (FSB) and the International Association of Insurance Supervisors (IAIS) as one of the Global Systemically Important Insurers (G-SIIs) for many years. We have proactively 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. Our efforts have yielded good results. In 2018, as required by the FSB and the IAIS, Ping An reviewed and updated its Systemic Risk Management Plan (SRMP), and Recovery and Resolution Plan (RRP) including the Liquidity Risk Management Plan (LRMP). Based on the changes of the systemic risk assessment indicators, Ping An reviewed the changes in its business and risk profile. According to the comprehensive review and assessment, Ping An has effectively kept risks under control with its specialized enterprise risk management framework, and the Group's potential systemic impact on the financial market was very limited. The RRP including LRMP for 2018 has been approved by executive directors authorized by the Board of Directors, and has been approved by the CBIRC. While meeting the G-SII and the 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. We effectively prevent risks and risk contagion, provide our integrated financial business with strong risk protection, and safeguard the rapid development of our innovative business. Ping An acts as a stabilizer of financial markets to make greater contributions to China's financial innovation and development.

RISK MANAGEMENT CULTURE

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

RISK APPETITE SYSTEM

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

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 members in specifying their unique risk appetite dimensions according to their business features and demand. We have broken down risk appetites and tolerance into risk limits under different categories, and applied the risk limits to routine risk monitoring and early warning, so as to support business decision-making and strike a balance between risk management and business development.

MAJOR MEASURES OF RISK MANAGEMENT

The Group continues to strengthen its enterprise risk management system, improve its organizational structure, formulate risk management policy and guidelines, standardize procedures for risk management, and fulfill risk management responsibilities. 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, and enhance the overall risk management capabilities under an integrated model of various businesses.

- The Group has established an optimal risk governance framework and risk management reporting mechanism, and included risk indicators in the performance appraisal which integrates risk management culture into its corporate culture. In this way, we have laid the foundation for healthy, sustainable and stable development of the Group's business.

- The Group is proactively exploring and formulating a risk appetite framework in line with its business development strategy. The Group also formulates risk management guidelines and standardizes risk management requirements for members.

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

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

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

- The Group conducts holistic management of subsidiaries' risks, carries out comprehensive assessment of risk management capabilities, and constantly improves risk monitoring indicators and measurement methods. Subsidiaries were instructed to apply technologies such as artificial intelligence to build up their smart risk management. By improving the risk management platform of the Group, we have enhanced the efficiency of risk management.

RISK ANALYSIS

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

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

1. General Risks

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

1.1 Insurance Risk

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

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

Risk Management

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

December 31, 2018 (in RMB million)	Change in assumptions	Impact on insurance liability reserve (after reinsurance) increase/ (decrease)
Discount rate/ investment yield	+10bps	(6,446)
Discount rate/ investment yield	-10bps	6,622
Mortality, morbidity, and accident rates(1)	+10%	44,436
Surrender rate	+10%	13,870
Policy maintenance expense ratio	+5%	3,066

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

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

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

December 31, 2018 (in RMB million)	Change in average claim costs	Impact on net claim reserves increase/(decrease)
Property and casualty insurance	+5%	4,037
Short-term life insurance	+5%	336

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

- Develop insurance risk management 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 policies to develop products with proper insurance coverage and fair pricing, and control product pricing risks;
- Implement prudent underwriting policies, establish guidelines for policy contracting and underwriting, and effectively prevent and reduce adverse selection risks;
- With strict claim investigation and settlement procedures, identify and prevent questionable or fraudulent claims;
- With effective product management procedures, analyze the experience and trends with the latest and the most accurate and reliable data, and well manage the product mix to 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, and use reinsurance as an effective risk transfer tool to transfer the excess risks to reinsurers with a high level of solvency to control insurance risks.

1.2 Market Risk

Market risks refer to the risks that cause the Group unexpected loss due to unfavorable changes in interest rate, equity price, exchange rate, and real estate price.

The Group has continuously strengthened its market risk management approach, and strengthened the ability to identify, evaluate, measure, analyze and report on market risks from multiple dimensions. We further strengthened our investment risk management system to reinforce the foundation of risk management and improve risk management efficiency. We improved the risk management reporting mechanism, and consolidated risk monitoring and management. Stress testing was optimized to realize its decisional role in adherence to the bottom line of risk control. A risk limit framework was launched to monitor risks in the Group, subsidiaries and business lines. The Group also enhanced the risk early warning mechanism, which led to more targeted, forward-looking and thorough risk management.

The mechanisms and procedures adopted by the Group to manage market risks are as follows:

- Market risks are managed in a top-down manner by the RMEC, the Group's Investment Management Committee and the risk management committees of member companies;
- 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 framework is 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 Group's tolerance.

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

Market Risk – Interest Rate Risk

Fixed maturity investments held by the Group are exposed to the interest rate risk. These investments are substantially represented by bond investments booked at fair value on the balance sheet. The Group uses various methods 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, 2018 (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 carried at fair value through other comprehensive income	+50 bps	1,739	8,356

The impacts of interest rate re-pricing and duration mismatch of assets and liabilities on yields are assessed through 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 PBC's policies on benchmark interest rates.

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 portfolios of equity investment due to normal market fluctuation within a given confidence level (99%) and a specified timeframe (10 days).

As at December 31, 2018, the VaR for listed equity securities and securities investment funds is as follows:

December 31, 2018 (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 carried at fair value through other comprehensive income	15,799

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 depreciation of 5% 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, 2018 (in RMB million)	Decrease in equity
Net exposure to fluctuations in exchange rates assuming a simultaneous and uniform depreciation of 5% of all foreign currency denominated monetary assets and liabilities and non-monetary assets and liabilities measured at fair value against the Renminbi	2,756

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

Market Risk – Real Estate Price Risk

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

As at December 31, 2018, the fair value of the Group's holding of buildings under investment properties stood at RMB68,136 million.

1.3 Credit Risk

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

The Group manages credit risk through various measures, including:

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

The Group is in strict compliance with the credit risk management guidelines issued by regulators. Under the guidance of the Board of Directors and the management, the Group carries out analysis, monitoring and management of the credit risk exposures of lending and investment businesses at the group level. On this basis, the Group establishes and refines credit risk limits for different members and business lines to manage high risk exposures and the concentration of risk after consolidating the Group's financial statements. The Group also provides forward-looking insights and analysis of potential credit risks and their impacts on the Group.

The Group carries out targeted measures to control specific credit risks and concentration risks in light of different characteristics and risk profiles of businesses such as insurance, banking and investment. In order to manage credit risks associated with the banking business, the Group adopted advanced capital management methods, continuously improved credit structure and set credit risk limits on portfolios from multiple dimensions in line with changes in the financial and economic situation, macroeconomic policies and the requirements of regulatory authorities. The Group conducted thorough and stringent credit assessments on potential borrowers before granting credit facilities and reviewed 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 included obtaining collateral and guarantees. In the case of off-balance sheet credit commitments, the Group referred to the principles and methods applied to on-balance sheet credit asset management to set up standard approval and management procedures, and normally collected performance deposits to mitigate credit risk. The Group stepped up its efforts in credit risk monitoring and precautions, enhancing its capability to provide early warning of risks and make prompt responses. We also actively dealt with changes in the market environment and regularly analyzed trends and changes of credit risk so as to take precautionary measures to control risk. Furthermore, for credit risk associated with the investment business, the Group assesses the credit of potential investment instruments in line with internal risk rating policies and procedures, chooses a counterparty that has a relatively high credit standing and adopts a multi-dimensional approach for setting risk limits on investment portfolios in order to manage credit risks. For reinsurance credit risk associated with insurance business, namely, credit risk which occurs when a reinsurance company is unable to fulfill its obligations, the Group evaluates the credit of the reinsurers before entering into a reinsurance contract, and seeks to reinsure with companies that have higher credit standing to mitigate such risks.

December 31, 2018	Percentage of carrying value
Low-risk financial assets measured at amortized cost held by the Group	92.2%

1.4 Operational Risk

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

The Group strictly follows applicable regulations and its operational risk management strategies. We use existing compliance management and internal control framework as the basis to integrate the advanced standards, methods and tools for operational risk management of domestic and foreign regulators. We optimize the structure and policies for operational risk management, and strengthen collaboration and cooperation between departments. We also established daily monitoring and reporting mechanisms to provide regular reports to the management on the overall operational risk situation. Moreover, we developed a set of rules and standards for operational risk management and strengthened the system development to constantly improve the effectiveness of operational risk management.

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

- Establishing a robust and comprehensive management approach covering the whole Group to identify, evaluate, monitor, control/mitigate, and report operational risks;
- Constantly optimizing the operational risk policies, frameworks, workflows, systems and tools to enhance overall operational risk management;
- Stepping up the use of operational risk management tools among member companies, such as the Risk and Control Self-Assessment (RCSA), Key Risk Indicator (KRI) and Loss Data Collection (LDC);
- Pushing forward the operational risk capital measurement according to regulatory requirements and management requirements; and
- Promoting a culture of operational risk management through targeted training.

1.5 Strategic Risk

Strategic risks refer to the risks of mismatch of strategies and market environment with the Company's capacity due to ineffective processes for drafting or implementing strategies or changes in the operation environment.

By establishing a sound strategic risk management framework and procedures, the Group fully studied the macroeconomic conditions both at home and abroad, impact of regulatory landscape and market movement. We developed high-level strategic plans to ensure consistency between the strategic goals of members and the strategic plans of the Group and synergies between strategic goals of members. The Group also formulated medium- and long-term strategic plans and annual business plans, clarifying strategic priorities of the Group and its members. Furthermore, we oversaw and evaluated members' implementation of strategic plans to ensure effective execution of the Group's high-level strategic plans.

1.6 Reputation Risk

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

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

2. Group-level Risk

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

2.1 Risk Contagion

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

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

The Group has built robust firewalls between the Group and its subsidiaries and among its subsidiaries, including legal-entity firewalls, finance firewalls, 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. The Group manages the subsidiaries through shareholding, but neither participates in nor intervenes in the subsidiaries' routine business. The subsidiaries carry out business activities independently, and are supervised by their respective regulators. Second, the finance firewalls. The Group and its subsidiaries have finance functions respectively; senior finance managers may not take concurrent offices at different entities within the Group. Each entity has clear accounts, with independent accounting, assets, and liabilities. Third, the information firewalls. The Group has established the governance structure with three lines of defense for information security. Member companies have established information security departments to strictly implement the Group's information security management rules for effective information segregation. Attaching great importance to customer information management and security of products and businesses on the internet, the Group has set up and effectively implemented the mechanism for comprehensive in-the-process monitoring. Moreover, the Group adopted cutting-edge technologies, including artificial intelligence (AI) and cloud computing, and security measures in terms of infrastructures, terminals, business and people to effectively protect customer information security. Meanwhile, the Group has been increasing awareness of information security and building a culture where everyone is responsible for information security. The Group is committed to building safe, innovative financial ecosystems. 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, regulations and the CBIRC).

The Group has constantly improved the management of CPTs. In 2018, domestic regulators kept focusing on CPTs. The Group and its subsidiaries such as the insurance companies, bank, trust company, securities company, fund management company, and asset management company constantly enhanced management of CPTs in strict accordance with laws and regulations. The Group's Connected-Party Transaction Committee functioned effectively, coordinated Group-wide CPT management, constantly optimized management policies and procedures, and enhanced CPT identification, review and fair value-based pricing to ensure fair pricing for CPTs. The Group continued to increase transparency by disclosing and reporting CPTs in strict accordance with rules. The Group has developed a culture of strong compliance awareness for CPTs. The Group's CPT management systems and mechanisms have been improved and effectively operated.

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

Risk Management

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

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

2.2 Organizational Structure Non-transparency Risk

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

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

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

2.3 Concentration Risk

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

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

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

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

2.4 Non-insurance Risk

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

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

SOLVENCY MANAGEMENT

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

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

Qualitative regulatory requirements, as the second pillar of C-ROSS, are mainly based on the CBIRC's Solvency Aligned Risk Management Requirements and Assessment (SARMRA). The SARMRA results are linked with an insurer's minimum capital for risk control, so as to adjust the minimum capital requirement based on the first pillar. According to the circular of the CBIRC on SARMRA of insurers for 2018, Ping An's insurance member companies were not measured in the SARMRA assessment for 2018 based on spot checks. Therefore, the SARMRA results remain unchanged. Ping An Life scored 85.58 for 2017, allowing its minimum capital requirement under C-ROSS to reduce by RMB10,031 million as at December 31, 2018. Ping An Property & Casualty scored 84.10 for 2017, allowing its minimum capital requirement under C-ROSS to reduce by RMB800 million as at December 31, 2018.

Risk Management

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

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

As at December 31, 2018, the Group's solvency margin ratio met regulatory requirements under C-ROSS. Below are the details:

(in RMB million)	December 31, 2018	December 31, 2017	Change (%)
Core capital	**1,258,768**	1,115,365	12.9
Actual capital	**1,290,268**	1,146,865	12.5
Minimum capital	**596,238**	533,775	11.7
Core solvency margin ratio (regulatory requirement ≥50%)	**211.1%**	209.0%	2.1 pps
Comprehensive solvency margin ratio (regulatory requirement ≥100%)	**216.4%**	214.9%	1.5 pps

Notes: (1) Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.
(2) Figures may not match the calculation due to rounding

We have estimated the impacts of declines in interest rates and equity value on the solvency margin ratios of Ping An Group, Ping An Life, and Ping An Property & Casualty as at December 31, 2018. Below are the results:

	Comprehensive solvency margin ratio		
	Ping An Group	Ping An Life	Ping An P&C
Central case	216.4%	218.8%	223.8%
A decline of 50 bps in interest rates	208.7%	204.6%	224.2%
A decrease of 30% in fair value of equity asset	205.9%	204.4%	219.8%

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

Corporate Sustainability

We influence our society with finance and technology, use our expertise to create value for the shareholders, customers, employees, communities, environment and partners, and pursue sustainable development together with the stakeholders.

The year 2018 marked the 40th anniversary of China's reform and opening-up. Also in 2018, Ping An celebrated its 30th birthday and embarked on a new journey. We continued to reward stakeholders, and serve the country, society and people through concrete actions. We implemented the Ping An Rural Communities Support for smart poverty alleviation across China, supporting rural economic growth, health care and education by empowering local officers, doctors and teachers. Embracing technological advancements, we leveraged innovations and technologies to gain deep insights into customers and facilitate industry upgrades. These efforts enabled us to better serve our society, people and country. We provide financial services for small and micro-businesses to bolster the real economy. In inclusive finance, we have granted over RMB100 billion in loans to small and micro-businesses. By building a health care ecosystem, we are committed to addressing issues in China's health care system, including high medical costs and difficulties in obtaining medical services. We are concerned about global climate change and environmental risks. By integrating risk research with product design, we constantly strengthen our ability to manage environmental risks. Committed to responsible investing, we have built a presence in industries including high and new technologies and environmental protection in response to the government's call for "industry upgrades." We have been widely recognized for our unremitting efforts. We have been honored as the "Most Respected Enterprise in China" for 17 consecutive years, and the "Most Respected Enterprise in Asia" five times. We have won the "International Carbon-Value Award" for six consecutive years, and received the "Award for Poverty Alleviation of the Year" at the 2018 People's Corporate Social Responsibility Summit.

Going forward, we will continue to increase investment in technological R&D and pursue "finance + ecosystem" while steadily expanding core financial businesses. We will further the Ping An Rural Communities Support to give back to society. We will maximize value for stakeholders in a sustainable way with our financial strengths, technologies, and smart capabilities.

Poverty alleviation

Annual input of poverty alleviation funds
RMB 5,394 million

Total input in public welfare
RMB 450 million

Covering
330,000
people in poverty

Over
15,000
registered poor residents

Built or upgraded over
400 village clinics

Trained
5,702 village doctors

Built or upgraded
391 village schools

Trained
4,819 village teachers

690,000
registered volunteers of the Ping An Volunteers Association

Employee development

376,900 employees

Total training budget
RMB 1,046 million

Total corporate annuities
RMB 643 million

Total remunerations
RMB 49,902 million

Face-to-face/online training per employee per year 9.21 hours

Customer experience

We adopted the net promoter score (NPS) to gauge customer experiences.

Group NPS rose to
41%

Ping An Life's customer satisfaction degree
95.3%

Ping An Property & Casualty's auto claims approval rate
99.93%

Communities and environment

Ping An Bank's proportion of loans to small and micro-businesses
15.24%

Puhui's proportion of loans to small and micro-businesses
50%

Carbon emissions reduced with technologies in 2018
61,552.3 metric tons

Greenhouse gas emissions(1)
197,904 tCO_2e

Partners

3,289 partners with OneConnect

1,467 suppliers

Annual centralized procurement
RMB 7,441 million

Notes: (1) Greenhouse gas emissions include Scope 1, Scope 2 and Scope 3.
(2) Above is an excerpt only. For complete data, refer to the 2018 Sustainability Report.

Prospects of Future Development

BUSINESS PLAN FOR 2019

As we are committed to steady, sustainable business development, no major change has been made to our long-term operational objectives compared with those announced last year.

In 2018, we were committed to delivering on our operational objectives. We furthered "finance + technology" and pursued "finance + ecosystem" to promote technology-driven reforms, empowering financial services with technologies, empowering ecosystems with technologies, and empowering financial services with ecosystems. We enhanced retail customer development and boosted the value of retail businesses. We maintained healthy, sustainable growth of our insurance, banking, asset management and fintech & healthtech businesses. Our profitability continued to increase. We delivered on all our operational objectives for 2018.

In 2019, we will remain committed to sustainable development and carry out the plans formulated by the Board of Directors. We will provide better offerings for customers and create value for shareholders. We will continue to focus on the two major industries of pan financial assets and pan health care. We will develop five ecosystems: financial services, health care, auto services, real estate services, and smart city services. We strive to become a world-leading technology-powered retail financial services group.

- Being customer-centric, we will apply technological innovations to the development of retail financial products and the improvement of customer services. We will continue to optimize customer experiences and satisfy customer demands. We will boost the value of retail customers by promoting cross-selling and customer migrations.

- Our insurance businesses will continue to seek stable growth and enhance operational results. Ping An Life will continue to pursue balanced business growth, aiming for long-term sustainable development and stable agent force expansion. Ping An Property & Casualty will upgrade its online platform to offer better services and build differentiated advantages. Ping An Annuity will provide corporate employees with one-stop insurance, annuity and value-added health management services, making contributions to old-age care, health care and poverty alleviation. Ping An Health will carry out its technology-powered transformation and mobile strategy to pursue product innovations, increase operational efficiency, and improve customer experiences.

- Our banking business will follow national strategies and adapt to domestic and international situations. Ping An Bank will continue to pursue "technology-driven breakthroughs in retail banking and enhancement of corporate banking." First, Ping An Bank will transform itself into an industry-oriented bank and build capabilities of serving the real economy. The Bank will provide customers with diverse financial services under an industry-specific "commercial banking + investment banking + investment" model. Second, Ping An Bank will use technologies to empower private companies and micro-businesses by offering more convenient and secure smart financial services. Third, Ping An Bank will embrace changes, exploit "ecosystem-based" momentums, and seek new business drivers by developing ecosystems. Fourth, Ping An Bank will ensure compliance and apply technologies to risk management.

- Our asset management business will remain committed to improving customers' investment returns and trading experiences by building a leading investment management platform. We will pursue product innovations and enhance our capabilities of serving the real economy. In insurance asset management, we will continue to prioritize risk prevention, match assets and liabilities, and enhance risk management mechanisms.

- We will continue to further "finance + technology" and pursue "finance + ecosystem." We will utilize our three core technologies, namely AI, blockchain and cloud computing, to satisfy demands and increase efficiency. We will build five ecosystems, namely financial services, health care, auto services, real estate services, and smart city services. By doing so, we will provide customers with better offerings and empower the whole industry with technologies.

In an ever-changing environment, we will seize growth opportunities and avoid market risks by gaining insights into macroeconomic dynamics, revise operational objectives as appropriate, and increase our competitive advantages.

MAJOR INDUSTRY TRENDS AND THE MARKET LANDSCAPE

In 2018, the insurance industry was guided by the Thought on Socialism with Chinese Characteristics for a New Era. Insurers implemented the strategy adopted by the 19th CPC National Congress, focusing on long-term risk management and protection as their original aspirations. Insurance market rules were strengthened as the reform of commercial auto insurance premium rates continued. Insurers strengthened capabilities of serving people's livelihood as new social security policies for old-age care and health care were implemented. Cutting-edge technologies such as AI and cloud computing enabled the insurance industry to upgrade itself. As regulations tighten and reforms continue, the insurance industry will realize sustainable growth by playing its role in risk management and social security.

In 2018, China's economic growth remained stable while new momentums emerged. Banks face new requirements put forward by the industrial development and the market landscape. First, risk management remains a top priority. Banks must strictly comply with regulatory requirements, and improve risk management and asset quality. Second, banks should be committed to serving the real economy through in-depth industrial research and integration into the industrial ecosystems. Third, technological innovation will be a core driver of development. Banks should utilize technologies to cut costs, manage risks and enhance management as advanced technologies including AI, blockchain and cloud computing mature. Only by doing so can banks optimize and upgrade themselves to support non-SOEs, financial inclusion, small and micro-businesses, agriculture, rural areas and farmers, and targeted poverty alleviation.

In 2018, China's financial industry continued to develop and carried out reforms, effectively preventing and mitigating systemic risks and stabilizing the financial system. Asset managers switched the focus back onto managing wealth on behalf of customers due to a series of regulatory policies including new regulations for asset management. Financial institutions became more aware of compliance, and investors became more aware of risks. We will continue to strengthen our investment capabilities and risk management in line with national policies and strategies. We will build a leading asset management platform in China to serve the real economy, upgrade the industry, and facilitate the economic transformation.

In 2018, new technologies such as AI, blockchain and cloud computing had significant impacts on social development and business models. Traditional industries, including financial services, health care, automobiles, real estate and urban construction, now face huge opportunities and challenges. We will continue to increase operational efficiency, make better use of resources, and improve user experiences by developing and applying new technologies. We will closely follow the technology tide, invest heavily in technological R&D, diversify use cases, and build a world-leading fintech company.

Amid domestic and international complexities, we will make contributions to China's development by closely following national policies, effectively serving the real economy, and strictly managing financial risks. We will further "finance + technology" and pursue "finance + ecosystem," empowering financial services with technologies, empowering ecosystems with technologies, and empowering financial services with ecosystems. We will create value for customers and shareholders under an integrated financial business model of "one customer, multiple products, and one-stop services."

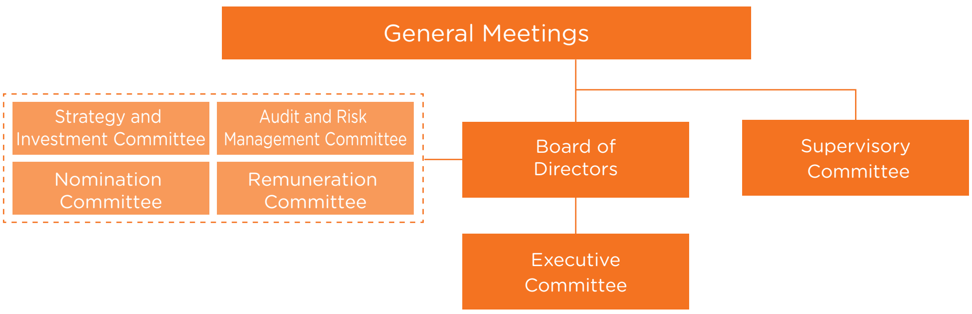
Corporate Governance Report

Ping An has established and kept improving its corporate governance structure which is based on both local advantages and international standards, and continues to perform global best practice in corporate governance. The board of directors of the Company (the "Board" or "Board of Directors") hereby reports to the shareholders on the corporate governance of the Company for the year ended December 31, 2018 (the "Reporting Period").

CORPORATE GOVERNANCE STRUCTURE

During the Reporting Period, the Company conducted corporate governance activities in line with realities and in strict accordance with applicable laws including the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, applicable regulations, and principles set out in the Corporate Governance Code. The general meetings ("General Meetings"), Board of Directors, the supervisory committee ("Supervisory Committee") and the executive committee ("Executive Committee") of the Company exercised their rights and performed their responsibilities conferred by the Articles of Association respectively.

The Corporate Governance Structure of Ping An



GENERAL MEETINGS AND SHAREHOLDERS

General Meetings

During the Reporting Period, the Company convened 5 general meetings. 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 meetings established and expanded effective channels for communication between the Company and the shareholders, and through listening to their opinions and advice, their information rights, participation rights and voting rights on the significant events of the Company can be ensured. The detailed information of the general meetings is as follows:

General meeting	Date of the meeting	Date of publication of resolutions	Designated media for information disclosure of A share
2018 First Extraordinary General Meeting	March 19, 2018	March 20, 2018	*China Securities Journal, Shanghai Securities News, Securities Times* and *Securities Daily*
2018 First A Shareholders' Class Meeting	March 19, 2018	March 20, 2018	
2018 First H Shareholders' Class Meeting	March 19, 2018	March 20, 2018	
2017 Annual General Meeting	May 23, 2018	May 24, 2018	
2018 Second Extraordinary General Meeting	December 14, 2018	December 15, 2018	

The resolutions of the above general meetings have also been published on the websites of SSE (www.sse.com.cn) and HKEX (www.hkexnews.hk).

Shareholders' Rights

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

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

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

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

Information Disclosure and Investor Relations

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

The Company adheres to the principles of compliance, objectiveness, consistency, timeliness, interactivity and fairness in providing services proactively, passionately and efficiently to institutional and individual investors domestically and abroad, aiming at improving the understanding between the Company and its investors, enhancing corporate governance and realizing the fair corporate value of the Company.

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

The Company improves communication effectiveness with the investors and promotes their understandings of the Company's value by means of public presentations, video and telephone conferences, and onsite roadshows, etc. The Company resorts to telephone conferences, roadshows, gatherings of stock market analysts, Investor Days and so on, to actively promote itself to the market, and to improve the understanding of the market about the Company and its communication with the Company. While maintaining good communication with the institutional investors, the Company also established different channels for communication with minority investors, including but not limited to corporate websites, e-mail and telephone calls, so as to provide better services to them and protect the interests of the investors. Moreover, the Company is committed to collecting capital market analysis reports and shareholders' information, and pays special attention to the investors' concerns and advice, aiming at further enhancing the operation and management of the Company as well as its corporate governance. The Company also made great efforts in improving its internal workflow and policy formulation so as to provide investors with better services in a more efficient way.

In 2018, the Company held 2 Investor Days with an audience of over 1,600, on which the Company paid special attention to communication with the market in respect of its core finance businesses and technologies. The Company provided webcasts and teleconferences for investors to participate in the Investor Days, which further broadened the approaches for participation and better protected the interests of minority investors.

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 CBIRC. The Company is an independent legal person responsible for its own profits and losses, runs independent and complete business and is capable of independent business operation. During the Reporting Period, no controlling shareholders or other connected parties had misappropriated the Company's funds, as specified by PricewaterhouseCoopers Zhong Tian LLP's special-purpose explanation in this respect and the Company has not given any undisclosed information to any controlling shareholder or de facto controller.

BOARD AND DIRECTORS

Corporate Governance Functions of the Board

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

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

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

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

Board Diversity

Board diversity provides professional support for effective decision-making of the Board

Age Group	3 Directors Under 50 (inclusive)	4 Directors 51-55	3 Directors 56-60	5 Directors Above 60
Directorship with Ping An (Number of Years)	3 Directors Less than 3 years	8 Directors 3-5 years	2 Directors 6-9 years	2 Directors More than 10 years (inclusive)
Categories	5 Directors Independent Non-executive Directors	4 Directors Non-executive Directors	6 Directors Executive Directors	

Expertise In insurance, actuarial science, banking, investment, accounting, law, management, medicine, engineering etc. We will continually bring in directors with experience in science and technology.

Directors

The Board consists of 15 members, namely 6 Executive Directors, 4 Non-executive Directors and 5 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.

Attendance Record of Directors

During the Reporting Period, the Directors did their best to participate in the general meetings and the meetings of the Board and specialized committees under the Board in person, as well as to make right decisions on the basis of in-depth knowledge of circumstances. All the Directors have strictly observed their duties and are committed to protecting the interests of the Company and its shareholders as a whole. The attendance records of each Director at the meetings are as follows:

Members	Date of Appointment as Directors	Meetings attended in person(6) / Meetings required to attend					
		General Meeting	Board	Strategy and Investment Committee	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee
Executive Directors							
MA Mingzhe (Chairman)	March 21, 1988	5/5	7/7	2/2	–	–	4/4
SUN Jianyi	March 29, 1995	5/5	7/7	–	–	–	–
LEE Yuansiong	June 17, 2013	5/5	7/7	–	–	–	–
REN Huichuan	July 17, 2012	5/5	6/7	–	–	–	3/4
YAO Jason Bo	June 9, 2009	5/5	7/7	–	–	–	–
CAI Fangfang	July 2, 2014	5/5	7/7	–	–	–	–
Non-executive Directors							
Soopakij CHEARAVANONT	June 17, 2013	2/5	6/7	–	–	3/3	–
YANG Xiaoping	June 17, 2013	5/5	6/7	2/2	3/4	–	–
LIU Chong	January 8, 2016	1/5	6/7	–	–	–	–
WANG Yongjian(1)	July 13, 2018	0/1	2/3	1/1	–	–	–
LIN Lijun (Retired)(2)	May 16, 2003	0/4	2/3	–	–	–	–
XIONG Peijin (Retired)(3)	January 8, 2016	0/4	2/3	–	–	–	–
Independent Non-executive Directors							
YIP Dicky Peter	June 17, 2013	5/5	7/7	2/2	4/4	3/3	–
WONG Oscar Sai Hung	June 17, 2013	5/5	7/7	2/2	–	–	4/4
SUN Dongdong	June 17, 2013	5/5	7/7	–	4/4	3/3	4/4
GE Ming	June 30, 2015	5/5	7/7	2/2	4/4	3/3	–
OUYANG Hui(4)	August 6, 2017	5/5	7/7	–	2/2	3/3	4/4
Stephen Thomas MELDRUM (Retired)(5)	July 17, 2012	3/4	3/3	–	2/2	–	–

Notes:
(1) Mr. WANG Yongjian has served as a Director of the Company since July 13, 2018, and was appointed as the member of the Strategy and Investment Committee on the same date.
(2) Ms. LIN Lijun ceased to be the Director of the Company on May 23, 2018.
(3) Mr. XIONG Peijin ceased to be the Director of the Company on May 23, 2018.
(4) Mr. OUYANG Hui was appointed as the member of the Audit and Risk Management Committee on May 23, 2018.
(5) Mr. Stephen Thomas MELDRUM ceased to be the Director of the Company on May 23, 2018, and ceased to be the member of the Audit and Risk Management Committee on the same date.
(6) Some Directors did not attend certain meetings due to business schedules.

Continuous professional development of the Directors

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

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

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

In 2018, all Directors of the Company attended professional training with topics covering corporate governance, regulations and the Company's businesses and training organized by the Insurance Association of China regarding Insurance asset-liability management, tax policy for insurance industry. In addition, Mr. Liu Chong attended training related to accounting organized by Ministry of Finance, and Mr. Yip Dicky Peter attended training related to the Belt and Road Initiative organized by Hong Kong Trade Development Council.

Performance of Duties by Independent Non-Executive Directors

The 11th Board includes 5 Independent Non-executive Directors, reaching one-third of the total number of the members of the Board, which is in compliance with the requirements under the regulatory rules of the Company's listing jurisdictions. All the Independent Non-executive Directors of the Company are professionals with extensive experience in fields including economics, finance, accounting and law, crucial to sustainable development of the Company. All Independent Non-executive Directors meet the specific independence requirements as set out in the regulatory rules of the Company's listing jurisdictions, and have presented their annual confirmation on independence to the Company. Therefore, the Company continues 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 non-controlling interests. They are playing a significant check-and-balance role in the decision-making of the Board and a key part in the corporate governance of the Company.

The Independent Non-executive Directors of the Company conscientiously performed their duties and responsibilities conferred by the Articles of Association, promptly learnt the important operation information of the Company, paid close attention to the development of the Company and actively attended the meetings of the Board during the Reporting Period. After a due review of the external guarantees of the Company in 2017, the Independent Non-executive Directors of the Company believed that the Company had exerted stringent control over risks associated with external guarantees and that the external guarantees were in compliance with relevant laws and regulations and the Articles of Association. The Independent Non-executive Directors of the Company have conscientiously reviewed and provided independent opinions to agree with the matters regarding provision of assured entitlement to the H shareholders only for the overseas listing of Ping An Good Doctor, profit distribution, significant changes in accounting estimates, changes in accounting policies, recommendation of director candidates, shareholders' return plan for the next three years, connected transaction, implementation of the long-term service plan, buy-back of the shares of the Company and the relevant authorization, and improvement of the decision-making mechanism and organization system of the Executive Committee of the Company which were put forward by the Board during the Reporting Period.

Attendance of Independent Non-executive Directors at the Board meetings and the general meetings

The details of the attendance of Independent Non-executive Directors at the Board meetings and the general meetings during the Reporting Period are set out in the section headed "Attendance Record of Directors" of this chapter.

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' suggestions on the Company

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

SPECIALIZED COMMITTEES UNDER THE BOARD

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

Strategy and Investment Committee

The primary duties of the Strategy and Investment Committee are to conduct research and provide suggestions to the Board for their consideration in relation to major investments, property transactions, financing, major capital operations, asset management projects, production and operation projects and so on, and also to promptly monitor and track the implementation of investment projects approved by the general meetings or the Board, and promptly notify all Directors of any significant progress or changes in process.

In 2018, the Strategy and Investment Committee held 2 meetings, which were convened in accordance with the requirements of the Articles of Association and the Charter of the Strategy and Investment Committee. The 2018 Work Plan of the Company, the Company's 2017 Annual Plan Implementation Evaluation Report, the Resolution on the Suggestion to General Meeting concerning Grant of General Mandate to the Board to Issue Additional H Shares, and the Resolution on Issuing the Debt Financing Instruments were deliberated and approved. The attendance records of each member of the Strategy and Investment Committee are set out in the section headed "Attendance Record of Directors" of this chapter.

Members

Executive Director
MA Mingzhe (Chairman)

Independent Non-Executive Directors
YIP Dicky Peter,
WONG Oscar Sai Hung,
GE Ming

Non-Executive Directors
YANG Xiaoping,
WANG Yongjian

Audit and Risk Management Committee

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

Members

Independent Non-Executive Directors
GE Ming (Chairman),
YIP Dicky Peter,
SUN Dongdong,
OUYANG Hui

Non-Executive Director
YANG Xiaoping

In 2018, the Audit and Risk Management Committee held 4 meetings, which were all convened in accordance with the Articles of Association and the Charter of the Audit and Risk Management Committee. In particular, the Audit and Risk Management Committee reviewed the Company's annual financial statements for the year ended December 31, 2017, the first quarterly financial statements for the three months ended March 31, 2018, the interim financial results for the six months ended June 30, 2018 and the third quarterly financial statements for the nine months ended September 30, 2018. Furthermore, the Audit and Risk Management Committee convened a meeting to review the unaudited financial report for the year 2018 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, 2018 at the first meeting in 2019 and was satisfied with the basis of preparation of the financial report, including the appropriateness of the assumptions and accounting policies and standards adopted, and made recommendations to the Board for their consideration. The attendance records of the members of the Audit and Risk Management Committee are set out in the section headed "Attendance Record of Directors" of this chapter.

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

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

Corporate Governance Report

According to the resolutions of the 2017 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 2018. PricewaterhouseCoopers has been engaged as the Company's auditor for six consecutive years. During the Reporting Period, the remuneration to be paid to PricewaterhouseCoopers is set out as follows:

(in RMB million)	Fees payable
Audit services for financial statements – audits, reviews and agreed upon procedures	77
Audit services for internal control	8
Other assurance services	7
Non-assurance services	18
Total	110

Remuneration Committee

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

Members

Independent Non-Executive Directors
YIP Dicky Peter (Chairman),
SUN Dongdong,
GE Ming,
OUYANG Hui

Non-Executive Director
Soopakij CHEARAVANONT

In 2018, 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 deliberated and approved the Proposal on Reviewing the Remuneration of the Company's Senior Management, the Proposal on Reviewing the Company's 2017 Corporate Governance Report – Incentive and Restraint Mechanism, and the Proposal on Reviewing the Implementation of the Long-term Service Plan. In addition, the Committee also reviewed reports including the Report on the Participation in the 2018 Key Employee Share Purchase Scheme by the Group's Senior Management, the Report on the Settlement of Bonus for the Group's Senior Management for 2017, the Performance Report of the Remuneration Committee of the Board for 2017, the Report on Awarding Long-term Incentives of 2017 to the Group's Senior Management, the Report on the Settlement of the 2015 Long-term Incentives for the Senior Management of the Group and the Report on the Government's Talent Incentive Policies. Attendance of meetings by the members of the Remuneration Committee is set out in the section headed "Attendance Record of Directors" of this chapter.

Nomination Committee

The primary duties of the Nomination Committee are to review, advise and make recommendations to the Board regarding candidates to fill vacancies on the Board and senior management.

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

Members

Independent Non-Executive Directors
SUN Dongdong (Chairman),
WONG Oscar Sai Hung,
OUYANG Hui

Executive Directors
MA Mingzhe,
REN Huichuan

The Nomination Committee also developed and followed the Board Diversity Policy, so as to ensure the Board members reach a balance in terms of skills, experience and diversified visions, and to elevate the efficiency of the Board and maintain a high level of corporate governance. All appointments under the Board are made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. In 2018, in addition to candidates with extensive experience in law and accounting, the Nomination Committee also recommended an Independent Non-executive Director candidate with profound experience in technology to the Board to support the Company's strategic development. The nomination was approved by the second extraordinary general meeting for 2018 on December 14, 2018, and shall become effective upon the CBIRC's approval of his qualification as Director.

In 2018, the Nomination Committee held 4 meetings, which were convened in accordance with the requirements of the Articles of Association and the Charter of the Nomination Committee. The meeting deliberated and recommended the director candidates, the Chairman and Vice Chairman of the 11th Board and the Senior Management, deliberated and approved the Resolution on Improving the Decision Mechanism and Organization System of the Executive Committee of the Company and also reviewed the Annual Review Report of the Structure of the Board for 2017. The attendance records of each member of the Nomination Committee are set out in the section headed "Attendance Record of Directors" of this chapter.

SUPERVISORY COMMITTEE AND SUPERVISORS

The composition of the Supervisory Committee and the profile of each Supervisor have been included in the section headed "Directors, Supervisors, Senior Management and Employees" of this Annual Report. The details of the duty performance of the Supervisory Committee are set out in the section headed "Report of the Supervisory Committee."

THE EXECUTIVE COMMITTEE

The Company has established an Executive Committee, which is the highest execution authority under the Board. The primary duty of the Executive Committee is to review the Company's internal business reports, the Company's policies in relation to investment and profit distribution and the Company's management policies, development plans and resources allocation plans. The Executive Committee is also responsible for making management decisions in relation to matters such as material development strategies, risk control compliance, capital allocation, synergy and brand management. In addition, the Executive Committee is also responsible for reviewing the business plans of the subsidiaries of the Company and evaluating the financial performance of the subsidiaries. The Company has also established 9 management committees under the Executive Committee, including the Budget Management Committee, the Investment Management Committee, the Risk Management Executive Committee, the Investor Relations Management Committee, the Connected-party Transaction Management Committee and the Technology Development Committee.

OTHER MATTERS REGARDING CORPORATE GOVERNANCE IN THE REPORTING PERIOD

Amendments Made to the Articles of Association

A proposal was made to amend the Articles of Association at the 2018 first extraordinary general meeting of the Company. The amendments have been approved by the relevant regulatory authorities and became effective during the Reporting Period. The valid Articles of Association after the amendments was published on the website of HKEX (www.hkexnews.hk) on August 8, 2018 and the website of SSE (www.sse.com.cn) on August 9, 2018.

A proposal was made to amend the Articles of Association at the 2018 second extraordinary general meeting of the Company. The details of the proposed amendments are listed in the circular and the meeting material dated November 16, 2018 which were published on the websites of HKEX (www.hkexnews.hk) and SSE (www.sse.com.cn), respectively. As at December 31, 2018, the proposed amendments did not come into effect and were still subject to the approval by the relevant regulatory authorities.

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, 2018 to December 31, 2018 save as disclosed below.

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

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

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

2. In the day-to-day operations of the Company, the Company has put in place a robust management system and structure, and has established various positions and organs such as the Co-Chief Executive Officers (Co-CEOs), President, Executive Committee and management 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. Under the leadership of Chairman of the Board and the Chief Executive Officer of the Company, Co-Chief Executive Officers practice unified leadership of the retail customers' integrated financial business, the corporate customers' integrated financial business and the technology business of the Company respectively, and allocate responsibilities professionally. This model has proven to be reliable, efficient and successful. Therefore, the continuity of this model will be beneficial to the future development of the Company.

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

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

Compliance with the Model Code

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 October 2018, on terms no less exacting than the required standard set out in the Model Code. Specific enquiry has been made to all Directors and Supervisors of the Company who have confirmed that they had complied with the required standards set out in the Model Code and the Code of Conduct for the period from January 1, 2018 to December 31, 2018.

ESTABLISHMENT AND PERFECTION OF THE INTERNAL CONTROL SYSTEM

The Company has been committed to establishing internal controls in line with international standards and regulatory requirements, and improving internal controls in response to risks and environments. With its local advantages, the Company implements corporate governance in line with international standards, upholds the compliance philosophy of "Laws + 1", and constantly enhances its risks control to ensure that the Group and its subsidiaries abide by laws and regulations in their business activities, to keep single and accumulated residual risks at levels acceptable to the Company, and to promote sustainable growth of the insurance, banking, investment and fintech & healthtech businesses, as well as that of the 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 risk management targets, basic policies and rules, monitors risk exposures and available capital, and supervises risk management systems of subsidiaries and business units. The Company has established robust internal control policies and procedures, and specified the internal control targets, responsibilities and procedures to provide guidelines for business activities and operations.

Regarding internal control operations and assessment, the Company continued to act in accordance with the Basic Norms for Internal Controls of Enterprises and relevant guidelines, meet regulatory requirements, and improve its governance structure, firewall management, connected-party transaction management, anti-money laundering management, operational risk management and other procedures. The Group and its members improved risk management through data foundation, technologies and management methods. We have developed or introduced data analysis models through technologies, monitored risks, and promoted targeted compliance reviews. We urged departments concerned to remedy issues and risk events identified, draw inferences from one instance, manage risks at earlier stages, and achieve risk information transfer and risk management jointly with the first line of defense. Besides, we tested the smart internal controls over standard procedures, piloted robotic process automation (RPA) in the internal control process, expanded the sampling range and randomness, reduced the manual workload, and improved internal control test efficiency. We have been developing a long-term mechanism of terminal information security management and a terminal smart dashboard platform, and using tools and rule models to optimize strategies and review their implementation, so as to improve the Company's information security management. In line with the Guidance for the Internal Control of Insurance Funds and its supplementary implementation guidelines, the Company reviewed risks in operations of insurance funds and internal controls, developed an internal control framework for insurance funds, and improved its internal control of insurance funds. In addition, the Company trained its employees on internal control assessment methodology, process, practice and platforms, implemented the compliance and internal control appraisal, and promoted the day-to-day operation in which "everyone is involved in internal controls, everyone is responsible for compliance, and internal controls have been integrated in the business and processes."

Regarding anti-money laundering (AML) management, in 2018, the Group took the opportunity of receiving the fourth round of mutual evaluations by the Financial Action Task Force (FATF) to thoroughly assess the compliance and effectiveness of its AML management and improve the AML management framework based on the evaluation results. We strictly followed the AML policies and regulations, improved the AML internal control rules, and optimized the money laundering risk evaluation framework and the blacklist monitoring mechanism. We also carried out AML inspections, strengthened AML performance appraisal, internal and external publicity and industry exchanges, and accelerated the development of interdisciplinary talent to secure our leading position in the industry. In addition, in order to effectively control the money laundering risk, we followed a technology-powered path for AML management, prioritized the R&D of smart products for customer identification, institutions' money laundering risk evaluation and regulation analysis, used artificial intelligence (AI) to enhance the identification of suspicious transactions, and upgraded AML management approaches.

Regarding the management framework for internal audit and supervision, in 2018, we continued to implement an independent, vertical and centralized approach to internal audits, and facilitated development of the Group-level risk monitoring system and application of AI. Moreover, in accordance with the "finance + technology" development strategy, we continued to build an integrated, smart online monitoring framework for internal audit risks, and developed a smart internal audit system named "Ping An Shield" to give early warnings and take actions in time, repair the loopholes and recover the loss at the first time. Keeping abreast of changes in the external environment and internal strategies, we sped up audit transformation and integrated audit advisory services with high-risk event disposal, driven by risk monitoring and remote models. Novel tools were applied to identify and handle risks while fortifying the internal control basis. Meanwhile, we tightened controls over major risks and optimized the mechanism of 24/7 emergency response, so as to effectively prevent and mitigate risks in a timely manner and help achieve healthy business development.

In 2018, the Company's internal control evaluations covered the following businesses and matters: corporate governance, organizational structures, development strategies, human resources, corporate culture, social responsibilities, sales management, insurance fund utilization, treasury management, actuarial management, investment and financing management, operations management, financial management, asset management, engineering management, document and chop management, inquiries, complaints and outbound calls to customers, information system management, information and communication, and internal supervision. We paid close attention to the following high-risk areas: sales management, insurance fund utilization, treasury management, actuarial management, investment and financing management, operations management, financial management, and information system management. In 2018, the Company maintained the effectiveness of internal controls over financial reporting in all major aspects in accordance with the Basic Norms for Internal Controls of Enterprises and relevant rules. The Internal Control Assessment Report for 2018 has been approved by the Board of Directors. The Company has engaged PricewaterhouseCoopers Zhong Tian LLP to audit the effectiveness of internal controls over financial reporting as well as the effectiveness of internal controls over matters other than financial reporting. PricewaterhouseCoopers Zhong Tian LLP has issued the Internal Control Audit Report.

For details of the Company's internal controls, please refer to the Internal Control Assessment Report of Ping An for 2018 and the Internal Control Audit Report on Ping An for 2018 released on the same date as this report on the website of SSE (www.sse.com.cn).

RISK MANAGEMENT

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

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

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

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

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

As disclosed above, in 2018, the Audit and Risk Management Committee held 4 meetings, in which the Group's risk management and internal control systems were reviewed. Through the Audit and Risk Management Committee, the Board has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the year ended December 31, 2018, covering all material financial, operational and compliance controls, and it has considered the Group's risk management and internal control system are effective and adequate.

In the year ended December 31, 2018, the Company conducted corporate governance activities and improved the corporate governance structure in line with realities and in strict accordance with applicable laws including the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, applicable regulations, and principles set out in the Corporate Governance Code. The General Meeting of Shareholders, the Board of Directors, the Supervisory Committee, and the senior management exercised their respective rights and performed their respective obligations in accordance with the Articles of Association. The Company had a robust, effective internal control system in place. The Company disclosed relevant information in a truthful, accurate and complete manner. No breach of laws or regulations occurred in the Reporting Period.

By order of the Board

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
March 12, 2019

Changes in the Share Capital and Shareholders' Profile

CHANGES IN SHARE CAPITAL

Statement of changes in share capital

There was no change in the total number of shares and shareholding structure of the Company during the 12 months ended December 31, 2018 (the "Reporting Period").

	January 1, 2018		Changes during the Reporting Period					December 31, 2018	
Unit: Shares	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Transfer from reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Selling-restricted shares	-	-	-	-	-	-	-	-	-
II. Selling-unrestricted circulating shares									
1. RMB ordinary shares	10,832,664,498	59.26	-	-	-	-	-	10,832,664,498	59.26
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	7,447,576,912	40.74	-	-	-	-	-	7,447,576,912	40.74
4. Others	-	-	-	-	-	-	-	-	-
Subtotal	18,280,241,410	100.00	-	-	-	-	-	18,280,241,410	100.00
III. Total number of shares	18,280,241,410	100.00	-	-	-	-	-	18,280,241,410	100.00

Security issuance and listing

Security issuance of the Company

There was no issuance of securities during the Reporting Period.

Staff shares

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

SHAREHOLDERS' INFORMATION

Number of shareholders and their shareholdings

Number of shareholders

Unit: Shareholder	December 31, 2018	February 28, 2019
Total number of shareholders	537,923 (including 533,258 domestic shareholders)	454,179 (including 449,513 domestic shareholders)

Changes in the Share Capital and Shareholders' Profile

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

Name of shareholder	Nature of shareholder[1]	Shareholding percentage (%)	Total number of shares held (shares)[2]	Changes during the Reporting Period	Type of shares	Number of selling-restricted shares held (shares)	Number of pledged or frozen shares (shares)
Hong Kong Securities Clearing Company Nominees Limited[3]	Overseas legal person	32.78	5,991,668,030[4]	+10,820,538	H Share	-	Unknown
Shenzhen Investment Holdings Co., Ltd.	State	5.27	962,719,102	-	A Share	-	341,740,000 pledged shares
Business Fortune Holdings Limited	Overseas legal person	3.92	717,306,596	-11,262,534	H Share	-	485,202,650 pledged shares
New Orient Ventures Limited	Overseas legal person	3.91	714,663,997	-	H Share	-	714,663,997 pledged shares
Hong Kong Securities Clearing Company Limited[5]	Others	3.89	710,541,257	+315,630,799	A Share	-	-
China Securities Finance Corporation Limited	Others	2.99	547,459,336	-147,375,226	A Share	-	-
Central Huijin Asset Management Ltd.	Others	2.65	483,801,600	-	A Share	-	-
Shum Yip Group Limited	State-owned legal person	1.41	257,728,008	-	A Share	-	-
Dacheng Fund - Agricultural Bank of China - Dacheng Zhongzheng Financial Asset Management Plan	Others	1.10	201,948,582	+27,358,546	A Share	-	-
Huaxia Fund-Agricultural Bank of China-Huaxia Zhongzheng Financial Asset Management Plan	Others	1.09	199,511,462	+25,713,964	A Share	-	-

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

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

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

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

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

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

Business Fortune Holdings Limited and New Orient Ventures Limited are indirect wholly-owned subsidiaries of CP Group Ltd., and they are of 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.

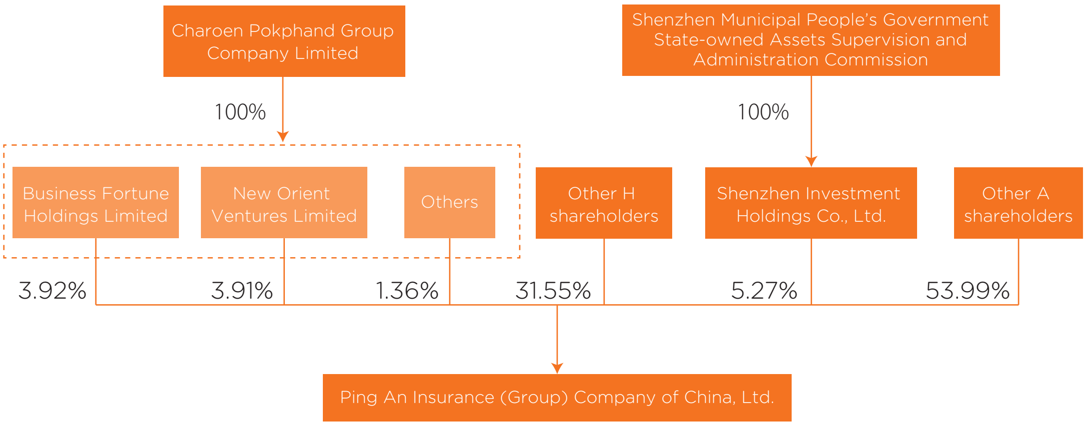
Particulars of controlling shareholder and de facto controller

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

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

As at December 31, 2018, CP Group Ltd. indirectly held 1,680,755,534 H shares of the Company in total, representing 9.19% of the total share capital of the Company; Shenzhen Investment Holdings Co., Ltd. held 962,719,102 A Shares of the Company, representing 5.27% of the total share capital 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. The principal businesses of CP Group Ltd. 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 enhance mutual development and operations.

Shenzhen Investment Holdings Co., Ltd. is a wholly state-owned limited liability company founded on October 13, 2004, with Wang Yongjian as its legal representative. The business scope of Shenzhen Investment Holdings Co., Ltd. is as follows: investments in and mergers and acquisitions of financial and quasi-financial equities in sectors including banking, securities, insurance, fund management, and guarantee; real estate developments and operations with lawfully obtained land use permissions; investments and services in strategic emerging industries; investment, operation and management of state-owned equities in enterprises in which it has either the whole ownership, controlling stakes or non-controlling stakes through restructuring and mergers, capital operations, asset disposal and so on; other operations as authorized by the Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission (if any of the above operations requires government approval, such approval shall be obtained before the operation can start).

Directors, Supervisors, Senior Management and Employees

From left to right:

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

CORPORATE GOVERNANCE

Directors, Supervisors, Senior Management and Employees

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

Directors

Mr. MA Mingzhe
Founder of the Company
Chairman and CEO (Executive Director)
Aged 63

Director since March 1988
Term of office: May 2018-2021 election

Working experience

Since the establishment of the Company, Mr. Ma has successively served as the President, Director, and concurrently as the Chairman and CEO of the Company, and has been fully involved in the operations 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.

Education background and qualifications

Doctorate degree in Money and Banking from Zhongnan University of Economics and Law (previously known as Zhongnan University of Economics)

Mr. SUN Jianyi
Senior Vice Chairman (Executive Director), Executive Vice President
Aged 66

Joined the Company in 1990,
Director since March 1995
Term of office: May 2018-2021 election

Other positions held with the Group

Mr. Sun is a Director of Ping An Life, Ping An Property & Casualty, Ping An Annuity and Ping An Asset Management.

Other major offices

Mr. Sun is a Non-executive Director of China Insurance Security Fund Co., Ltd., and an Independent Non-Executive Director of Haichang Ocean Park Holdings Ltd.

Past offices

Since joining the Company, Mr. Sun has been the General Manager of the Management Department, Senior Vice President, Executive Vice President, and Vice Chief Executive Officer of the Company, 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 PBC, 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 was a Non-executive Director of China Vanke Co., Ltd.

Education background and qualifications

Diploma in Finance from Zhongnan University of Economics and Law (previously known as Zhongnan University of Economics)

Mr. LEE Yuansiong
Executive Director, Co-CEO, Executive Vice President, Chief Insurance Business Officer
Aged 53

Joined the Company in 2004
Director since June 2013
Term of office: May 2018-2021 election

Other positions held with the Group
Mr. Lee is 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 Health.

Other major offices
Mr. Lee serves as a Non-executive Director of Ping An Good Doctor and HealthKonnect Medical and Health Technology Management Company Ltd.

Past offices
Mr. Lee served as the Special Assistant to the Chairman of Ping An Life from February 2004 to March 2005, President of Ping An Life from March 2005 to January 2010 and Chairman of Ping An Life from January 2007 to February 2012.

Prior to joining the Company, Mr. Lee was a Senior Vice President of Prudential Taiwan Branch and the President of Citic-Prudential, etc.

Education background and qualifications
Master's degree in Finance from The University of Cambridge

Mr. REN Huichuan
Executive Director, President
Aged 49

Joined the Company in 1992
Director since July 2012
Term of office: May 2018-2021 election

Other positions held with the Group
Mr. Ren is the Chairman of Ping An Trust, a Director of a number of controlled subsidiaries of the Company including Ping An Property & Casualty, Ping An Life, and Ping An Asset Management.

Other major offices
Mr. Ren is a member of the Council of Shenzhen Finance Institute.

Past offices
Mr. Ren served as a Senior Vice President of the Company from June 2010 to March 2011, the Chief Insurance Business Officer of the Company from June 2010 to December 2010, and was appointed as an Employee Representative Supervisor of the Company from March 2009 to March 2010. Mr. Ren served as the Chairman and Chief Executive Officer of Shenzhen Wanlitong Internet & Information Technology Co., Ltd. from February 2015 to December 2015, the Chairman and Chief Executive Officer of Ping An Property & Casualty from April 2007 to May 2011. Before that, Mr. Ren was the Assistant to the President and Financial Director of the Company, the Assistant Director of the Development and Reform Center, Vice President of Ping An Property & Casualty and the Assistant Manager of the property & casualty Insurance business of the Company.

Education background and qualifications
MBA degree from Peking University

Directors, Supervisors, Senior Management and Employees

Mr. YAO Jason Bo
Executive Director, Executive Vice President, Chief Financial Officer, Chief Actuary
Aged 48

Joined the Company in 2001
Director since June 2009
Term of office: May 2018-2021 election

Other positions held with the Group

Mr. Yao is a 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.

Other major offices

Mr. Yao serves as a Non-executive Director of Lufax Holding, Ping An Good Doctor and OneConnect Financial Technology Co., Ltd.

Past offices

Mr. Yao served as the Senior Vice President of the Company from June 2009 to January 2016. Prior to that, Mr. Yao successively held positions of the Deputy General Manager of the Product Centre, the Deputy Chief Actuary, the General Manager of the 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 consulting actuary and Senior Manager.

Education background and qualifications

MBA degree from New York University
Fellow of the Society of Actuaries (FSA)

Ms. CAI Fangfang
Executive Director, Chief Human Resources Officer
Aged 45

Joined the Company in 2007
Director since July 2014
Term of office: May 2018-2021 election

Other positions held with the Group

Ms. Cai is a 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.

Other major offices

Ms. Cai serves as a Non-executive Director of Ping An Good Doctor and OneConnect Financial Technology Co., Ltd. and the Executive Vice President of Ping An School of Financial Management.

Past offices

Ms. Cai was the Vice Chief Financial Officer and General Manager of the Planning Department of the Company from February 2012 to September 2013 and successively held the positions of Vice General Manager and General Manager of the Remuneration Planning and Management Department of the Human Resources Centre of the Company from October 2009 to February 2012.

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.

Education background and qualifications

Master's degree in Accounting from The University of New South Wales

Mr. Soopakij CHEARAVANONT

Non-executive Director

Aged 55

Director since June 2013

Term of office: May 2018-2021 election

Other major offices

Mr. Chearavanont is the Chairman of the C.P. Group, 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. and 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 listed in Thailand) and the Chairman of True Visions Public Company Limited based in Thailand.

Education background and qualifications

Bachelor's degree in Science from the College of Business and Public Administration of New York University

Mr. YANG Xiaoping

Non-executive Director

Aged 55

Director since June 2013

Term of office: May 2018-2021 election

Other major offices

Mr. Yang is the Senior Vice Chairman of the CP Group, an Executive Director and Vice Chairman of C.P. Lotus Corporation, CEO of CT Bright Holdings Limited, the Chairman of Jilin Deda Co., Ltd., the Co-Chairman of the board of directors of China Minsheng Investment Group, a Non-executive Director of Tianjin Binhai Teda Logistics (Group) Corporation Limited, a Non-executive Director of CITIC Limited and a Non-executive Director of Honma Golf Limited. Mr. Yang is an Associate Dean of the China Institute for Rural Studies of Tsinghua University, an Associate Dean of Institute of Global Development of Tsinghua University, a Director of China NGO Network for International Exchanges, the President of Beijing Association of Enterprises with Foreign Investment and an Adviser of Foreign Investment to Beijing Municipal Government.

Past offices

Mr. Yang was a member of the Twelfth National Committee of Chinese People's Political Consultative Conference, and served as the Manager of Nichiyo Co., Ltd. for China Division and the Chief Representative of Nichiyo Co., Ltd. Beijing Office.

Education background and qualifications

Bachelor's degree from Jiangxi Institute of Technology (now known as Nanchang University)

Experience of studying in Japan

Directors, Supervisors, Senior Management and Employees

Mr. LIU Chong
Non-executive Director
Aged 59

Director since January 2016
Term of office: May 2018-2021 election

Other major offices

Mr. Liu is the Vice President of Shum Yip Group Limited and Shum Yip Holdings Company Limited, the Vice President and Executive Director of Shenzhen Investment Limited.

Past offices

Mr. Liu successively served as a Deputy General Manager and Financial Controller of Shenzhen SDG Company Limited, 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 (Group) Company Limited from June 2009 to June 2010, and an Independent Non-executive Director of Shenzhen Shenxin Taifeng Group Co., Ltd. from May 2009 to February 2014.

Education background and qualifications

Bachelor's degree in Accounting from Jiangxi University of Finance and Economics
Senior Accountant qualification

Mr. WANG Yongjian
Non-executive Director
Aged 54

Director since July 2018
Term of office: July 2018-2021 election

Other major offices

Mr. Wang is the Chairman and the Secretary of Party Committee of Shenzhen Investment Holdings Co., Ltd., a Director of Guotai Junan Securities Co., Ltd., an Executive Director, General Manager and Legal Representative of Shenzhen Investment Holding Capital Co., Ltd., a Representative of Managing Partner of Shenzhen Investment Holdings Shenzhen Bay Equity Investment Fund Partnership (Limited Partnership).

Past offices

Previously, Mr. Wang served as the Vice Chairman of Shenzhen Nanyou (Holdings) Co., Ltd., the Vice Chairman of Shenzhen Samsung Vision Co., Ltd., a Director of Shenzhen Textile (Holdings) Co., Ltd., the Chairman of Shenzhen TopoScend Capital Co., Ltd., an Executive Director of Shenzhen Angel FOF Management Co., Ltd., a Director of Guosen Securities Co., Ltd. and other positions.

Education background and qualifications

Master's degree in system engineering at the Management College of Shanghai Jiao Tong University

Mr. YIP Dicky Peter
Independent Non-executive Director
Aged 71

Director since June 2013
Term of office: May 2018-2021 election

Other major offices

Mr. Yip is an Independent Non-executive Director of Sun Hung Kai Properties Limited, South China Holdings Company Limited (formerly known as South China (China) Limited), S.F. Holding Co., Ltd., and DBS Bank (China) Limited, respectively. Besides, Mr. Yip is an Honorary Member of the Hong Kong Committee of UNICEF.

Past offices

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, a General Manager of HSBC from April 2005 to June 2012, and an Executive Vice President of Bank of Communications Co., Ltd. from May 2005 to June 2012. Mr. Yip also served as a Director of the Company and the original Ping An Bank Co., Ltd. from November 2002 to May 2005. Besides, Mr. Yip had served in many consultative boards including Hong Kong Aviation Advisory Board, Hong Kong Arts Development Council and Hong Kong Urban Renewal Authority.

Education background and qualifications

MBA degree from University of Hong Kong
Member of Chartered Institute of Bankers, London
Certified Financial Planner certificate
Certified Financial Management Planner certificate

Mr. WONG Oscar Sai Hung
Independent Non-executive Director
Aged 63

Director since June 2013
Term of office: May 2018-2021 election

Other major offices

Mr. Wong is an Independent Non-executive Director of JPMorgan Chinese Investment Trust plc (listed in London), a Director of One Asset Management Limited (registered in Thailand), and an Independent Non-executive Director of Green Energy Group Limited (listed on HKEX).

Past offices

Mr. Wong was a director and the President of ICBC (Asia) Investment Management Company Limited from September 2008 to December 2011, and was a Non-executive Director of PAN Securities Group Limited and Chong Sing Holdings FinTech Group Limited, the Vice Chairman of China Regenerative Medicine International Limited, the Chairman of LW Asset Management Advisors Limited, an Independent Non-executive Director of ARN Investment SICAV (listed on the Luxembourg Stock Exchange) and the Hong Kong Exchanges and Clearing Limited, the Director and Chief Executive of BOCI-Prudential Asset Management Limited and Prudential Portfolio Managers Asia Limited, the Non-executive Director of the ARN Asian Enterprise Fund Limited (formerly listed on the Irish Stock Exchange).

Education background and qualifications

Higher Diploma in Business Studies (Marketing) from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University)

CORPORATE GOVERNANCE

Directors, Supervisors, Senior Management and Employees

Mr. SUN Dongdong
Independent Non-executive Director
Aged 59

Director since June 2013
Term of office: May 2018-2021 election

Other major offices

Mr. Sun is a professor of Law School in Peking University and the director of Peking University Health Law Research Center. Mr. Sun is also a deputy director of the Social Legal Work Committee of Chinese Peasants' and Workers' Democratic Party, a standing director of Chinese Health Law Society and China Law Society Research Center of the Law of Protection of the Rights and Interests of Consumers, and an expert of the Health Insurance Experts Committee under Insurance Association of China and Chinese Medical Doctor Association.

Past offices

Mr. Sun served as an Independent Non-executive Director of Zhejiang Dian Diagnostics Co., Ltd. from December 2013 to July 2017.

Education background and qualifications

Bachelor's Degree of Medical Science from Beijing Medical College (now known as Peking University Health Science Center)

Mr. GE Ming
Independent Non-executive Director
Aged 67

Director since June 2015
Term of office: May 2018-2021 election

Other major offices

Mr. Ge is an Independent Non-executive Director of Chong Sing Holdings FinTech Group Limited, Focus Media Information Technology Co., Ltd. and AsiaInfo Technologies Limited, Supervisor of the Bank of Shanghai, Executive 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.

Past offices

Mr. Ge served as the Chairman of Ernst & Young Hua Ming LLP, a Partner and the Chief Accountant of Ernst & Young Hua Ming LLP, an Independent Non-executive Director of Shunfeng International Clean Energy Limited, Shanghai Zhenhua Heavy Industries Co., Ltd. and Asia Investment Finance Group Limited.

Education background and qualifications

Master's Degree in Western Accounting from the Research Institute for Fiscal Science, Ministry of Finance (now known as Chinese Academy of Fiscal Science)
Certified Public Accountant qualification of China
Senior Accountant qualification

Mr. OUYANG Hui
Independent Non-executive Director
Aged 56

Director since August 2017
Term of office: May 2018-2021 election

Other major offices

Mr. Ouyang is an Associate Dean and the Dean's Distinguished Chair Professor at Cheung Kong Graduate School of Business. Mr. Ouyang is also an Independent Non-executive Director of AEGON-INDUSTRIAL Fund Management Co., Ltd., Hytera Communications Corporation Limited and Peak Reinsurance Limited.

Past offices

Previously, Mr. Ouyang served as an Associate Professor of Finance at Duke University, Managing Director of UBS AG, Managing Director of Nomura Securities, Senior Vice President and Managing Director of Lehman Brothers.

Education background and qualifications

Ph.D. in Chemical Physics from Tulane University
Ph.D. in Finance from the University of California, Berkeley

Supervisors

Mr. GU Liji
Chairman of Supervisory Committee (Independent Supervisor)
Aged 71

Supervisor since June 2009
Term of office: May 2018-2021 election

Other major offices

Mr. Gu is an Independent Non-executive Director of Shenzhen Changhong Technology Co., Ltd., a Non-executive Director of Xiangtan Electric Manufacturing Group Co., Ltd (XEMC) and an Independent Non-executive Director of Bosera Asset Management Co., Limited. Mr. Gu is also an expert on Applied Electronics of Shenzhen Expert Association.

Past offices

Mr. Gu was a Distinguished Professor of Graduate School at Shenzhen, Tsinghua University from January 2016 to December 2018, an Independent Non-executive Director of Maxphotonics Co., Ltd. from December 2014 to August 2018, 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 Service 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, and the Chairman of China Merchants Technology Holdings Co., Ltd.

Education background and qualifications

Bachelor's degree in Engineering from Tsinghua University
Master's degree in Engineering from Management Science Department of University of Science and Technology of China
Advanced Management Program AMP (151) certificate from Harvard Business School

Mr. HUANG Baokui
Independent Supervisor
Aged 76

Supervisor since June 2016
Term of office: May 2018-2021 election

Past offices

Mr. Huang was the Deputy Party Committee Secretary and Disciplinary Committee Secretary of China Merchants Shekou Industrial Zone Co., Ltd. Mr. Huang was the Deputy General Manager of Shenzhen Huada Electronic Co., Ltd. and held the position of supervisor in various companies including China Merchants Shekou Industrial Zone Co., Ltd., Shenzhen Shekou Anda Industry Co., Ltd., Shenzhen Shekou Telecom Co., Ltd., China Merchants Petrochemical Co., Ltd. (Shenzhen) and China Merchants Logistics Co., Ltd.

Education background and qualifications

Bachelor's degree in Physics from Jilin University
Senior political practitioner

Directors, Supervisors, Senior Management and Employees

Ms. ZHANG Wangjin
Shareholder Representative Supervisor
Aged 39

Supervisor since June 2013
Term of office: May 2018-2021 election

Other major offices
Ms. Zhang is the Managing Director of CPG Overseas Company Limited (Hong Kong).

Past offices
Before joining CPG Overseas Company Limited (Hong Kong), Ms. Zhang worked in the Audit Department of PricewaterhouseCoopers LLP and the M&A and Restructuring Department of Deloitte & Touche Financial Advisory Services Limited.

Education background and qualifications
Bachelor's degree in Economics from University of International Business and Economics
EMBA degree from Guanghua School of Management of Peking University
Member of CPA Australia

Mr. WANG Zhiliang
Employee Representative Supervisor
Aged 39

Joined the Company in July 2002
Supervisor since August 2017
Term of office: May 2018-2021 election

Other Positions held with the Group
Mr. Wang is the Director of the Group Office of the Company.

Past offices
Mr. Wang served as the Deputy General Manager of the Group Head Office in Shanghai and the Deputy Director of the Group Office of the Company, and served in the Administration Department of Tianjin Branch of Ping An Life.

Education background and qualifications
Bachelor's degree in Economic Information Management of the Tianjin University of Finance and Economics (previously known as Tianjin Institute of Finance and Economics)

Mr. PAN Zhongwu
Employee Representative Supervisor
Aged 49

Joined the Company in 1995
Supervisor since July 2012
Term of office: May 2018-2021 election

Other Positions held with the Group
Mr. Pan is the Deputy Director of the Group Office of the Company.

Past offices
Mr. Pan served in the Comprehensive Management Department of Ping An Property & Casualty.

Education background and qualifications
Master's degree in Finance and Insurance from Wuhan University

Senior Management

For the work experience and concurrent positions of Mr. Ma Mingzhe, Mr. Sun Jianyi, Mr. Lee Yuansiong, Mr. Ren Huichuan and Mr. Yao Jason Bo, please refer to "Directors" in this chapter.

Mr. XIE Yonglin

Co-CEO and Senior Vice President

Aged 50

Joined the Company in 1994

Term of office: September 2016-present

Other positions held with the Group

Mr. Xie is the Chairman of Ping An Bank and a Director of Ping An Financial Leasing.

Past offices

Mr. Xie served as the Deputy General Manager of Ping An Property and Casualty's sub-branches, Deputy General Manager and General Manager of Ping An Life's branches, and General Manager of Ping An Life's Marketing Department. Mr. Xie was the Deputy Director of the Company's Strategic Development & Reform Center from June 2005 to March 2006. He held positions of Operations Director, Human Resources Director, and Vice President of Ping An Bank from March 2006 to November 2013, and Special Assistant to the Chairman, President and Chief Executive Officer, and the Chairman of Ping An Securities from November 2013 to November 2016 consecutively.

Education background and qualifications

Master's degree in Science from Nanjing University

Ph.D. in Corporate Management from Nanjing University

Ms. TAN Sin Yin

Co-CEO, Executive Vice President, Chief Operating Officer and Chief Information Officer

Aged 41

Joined the Company in 2013

Term of office: June 2015-present

Other positions held with the Group

Ms. Tan is the Chairman of Ping An Technology. She is also a Director of a number of controlled companies of the Company including Ping An Property & Casualty, Ping An Life, Ping An Annuity, Ping An Financial Technology, and Ping An Asset Management.

Other major offices

Ms. Tan is also a Non-executive Director of Lufax Holding and OneConnect Financial Technology Co., Ltd.

Past offices

Ms. Tan was a Senior Vice President of the Company from June 2015 to December 2015, and Deputy CEO of the Company from October 2017 to November 2018.

Prior to joining the Company, Ms. Tan was a Global Partner of McKinsey & Company.

Education background and qualifications

Bachelor's degrees in Electrical Engineering and Economics from the Massachusetts Institute of Technology (MIT)

Master's degree in Electrical Engineering and Computer Science from MIT

Directors, Supervisors, Senior Management and Employees

Ms. IP So Lan
Senior Vice President, Chief Internal Auditor, Compliance Officer and Person-in-charge of Auditing
Aged 62

Joined the Company in 2004
Term of office: January 2011-present

Other positions held with the Group
Ms. Ip is a Director of a number of controlled subsidiaries of the Company including Ping An Bank.

Other major offices
Ms. Ip is a Non-executive Director of Lufax Holding.

Past offices
Ms. Ip was the Assistant to the President of Ping An Life from February 2004 to March 2006, and the Assistant to the President of the Company from March 2006 to January 2011.

Prior to joining the Company, Ms. Ip worked with AIA, Prudential Hong Kong and so on.

Education background and qualifications
Bachelor's degree in Computing from the Polytechnic of Central London

Mr. CHEN Kexiang
Senior Vice President
Aged 61

Joined the Company in 1992
Term of office: January 2007-present

Past offices
From February 2003 to January 2007, Mr. Chen served as Assistant to the President of the Company. He served as General Secretary of the Board of the Company from June 2002 to May 2006, and Director of the General Office from June 2002 to April 2007. From 1999 to 2002, Mr. Chen served as Senior Vice President and then President of Ping An Trust. From 1996 to 1999, Mr. Chen served as Deputy Director and then Director of the General Office of the Company. From 1995 to 1996, Mr. Chen served as President of Ping An Building Management Company. From 1993 to 1995, he served as Assistant Director and then Deputy Director of the General office of the Parent Company.

Education background and qualifications
Master's degree in Finance from Zhongnan University of Economics and Law (former Zhongnan University of Economics)

Mr. SHENG Ruisheng
Secretary of the Board
Aged 49

Joined the Company in 1997
Term of office: April 2017-present

Other positions held with the Group

Mr. Sheng serves as the Brand Director and spokesperson of the Company.

Past offices

From August 2002 to January 2014, Mr. Sheng acted as Assistant to General Manager, Deputy General Manager and General Manager of the Company's Branding Department.

Education background and qualifications

Bachelor of Arts degree from Nanjing University
MBA degree from the Chinese University of Hong Kong

Chief Actuary

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

Chief Investment Officer

Mr. CHAN Tak Yin
Chief Investment Officer
Aged 58

Joined the Company in 2005

Other positions held with the Group

Mr. Chan serves as a Director of Ping An Life and Ping An Asset Management.

Past offices

Mr. Chan served as Deputy Chief Investment Officer of the Company, Chairman and Chief Executive Officer of Ping An Asset Management and the Chairman of Ping An of China Asset Management (Hong Kong) respectively. From December 2008 to May 2017, Mr. Chan acted as a Non-executive Director of Yunnan Baiyao Group Co., Ltd.

Previously, he worked as Fund Manager, Investment Director, Chief Investment Director, and Managing Director at BNP Paribas Asset Management SAS, Barclays Investment Management Limited, SHK Fund Management Limited, and Standard Chartered Investment Management respectively.

Education background and qualifications

Bachelor of Arts degree from the University of Hong Kong

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
Soopakij CHEARAVANONT	CP Group	Chairman	January 2017 - Present
YANG Xiaoping	CP Group	Senior Vice Chairman	January 2017 - Present
LIU Chong	Shum Yip Group Limited	Vice President	April 2010 - Present
WANG Yongjian	Shenzhen Investment Holdings Co., Ltd.	Chairman and Secretary of Party Committee	July 2017 - Present

APPOINTMENT OR REMOVAL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Gender	Age	Period of appointment
WANG Yongjian(1)	Newly-appointed Non-executive Director	Male	54	2018.07-2021 election
LIN Lijun(1)	Retired Non-executive Director	Female	56	2015.06-2018.05
XIONG Peijin(1)	Retired Non-executive Director	Male	53	2016.01-2018.05
Stephen Thomas MELDRUM(1)	Retired Independent Non-executive Director	Male	76	2015.06-2018.05
YAO Jun(2)	Retired Senior Management	Male	53	2008.10-2018.12
CAO Shifan(3)	Retired Senior Management	Male	63	2007.04-2019.01

Notes: (1) The election of the new Board of Directors was conducted at the 2017 Annual General Meeting of the Company held on May 23, 2018. According to the resolution, the 11th Board of Directors is composed of 15 Directors. Ms. Lin Lijun and Mr. Xiong Peijin did not stand for re-election as Directors of the Company due to personal work arrangements, and Mr. Stephen Thomas Meldrum did not stand for re-election as a Director of the Company due to expiration of his term of office of 6 years as an Independent Non-executive Director. According to the resolution passed at the general meeting, Mr. Wang Yongjian was elected as a Non-executive Director of the 11th Board of Directors of the Company. The qualification of Mr. Wang Yongjian as a Director of the Company was obtained from CBIRC on July 13, 2018, and the appointment of Mr. Wang Yongjian became effective on the same day.

(2) Mr. YAO Jun moved to the office of Senior Legal Counsel of the Board Office of the Company on December 10, 2018, not being a member of the Group's senior management any longer. However, Mr. Yao continues to act as the Company Secretary.

(3) Mr. CAO Shifan ceased to serve as the Company's Senior Vice President on January 29, 2019.

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

1. Mr. Yang Xiaoping, a Non-executive Director of the Company, has served as a Non-executive Director of Honma Golf Limited since May 2018, and has served as the Co-Chairman of the board of directors of China Minsheng Investment Group since February 2019.

2. Mr. Wang Yongjian, a Non-executive Director of the Company, has ceased to serve as a Director of Guosen Securities Co., Ltd. since July 2018.

3. Mr. Wong Oscar Sai Hung, an Independent Non-executive Director of the Company, has ceased to serve as a Non-executive Director of Chong Sing Holdings FinTech Group Limited since February 2018, has ceased to serve as a Non-executive Director of PAN Securities Group Limited since July 2018, and has served as an Independent Non-executive Director of Green Energy Group Limited since June 2018.

4. Mr. Ge Ming, an Independent Non-executive Director of the Company, has ceased to serve as an Independent Non-executive Director of Asia Investment Finance Group Limited since December 2018, and has served as an Independent Non-executive Director of AsiaInfo Technologies Limited since December 2018.

5. Mr. Ouyang Hui, an Independent Non-executive Director of the Company, has served as the Associate Dean at Cheung Kong Graduate School of Business since February 2018.

6. Mr. Gu Liji, an Independent Supervisor of the Company, has ceased to serve as an Independent Non-executive Director of Maxphotonics Co., Ltd. since August 2018, and has ceased to serve as a Distinguished Professor of Graduate School at Shenzhen, Tsinghua University since January 2019.

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

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 vacated office during the reporting period were not subject to any punishment by securities regulatory authorities over the past three years.

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Change in the Number of Shares Held in the Company

As at December 31, 2018, the interests of the current Directors, Supervisors and Senior Management of the Company and those who vacated office during the Reporting Period in the shares of the Company which shall be disclosed pursuant to the *Standard No. 2 Concerning the Contents and Formats of Information Disclosed by Listed Companies - The Contents and Formats of Annual Report (Revised in 2017)* issued by CSRC, were as follows:

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 and CEO	Beneficial owner	A	893,966	1,120,555	+226,589	Share Purchase Plan	Long position	0.01034	0.00613
Sun Jianyi	Senior Vice Chairman and Executive Vice President	Beneficial owner	A	4,007,565	4,273,639	+266,074	Share Purchase Plan	Long position	0.03945	0.02338
Lee Yuansiong	Executive Director, Co-CEO, Executive Vice President and Chief Insurance Business Officer	Beneficial owner	A	40,601	141,915	+101,314	Share Purchase Plan	Long position	0.00131	0.00078
Ren Huichuan	Executive Director and President	Beneficial owner	A	371,372	597,961	+226,589	Share Purchase Plan	Long position	0.00552	0.00327
Yao Jason Bo	Executive Director, Executive Vice President, Chief Financial Officer and Chief Actuary	Beneficial owner	A	60,144	175,655	+115,511	Share Purchase Plan	Long position	0.00162	0.00096
		Beneficial owner	H	24,000	24,000	-	-	Long position	0.00032	0.00013
Cai Fangfang	Executive Director and Chief Human Resources Officer	Beneficial owner	A	24,687	75,866	+51,179	Share Purchase Plan	Long position	0.00070	0.00042
Lin Lijun(1)	Retired Non-executive Director	Beneficial owner	A	1,140	2,897	+1,757	Share Purchase Plan	Long position	0.00003	0.00002
Wang Zhiliang	Employee Representative Supervisor	Beneficial owner	A	15,536	27,505	+11,969	Share Purchase Plan	Long position	0.00025	0.00015
Pan Zhongwu	Employee Representative Supervisor	Beneficial owner	A	8,378	15,220	+6,842	Share Purchase Plan	Long position	0.00014	0.00008
Xie Yonglin	Co-CEO and Senior Vice President	Beneficial owner	A	-	62,680	+ 62,680	Share Purchase Plan	Long position	0.00058	0.00034
Tan Sin Yin	Co-CEO, Executive Vice President, Chief Information Officer and Chief Operating Officer	Beneficial owner	A	-	62,680	+ 62,680	Share Purchase Plan	Long position	0.00058	0.00034
Ip So Lan	Senior Vice President, Chief Internal Auditor, Compliance Officer and Person-in-charge of Auditing	Beneficial owner	A	36,714	134,959	+98,245	Share Purchase Plan	Long position	0.00125	0.00074
Chen Kexiang	Senior Vice President	Beneficial owner	A	43,196	176,164	+132,968	Share Purchase Plan, Purchase	Long position	0.00163	0.00096
Sheng Ruisheng	Secretary of the Board	Beneficial owner	A	26,888	85,823	+58,935	Share Purchase Plan	Long position	0.00079	0.00047
Cao Shifan(2)	Retired Senior Vice President	Beneficial owner	A	52,132	136,836	+84,704	Share Purchase Plan	Long position	0.00126	0.00075
Yao Jun	Company Secretary	Beneficial owner	A	36,714	70,127	+33,413	Share Purchase Plan	Long position	0.00065	0.00038

Notes: (1) Ms. Lin Lijun ceased to serve as Non-executive Director of the Company on 23 May, 2018.
(2) Mr. Cao Shifan ceased to serve as the Company's Senior Vice President on January 29, 2019.
(3) 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 vacated office during the Reporting Period.

Save as disclosed above, as at December 31, 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company which shall have been notified to the Company and HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors, or chief executives 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, and chief executives to the Company and HKEX pursuant to the Model Code, were as follows:

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 and CEO	Interest of his spouse	H	20,000	20,000	-	-	Long position	0.00027	0.00011
Yao Jason Bo	Executive Director, Executive Vice President, Chief Financial Officer and Chief Actuary	Interest of his spouse	H	44,000	64,000	+20,000	Purchase	Long position	0.00086	0.00035

Change in the Number of Shares Held in Associated Corporations of the Company

As at December 31, 2018, none of the Directors and chief executives held or was deemed to hold any interests or short positions in the shares, underlying shares or debentures of the Company's associated corporations (as defined in the SFO), which shall have been notified to the Company and HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO, or 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 and chief executives to the Company and the HKEX pursuant to the Model Code.

THE ASSESSMENT & EVALUATION AND REMUNERATION SYSTEMS OF THE COMPANY

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

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

The Company established a long-term service program as approved at the Second Extraordinary General Meeting for 2018. The program is intended to align the Company's long-term interests with the employees', enhance internal incentives, improve the corporate governance structure, strengthen long-term incentives and restrictions, ensure health and stability of talent pipelines, and create sustainable value for shareholders.

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

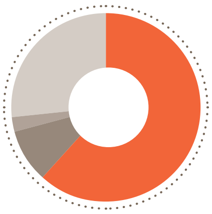
With regard to Directors, the Executive Directors' remunerations are determined according to their posts with the Company and the Company's remuneration policy; for the Non-executive Directors from China and abroad, emoluments are determined as per the standards approved by the Company's General Meeting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

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

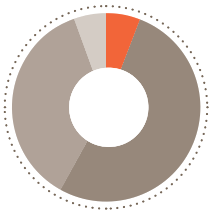
NUMBER OF EMPLOYEES, PROFESSION AND EDUCATION BACKGROUND

As at December 31, 2018, the Company had 376,900 employees, of which 232,752 were in the insurance business; 34,626 were in the banking business; 9,911 were in the asset management business; and 99,611 were in the fintech & healthtech business. Of all the employees, 22,446 held a doctorate or master's degree; 196,524 held a bachelor's degree; 137,820 attained college education; and 20,110 had other education backgrounds.

By profession
(%)



By education
(%)



STAFF TRAINING PROGRAMS

Committed to providing the best training, Ping An School of Financial Management has invested sufficient resources in employee development. The school has worked with the Group's member companies to build a smart learning platform and a lecturer resources platform. By doing so, the school unlocks value from knowledge and supports business development.

In 2018, Ping An School of Financial Management introduced over 300 new face-to-face courses from top business schools and consultancies to develop a learning organization and future-oriented talent. The courses cover five areas, namely strategy execution, technological innovation, management decision making, specialized skills, and personal development. A total of 44,411 employees attended 1,500 face-to-face training sessions nationwide, covering 48.25% of the Company's senior managers and higher-level staff. We provided financial courses for 1,714 investment, risk management and financial services staff members. Moreover, we provided agile software development and database courses for 837 IT staff members.

On an online learning platform, Ping An School of Financial Management launched highly personalized learning products, enabling customization and smart recommendation of contents. By doing so, the school delivered precisely targeted training to meet employees' diverse demands throughout their careers. In 2018, more than 25.19 million trainees attended online training sessions for over 2.612 million hours, with a monthly activity rate of 89.7%.

Report of the Board of Directors

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (the "Group") comprise the provision of a wide range of financial products and services with a focus on the businesses of insurance, banking, asset management, fintech and healthtech. There were no significant changes in the nature of the Group's principal activities during 2018.

SUMMARY OF FINANCIAL INFORMATION

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

MAJOR CUSTOMERS

In 2018, revenue from the Group's five largest customers accounted for less than 1% of the total revenue for the year. None of the top five customers is a connected party of the Company.

RELATIONSHIPS WITH CUSTOMERS

The Group believes that it is important to maintain good relationships with its customers to fulfill its long-term goal "to become a world-leading technology-powered retail financial services group." To achieve this goal and maintain the leading position in terms of brand value, the Group is committed to delivering high-quality financial services to its customers. During 2018, there was no material and significant dispute between the Group and its customers.

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

Cash Dividend Policy

According to Article 217 of the Articles of Association, the Company shall attach importance to the reasonable investment returns for investors in its profit distribution. The profit distribution policy shall maintain its continuity and stability. The accumulated profit to be distributed in cash for recent three years shall not be less than 30% of the average annual distributable profit realized in recent three years, provided that the annual distributable profit of the Company (namely profit after tax of the Company after covering the losses and making contributions to the surplus reserve) is positive in value and such distribution is in compliance with the prevailing laws and regulations and the requirements of regulatory authorities for solvency ratio. In determining the specific ratio of distribution of cash dividend, the Company shall take into account its profit, cash flow, solvency, and operation and business development requirements. The Board of Directors of the Company shall be responsible for formulating and implementing a distribution plan according to the provisions of the Articles of Association.

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

Where an adjustment to our profit distribution policy is required due to the applicable 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 draft an adjustment plan based on the operating situations of the Company and the relevant regulations of the CSRC, and then submit the adjustment plan to the general meeting for deliberation. Implementation of the adjustment plan is conditional upon approval by shareholders (including their proxies) holding at least two thirds of voting rights present at the general meeting.

Implementation of Profit Distribution Plans

The 2017 annual profit distribution plan of the Company was deliberated and approved at the 2017 Annual General Meeting of the Company held on May 23, 2018, according to which the Company paid in cash the 2017 final dividend of RMB1.00 (tax inclusive) per share, in a total amount of RMB18,280,241,410.00, based on its total share capital of 18,280,241,410 shares.

The 30th Anniversary Special Dividend of the Company was deliberated and approved at the 2017 Annual General Meeting of the Company held on May 23, 2018, according to which the Company paid in cash the 30th Anniversary Special Dividend of RMB0.20 (tax inclusive) per share, in a total amount of RMB3,656,048,282.00, based on its total share capital of 18,280,241,410 shares.

The 2018 interim profit distribution plan of the Company was deliberated and approved at the 2nd meeting of the 11th Board of Directors of the Company held on August 21, 2018, according to which the Company paid in cash the 2018 interim dividend of RMB0.62 (tax inclusive) per share, in a total amount of RMB11,333,749,674.20, 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 the relevant deliberation procedures had fully protected legitimate interests of the minority shareholders. All the Independent Non-executive Directors of the Company have expressed independent opinions of their agreement on the profit distribution plans. Implementation of the above-mentioned distribution plans has been completed.

ANNUAL RESULTS AND PROFIT DISTRIBUTION

The Group's business results for 2018 are set out in the section headed "FINANCIAL STATEMENTS."

As stated in the 2018 audited financial statements of the Group prepared under CAS, the net profit attributable to shareholders of the parent company was RMB107,404 million and the net profit of the parent company was RMB46,402 million. Pursuant to the Articles of Association and other relevant requirements, the Company shall make an appropriation to the statutory surplus reserve based on 10% of the net profit of the parent company as shown in the financial statements under CAS before determining the profit available for distribution to shareholders. Appropriation to the statutory surplus reserve may cease to apply if the balance of the statutory surplus reserve has 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 the previous year, in accordance with the Articles of Association and other applicable requirements, the profit available for distribution to shareholders of the Company was RMB72,250 million.

The Company distributed the 30th Anniversary Special Dividend of RMB0.20 (tax inclusive) per share in the first quarter of 2018, and the 2018 interim dividend of RMB0.62 (tax inclusive) per share, which amounted to RMB14,989,797,956.20. The Company proposes to pay in cash the 2018 final dividend of RMB1.10 (tax inclusive) per share, in a total amount of RMB20,108,265,551.00, based on its total share capital of 18,280,241,410 shares. The remaining undistributed profit will be carried forward to 2019. The undistributed profit of the Company is mainly for the purpose of organic capital accumulation to maintain a reasonable solvency ratio as well as funding for subsidiaries so that they can maintain a reasonable solvency ratio or capital adequacy ratio.

The above plan will be implemented upon deliberation and approval at the 2018 Annual General Meeting. The profit distribution plan is in line with the Articles of Association and relevant deliberation procedures and fully protects legitimate interests of the minority shareholders of the Company. All the Independent Directors of the Company have expressed independent opinions of their agreement on the profit distribution plan.

For dividend payouts of the Company over the past three years, please refer to the section headed "Liquidity and Capital Resources."

DISTRIBUTABLE RESERVES

As at December 31, 2018, the Company's distributable reserves totaled RMB72,250 million. The Company has proposed to distribute the 2018 final dividend of RMB1.10 per share (tax inclusive) in cash. After deducting the 2018 final dividend, the remaining distributable reserves were carried forward to 2019. Besides, the Company's capital reserve and surplus reserve amounted to RMB140,901 million, which can be distributed in a future capital issue.

MANAGEMENT DISCUSSION AND ANALYSIS

For management discussion and analysis, please refer to the section headed "Management Discussion and Analysis."

USE OF PROCEEDS

An aggregate of 594,056,000 new H Shares were successfully allotted and issued by the Company under general mandate on December 8, 2014 and the gross proceeds raised from the placing amounted to HKD36,831,472,000. The proceeds raised from the placing were used to develop the main businesses and replenish the equity and working capital of the Company. The use of the proceeds raised was consistent with the purposes approved by the Board of Directors. As at December 31, 2018, HKD4,059 million from the placing was kept in the specific fund-raising account, and the rest had been used.

PARTICULARS ON INVESTMENT DURING THE REPORTING PERIOD

The non-raised funds of the Company mainly come from its core insurance business. The Company has been strictly following the relevant requirements of the CBIRC 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 share capital of the Company in 2018 and the share capital structure of the Company as at December 31, 2018 are set out in the section headed "Changes in the Share Capital and Shareholders' Profile."

RESERVES

Details of movements in the reserves of the Company and the Group during 2018 are set out in the Note 40 to the consolidated financial statements and the Consolidated Statement of Changes in Equity respectively.

CHARITABLE AND OTHER DONATIONS

Charitable donations made by the Company during 2018 totaled RMB240 million.

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property and equipment and investment properties of the Group during 2018 are set out in Notes 35 and 34 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 purchased, sold or redeemed any of the Company's listed shares during 2018.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATIONS

According to the resolutions of the 25th meeting of the 7th Board of Directors and the 2nd meeting of the 7th Supervisory Committee of the Company, the Company entered into service contracts with all Directors of the 11th Board of Directors and all Supervisors of the 9th Supervisory Committee in July 2018. Terms, duties, remuneration packages, confidentiality duties of Directors and Supervisors and commencement and termination of contracts were specified in the service contracts. As at December 31, 2018, no Director or Supervisor had a service contract with the Company which was not terminable by the Company within one year without payment of compensation other than statutory compensation.

Details of remunerations for the Directors and Supervisors for the year ended December 31, 2018 are set out in Note 56 to the consolidated financial statements.

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

No Director or Supervisor of the Company or entity connected with the Directors or Supervisors had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during 2018.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during 2018 was the right to acquire benefits by means of acquisition of shares or debentures of the Company granted to or exercised by any Directors, Supervisors or their respective spouse or minor children, nor was the Company, or any of its subsidiaries, a party to any arrangement which enables the Directors or Supervisors to acquire such rights in any other legal entity.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

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

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for Directors and senior management's liabilities in respect of possible legal actions against its Directors and senior management arising out of corporate activities.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events are set out in Note 62 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

In 2018, the Group maintained compliance with relevant laws and regulations that have significant impacts on operations of the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE CONTAINED IN APPENDIX 14 TO THE HKEX LISTING RULES

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Corporate Governance Code for any part of the period from January 1, 2018 to December 31, 2018, except that Mr. Ma Mingzhe has occupied both the positions of the Chairman and Chief Executive Officer of the Company. Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out in the section headed "Corporate Governance Report."

AUDITORS

According to the resolution made at the 2017 Annual General Meeting of the Company, the Company continued to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as auditors of the Company's financial statements under CAS and IFRS respectively, and engaged PricewaterhouseCoopers Zhong Tian LLP as the auditor of the Company's internal controls in 2018.

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 12, 2019, at all times during the year ended December 31, 2018, 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 12, 2019

Report of the Supervisory Committee

During the Reporting Period, all the members of the Supervisory Committee duly carried out their supervisory duties in a stringent manner and adhered to the principles of fairness and honesty to effectively protect the rights and interests of the shareholders, the Company and its employees in accordance with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association.

ATTENDANCE RECORD OF SUPERVISORS

During the Reporting Period, the Supervisors did their best to participate in the general meetings and the meetings of the Supervisory Committee in person, as well as to attend the meetings of the Board of Directors as non-voting participants, and had no dissents over the supervised matters. The attendance records of each Supervisor at the meetings are as follows:

Members	Date of Appointment as Supervisors	Meetings attended in person/ Meetings required to attend	
		General Meeting	Supervisory Committee Meeting
Independent Supervisors			
GU Liji (Chairman)	June 3, 2009	5/5	5/5
HUANG Baokui	June 28, 2016	5/5	5/5
Shareholder Representative Supervisor			
ZHANG Wangjin	June 17, 2013	5/5	5/5
Employee Representative Supervisors			
WANG Zhiliang	August 6, 2017	5/5	5/5
PAN Zhongwu	July 17, 2012	5/5	5/5

INSPECTIONS AND REVIEWS AT BRANCHES OF SUBSIDIARIES

In September 2018, certain members of the Supervisory Committee conducted on-site inspections and reviews at branches of subsidiaries including Ping An Life, Ping An Property & Casualty and Ping An Annuity, in Qinghai and Tibet. Opinions collected from the general staff were consolidated and an investigation report was submitted to the management of the Company. The senior management paid due attention to relevant issues and a feedback report by them was addressed to all the Directors and Supervisors.

INDEPENDENT OPINIONS ON RELEVANT ISSUES FROM THE SUPERVISORY COMMITTEE

Lawful Operation

During the Reporting Period, the Company operated and managed its businesses in accordance with the laws and regulations, and its operational results were objective and true. There was substantial development and improvement in the depth and breadth of internal control management, and the internal control system was complete, reasonable and effective. The Company's operational decision-making processes were legitimate. The Directors and other senior management were cautious, conscientious and diligent in the business operations and management processes, and they were not found to have breached any laws, regulations, or the Articles of Association or harmed the interests of the shareholders.

Authenticity of the Financial Statements

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have issued the standard unqualified auditor's reports in accordance with the PRC and international auditing standards respectively on the Company's financial statements for 2018. The financial statements truly, fairly and accurately reflected the financial conditions and results of operations of the Company.

Use of Proceeds

An aggregate of 594,056,000 new H Shares were successfully allotted and issued by the Company under a general mandate on December 8, 2014 and the gross proceeds raised from the placing were HKD36,831,472,000. The proceeds raised from the placing were used to develop the main businesses and replenish the equity and working capital of the Company. The use of the proceeds raised was consistent with the use approved by the Board of Directors. As at December 31, 2018, HKD4,059 million from the placing was kept in the specific fund-raising account, and the rest had been used.

Report of the Supervisory Committee

Connected-Party Transactions

The Supervisory Committee regarded the connected-party transactions of the Company to be fair and reasonable in the Reporting Period, and did not find any harm against the interests of the shareholders and the Company.

Internal Control System

In 2018, the Supervisory Committee has reviewed the Assessment and Evaluation Report on Internal Control of the Company for 2017 and the Work Report on the Internal Control of the Company for the First Half of 2018, and was of the opinion that the Company has set up a relatively complete, reasonable and effective internal control system.

Implementation of the Resolutions Approved by the General Meetings

Certain members of the Supervisory Committee attended the meetings of the Board of Directors and the general meetings as non-voting participants, and did not have any objection to the reports and proposals submitted to the general meetings by the Board of Directors. The Supervisory Committee has monitored the implementation of the resolutions approved by the general meetings, and was of the opinion that the Board of Directors could duly implement the resolutions approved by the general meetings.

Implementation of the Cash Dividend Policy

The Supervisory Committee acknowledges that the Board of Directors strictly carried out the cash dividend policy and plans for shareholder returns, performed relevant decision-making procedures for cash dividends in strict compliance, and disclosed the cash dividend policy and its implementation truly, accurately and completely.

Appraisal of Directors' Performance of Duties

The Company held the 13th meeting of the 8th Supervisory Committee on March 20, 2018, at which all Supervisors deliberated and approved the Proposal on Deliberating Directors' Duty Performance Report and Independent Directors' Work Report for 2017, and appraised the composition of the Board of Directors, Directors' attendance records at meetings, participation in training sessions and provision of opinions. Supervisors present at the meeting concluded unanimously that in 2017 all Directors of the Company, in a sincere, loyal, diligent and conscientious manner, performed their duties and responsibilities as stipulated under relevant laws, regulations and the Articles of Association, proactively attended meetings of the Board of Directors and specialized committees and expressed their opinions. Specialized committees of the Board of Directors fully performed their duties and provided professional opinions and advice for the Board of Directors' decision making process.

In the coming year, the Supervisory Committee will further expand its approach to work, and will continue to carry out its duties in accordance with the relevant provisions of the Company Law of the People's Republic of China, the Articles of Association and the listing rules. The Supervisory Committee will adhere to the principles of honesty, maximize its supervisory efforts with the aim of protecting the interests of the Company and its shareholders, and perform supervisory duties honestly and diligently to achieve the best results in all respects.

By order of the Supervisory Committee

GU Liji
Chairman of the Supervisory Committee

Shenzhen, PRC
March 12, 2019

Significant Events

GENERAL ANALYSIS OF EXTERNAL INVESTMENT

Ping An is an integrated financial services group, and investment is one of its core businesses. The investment of insurance funds represents a majority of the equity investment of the Company. The investment of insurance funds is subject to relevant laws and regulations. For details of the asset allocation of the investment portfolio of insurance funds, please refer to relevant sections headed "Business Analysis."

Material Equity Investment

During the Reporting Period, there was no material equity investment that was required to be disclosed.

Material Non-Equity Investment

During the Reporting Period, there was no material non-equity investment that was required to be disclosed.

FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE

Details of financial instruments recorded at fair value of the Company are set out in Note 52 to the consolidated financial statements.

SALE OF MAJOR ASSETS AND EQUITIES

During the Reporting Period, there was no sale of major assets and equities that was required to be disclosed.

MAJOR SUBSIDIARIES AND ASSOCIATES OF THE COMPANY

Details of major subsidiaries and associates of the Company are set out in Note 4.(1) and Note 32 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 4.(2) to the consolidated financial statements.

IMPLEMENTATION OF THE KEY EMPLOYEE SHARE PURCHASE PLAN OF THE COMPANY

As deliberated at the 16th Meeting of the 9th Board of Directors held on October 28, 2014 and approved at the 1st Extraordinary General Meeting for 2015 held on February 5, 2015, the Key Employee Share Purchase Plan (the "Plan") of the Company has been officially implemented. Since the implementation of this Plan, the Company has had stable operations; the shareholders, the Company, and the employees have shared benefits and risks, providing a strong foundation for further improvement of the Company's governance structure as well as establishing and improving the long-term incentive and restraint mechanisms to facilitate long-term sustainable, healthy development of the Company.

As at the end of the Reporting Period, four 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 (expenses inclusive), accounting for 0.044% of the total share capital of the Company at that time. For details of the share purchase, please refer to the Announcement regarding the Completion of Share Purchase under the 2015 Key Employee Share Purchase Plan published by the Company on the websites of the HKEX and the SSE on March 27, 2015 and March 30, 2015 respectively.

As the Company's profit distribution for 2014 included the conversion of capital reserve into share capital in a proportion of 10 shares for every 10 shares held, the total number of shares held under the Plan for this phase had changed to 8,100,506 shares.

During the Reporting Period, one third of the shares under the Plan for this phase were unlocked and vested in batches to 639 employees. As to the remaining 62 employees who did not qualify for the vesting, 135,515 shares were forfeited. All shares under the Plan for this phase had been unlocked and vested as of the end of the Reporting Period.

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 RMB481,733,046.11 (expenses inclusive) and an average price of RMB32.53 per share, accounting for 0.081% of the total share capital of the Company at that time. These shares were subject to a lock-up period from March 23, 2016 to March 22, 2017. For details of the share purchase, please refer to the Announcement regarding the Completion of Share Purchase under the 2016 Key Employee Share Purchase Plan published by the Company on the websites of the HKEX and the SSE on March 22, 2016 and March 23, 2016 respectively.

During the Reporting Period, one third of the shares under the Plan for this phase were unlocked and vested in batches to 680 employees. As to the remaining 41 employees who did not qualify for the vesting, 210,765 shares were forfeited.

Implementation in 2017

The participants were 1,157 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 23, 2017 to March 27, 2017 in the secondary market; 16,419,990 A shares of the Company in total were purchased for a total price of RMB603,498,822.25 (expenses inclusive) and an average price of RMB36.74 per share, accounting for 0.090% of the total share capital of the Company at that time. These shares were subject to a lock-up period from March 29, 2017 to March 28, 2018. For details of the share purchase, please refer to the Announcement regarding the Completion of Share Purchase under the 2017 Key Employee Share Purchase Plan published by the Company on the websites of the HKEX and the SSE on March 28, 2017 and March 29, 2017 respectively.

During the Reporting Period, one third of the shares under the Plan for this phase were unlocked and vested in batches to 1,104 employees. As to the remaining 53 employees who did not qualify for the vesting, 428,798 shares were forfeited.

Implementation in 2018

The participants were 1,296 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. on April 27, 2018 in the secondary market; 9,666,900 A shares of the Company in total were purchased for a total price of RMB592,698,901.19 (expenses inclusive) and an average price of RMB61.29 per share, accounting for 0.053% of the total share capital of the Company at that time. These shares are subject to a lock-up period from May 2, 2018 to May 1, 2019. For details of the share purchase, please refer to the Announcement regarding the Completion of Share Purchase under the 2018 Key Employee Share Purchase Plan published by the Company on the websites of the HKEX and the SSE on May 1, 2018 and May 2, 2018 respectively. During the Reporting Period, there was no change in equity as a result of disposal by holders of the Plan.

The manager of the Plan is China Merchants Securities Asset Management Co., Ltd., and was not changed during the Reporting Period.

IMPLEMENTATION OF SHARE INCENTIVE SCHEME OF THE COMPANY AND ITS EFFECTS

During the Reporting Period, the Company did not implement any share incentive scheme based on the Company's shares.

AMENDED AND RESTATED 2016 SHARE INCENTIVE PLAN OF AUTOHOME INC. ("AUTOHOME 2016 SHARE INCENTIVE PLAN")

The Annual General Meeting held by the Company on June 16, 2017 deliberated and approved the Autohome 2016 Share Incentive Plan with respect to the grant of options ("Autohome Options") to the directors, consultants, and employees of Autohome Inc. to purchase Class A ordinary shares of Autohome Inc. ("Autohome Shares"), restricted shares or restricted stock units and share appreciation rights.

The purpose of the Autohome 2016 Share Incentive Plan is intended to provide the relevant participants with an incentive for outstanding performance to generate superior returns to Autohome Inc.'s shareholders. The Autohome 2016 Share Incentive Plan is also intended to provide flexibility to Autohome Inc. in its ability to motivate, attract, and retain its directors, employees, and consultants upon whose judgment, interest, and special effort the successful conduct of Autohome Inc.'s operation is largely dependent.

Pursuant to the terms of the Autohome 2016 Share Incentive Plan, Autohome Inc.'s board of directors or its compensation committee authorized by the board of directors ("Autohome Committee") may grant Autohome incentive awards to eligible participants, including the employees, consultants and all directors of Autohome Inc., based on their past, present and expected commitment and contribution to Autohome Inc. and/or the related entities, as the Autohome Committee may determine.

The total number of Autohome Shares which may be issued upon exercise of all Autohome Options to be granted under the Autohome 2016 Share Incentive Plan and any other share option schemes of Autohome Inc. must not in aggregate exceed 10% of the issued and outstanding Autohome Shares as of June 16, 2017, on which the shareholders of the Company approved the Autohome 2016 Share Incentive Plan, unless further shareholders' approval from the shareholders of Autohome Inc. and the Company have been obtained. According to the Autohome 2016 Share Incentive Plan, the maximum aggregate number of Autohome Shares issuable pursuant to all awards under this plan is 4,890,000, representing approximately 4.14% of the total issued and outstanding Autohome Shares as at the date of this report. Unless approved by the shareholders of Autohome Inc. and the Company in the manner set out in the Autohome 2016 Share Incentive Plan, the total number of Autohome Shares issued and to be issued upon the exercise of the Autohome Options granted and to be granted to any participant (including both exercised and outstanding Autohome Options) in any 12-month period up to and including the date of grant shall not exceed 1% of the issued and outstanding Autohome Shares as at the date of grant.

The exercise price per Autohome Share subject to an Autohome Option shall be determined by the Autohome Committee and set forth in the award agreement which may be a fixed or variable price related to the fair market value of the Autohome Shares, to the extent not prohibited by the applicable laws. Autohome Inc., as a company listed on the New York Stock Exchange, files its annual financial results with the U.S. Securities and Exchange Commission under the relevant regulatory rules of the U.S. Considering the consistency of information disclosure, the Company would not herein disclose the value of the Autohome Options granted to the participants during the Reporting Period and the relevant accounting policies.

The Autohome Committee has the discretion to fix any minimum period(s) for which an Autohome Option or any part thereof has to be held before the exercise of the subscription rights attaching thereto. The Autohome 2016 Share Incentive Plan will expire on the tenth anniversary of the effective date, being March 21, 2027.

As at December 31, 2018, the Autohome Options granted pursuant to the Autohome 2016 Share Incentive Plan are as follows:

			The Number of Options				
Type of grantees	Exercise period	Exercise price (per Autohome Share, US$)	Balance as at January 1, 2018	Granted during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Balance as at December 31, 2018
Employee	Not exceeding 10 years from the date of grant	22.19~83.27	611,526	355,545	3,750	70,039	893,282

SHARE INCENTIVE SCHEME OF SHANGHAI JAHWA OF 2018 ("SHANGHAI JAHWA SHARE INCENTIVE SCHEME")

The 2017 Annual General Meeting held by the Company on May 23, 2018 deliberated and approved the Shanghai Jahwa Share Incentive Scheme, involving the grant of options ("Shanghai Jahwa Options") to, or for the benefit of, specified participants to subscribe for ordinary shares of Shanghai Jahwa ("Shanghai Jahwa Shares").

The purpose of Shanghai Jahwa Share Incentive Scheme is to further improve Shanghai Jahwa's corporate governance structure, promote the establishment and improvement of its incentive and restraint mechanism, encourage the initiative and commitment of its directors, senior management and key employees, so as to effectively align the shareholders' interests, Shanghai Jahwa's interests, and operators' individual interests, and make all parties stay focused on and strive for the long-term sustainable development of Shanghai Jahwa.

Pursuant to the terms of the Shanghai Jahwa Share Incentive Scheme, the incentive participants of the Shanghai Jahwa Share Incentive Scheme comprise the following persons, and shall exclude independent directors and supervisors, as well as shareholders individually or in aggregate holding 5% or more of the shares of Shanghai Jahwa or the de facto controllers and their spouses, parents or children: directors and senior management of Shanghai Jahwa, and the core management personnel and core technical personnel who have direct influence on the overall results and sustainable development of Shanghai Jahwa. Such personnel refer to those who report directly to the Chief Executive Officer and those who are independently responsible for different units and businesses of Shanghai Jahwa, including branding, research and development, supply chain, financing, human resources and strategic investment.

The total number of Shanghai Jahwa Shares which may be issued upon exercise of all Shanghai Jahwa Options to be granted under the Shanghai Jahwa Share Incentive Scheme and any other share option schemes of Shanghai Jahwa must not in aggregate exceed 10% of the issued and outstanding Shanghai Jahwa Shares as of May 23, 2018, on which the shareholders of the Company approved the Shanghai Jahwa Share Incentive Scheme. According to the Shanghai Jahwa Share Incentive Scheme, the maximum number of Shanghai Jahwa Shares to be issued is 4,250,000, representing approximately 0.63% of the total issued shares of Shanghai Jahwa as at the date of this report. Unless otherwise approved by a special resolution at the general meeting of Shanghai Jahwa, the cumulative total number of Shanghai Jahwa Shares to be granted to any of the incentive participant under the fully effective Shanghai Jahwa Share Incentive Scheme shall not exceed 1% of the total share capital of Shanghai Jahwa.

The exercise price per Shanghai Jahwa Share of a Shanghai Jahwa Option shall be determined by the board of directors of Shanghai Jahwa. For details of the value of Shanghai Jahwa Options and related accounting policies, please refer to the announcement published by Shanghai Jahwa on the website of SSE (www.sse.com.cn) dated July 25, 2018.

The board of directors of Shanghai Jahwa has the discretion to fix any minimum period(s) for which a Shanghai Jahwa Option or any part thereof has to be held before the exercise of the subscription rights attaching thereto. The Shanghai Jahwa Share Incentive Scheme is valid from the date of grant of Shanghai Jahwa Options and expires on the date of all Shanghai Jahwa Options granted to participants being exercised or cancelled, and not exceeding 68 months.

Significant Events

As at December 31, 2018, the details and movements of the Shanghai Jahwa Share Incentive Scheme in relation to the Shanghai Jahwa Options are as follows:

			The Number of Options				
Type of grantees	Exercise period	Exercise price (per Shanghai Jahwa Share, RMB)	Balance as at January 1, 2018	Granted during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Balance as at December 31, 2018
Employee	Not exceeding 68 months from the date of grant	35.57	–	3,400,000	–	–	3,400,000

DAY-TO-DAY CONNECTED TRANSACTIONS

The 2nd meeting of the 11th Board of Directors was convened on August 21, 2018 by the Company, during which the Resolution regarding Continuing Day-to-day Connected Transactions between Ping An Group and Connected Parties was considered and approved. Pursuant to the Resolution, the Group was authorized to enter into connected transactions at fair market price with Ping An Good Doctor, OneConnect, Ping An HealthKonnect, Lufax Holding and the connected parties under their control ("Connected Parties") respectively within the ordinary course of business. The annual aggregated amount of connected transactions entered into between the Group and the Connected Parties shall not exceed 5% of the latest audited net assets of the Group for the year. A transaction that falls within the scope of the authorization limit may no longer require the corresponding approval procedures and disclosure obligations. For details please refer to "Continuing Day-to-day Connected Transactions Announcement" published by the Company on Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily and the website of SSE (www.sse.com.cn) on August 22, 2018.

The above transaction would not be regarded as a connected transaction of the Company as defined under the HKEX Listing Rules.

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	11,913
Total guarantee balance in favor of its subsidiaries as at the end of the Reporting Period	44,140

Total guarantee of the Company (including the guarantee in favor of its subsidiaries)	
Total guarantee	44,140
Total guarantee as a percentage of the Company's net assets (%)	7.9
Including: Direct or indirect guarantee for the companies with a total liabilities to total assets ratio over 70% (as at December 31, 2018)	41,596
The amount by which the total guarantee balance of the Company and its subsidiaries exceeded 50% of the Company's net asset	-

Notes: (1) The data set out in the table above does not include those arising from financial guarantee businesses conducted by Ping An Bank (the controlled subsidiary) and other subsidiaries of the Company in strict compliance with the scope of business approved by regulatory authorities.

(2) During the Reporting Period, the total guarantee incurred was the guarantee withdrawal of RMB27,705 million less the guarantee repayment of RMB15,792 million.

INDEPENDENT OPINIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON EXTERNAL GUARANTEE OF THE COMPANY

According to the relevant requirements of the *Notice Concerning the Regulation on the Flow of Funds Between Listed Companies and Their Connected Parties and the Provision of Guarantees by Listed Companies to External Parties* as well as the *Notice Regarding the Regulation on the Provision of External Guarantee by Listed Companies* set out by the CSRC, the Independent Non-executive Directors of the Company conducted a prudent review of the Company's external guarantee in 2018. 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 withdrawal provided by the Company and its subsidiaries amounted to RMB27,705 million. As at December 31, 2018, the total guarantee balance of the Company and its subsidiaries was RMB44,140 million, representing approximately 7.9% of the Company's net assets. The sum did not exceed 50% of the net assets as stated in the consolidated financial statements of the latest fiscal year of the Company;

3. The Company has strictly observed the approval procedures and internal control policies regarding external guarantee as set out in the Articles of Association, and there was no irregular external guarantee;

4. The Company has fulfilled its obligation to disclose information on external guarantee and honestly provided chartered accountants with all the details about the Company's external guarantee, in strict compliance with the relevant requirements under the SSE Listing Rules and the Articles of Association.

ENTRUSTMENT, UNDERWRITING, LEASE, ENTRUSTED ASSET MANAGEMENT, ENTRUSTED LOAN AND OTHER MATERIAL CONTRACTS

No matter relating to entrustment, underwriting, lease or other material contracts of the Company was required to be disclosed during the Reporting Period.

During the Reporting Period, the Company engaged in no entrusted asset management or entrusted lending outside the normal business scope. For details of the Company's entrusted asset management and entrusted lending, refer to the "Notes to Consolidated Financial Statements."

SEIZURE, DISTRAINMENT OR FREEZE OF MAJOR ASSETS

During the Reporting Period, the Company had no event of seizure, distrainment or freeze of major assets that was required to be disclosed.

MATERIAL LITIGATIONS AND ARBITRATIONS

During the Reporting Period, the Company had no material litigations or arbitrations that were required to be disclosed.

CHANGES IN ACCOUNTING POLICIES OR ACCOUNTING ESTIMATES, CORRECTIONS OF MATERIAL ACCOUNTING MISTAKES

Details of changes in accounting policies and accounting estimates of the Company during the Reporting Period are set out in note 2.(2) to the consolidated financial statements.

During the Reporting Period, there was no material accounting mistake made by the Company.

APPOINTMENT OF AUDITOR

Information on the Company's auditors and the remuneration paid to the auditors is set out in the sections titled "Report of the Board of Directors" and "Corporate Governance Report."

Significant Events

APPOINTMENT OF INTERNAL CONTROL AUDITOR

Information on the Company's internal control auditors and the remuneration paid to such auditors is set out in the sections titled "Report of the Board of Directors" and "Corporate Governance Report."

PUNISHMENTS AND RECTIFICATIONS

During the Reporting Period, neither the Company nor the Directors, Supervisors, or senior management of the Company were investigated by competent authorities, subjected to coercive measures by judicial authorities or disciplinary authorities, transferred to judicial authorities or held accountable for criminal liabilities, investigated or punished, barred from the market or disqualified by the CSRC, subjected to major administrative punishments by environmental protection, work safety, tax or other administrative authorities, or denounced by any stock exchanges publicly.

INTEGRITY CONDITIONS OF THE COMPANY

During the Reporting Period, the Company had no failure to abide by any effective judicial ruling.

INCOME TAX WITHHOLDING

Enterprise Income Tax Withholding of Overseas Non-Resident Enterprises

Pursuant to the applicable provisions of the *Enterprise Income Tax Law of the People's Republic of China* which came into effect on January 1, 2008 and its implementation rules, the Company shall be obligated to withhold 10% enterprise income tax when it distributes 2018 final dividend to non-resident enterprise holders of H shares, including Hong Kong Securities Clearing Company Nominees Limited, as listed on the Company's register of members of H shares on Thursday, May 30, 2019 (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 want the Company to withhold the said 10% enterprise income tax, it shall submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Friday, May 24, 2019 a legal opinion, issued by a PRC mainland qualified lawyer (inscribed with the seal of the applicable law firm), that verifies its resident enterprise status. The legal opinion shall be handed on by the Company to the applicable tax authorities for approval, and then excess portions of the tax amounts withheld can be refunded.

Individual Income Tax Withholding of Overseas Individual Shareholders

Upon the confirmation of the Company after having made consultation with the relevant tax authorities, and pursuant to the applicable provisions of the *Individual Income Tax Law of the People's Republic of China* and its implementation regulations, the individual resident shareholders outside the PRC shall pay individual income tax upon their receipt of the distributed dividends in respect of the shares issued by domestic non-foreign investment enterprises in Hong Kong, which shall be withheld by obligors on behalf of such individual shareholders by law. Those individual resident shareholders outside the PRC may, however, enjoy relevant preferential treatments in accordance with the provisions of applicable tax agreements signed between the countries or regions where they belong by virtue of residential identification and the PRC as well as the tax arrangements made between the Mainland China and Hong Kong (Macau).

Pursuant to relative tax regulations, the Company shall generally be obligated to withhold individual income tax at the tax rate of 10% when it distributes the 2018 final dividend to individual holders of H shares appearing on the Company's register of members of H shares on the Record Date. However, if the tax regulations and relevant tax agreements state otherwise, the Company will withhold and pay the individual income tax based on the amount of the dividend at the relevant tax rate and in accordance with the procedures as stipulated.

If individual holders appear on the Company's register of members of H shares and are citizens from the countries or regions applying a tax rate of less than 10% under tax agreements, they are not applicable in relation to the withheld individual tax at the rate of 10% by the Company, and the Company may handle applications on their behalf for preferential treatments as stipulated in relevant agreements pursuant to the *Notice of the State Administration of Taxation on Issues about the Administrative Measures for Non-residents to Enjoy the Treatments of Tax Treaties (Notice of the State Administration of Taxation [2015] No. 60)*. Qualified shareholders are required to submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Friday, May 24, 2019 a written authorization and relevant evidencing documents, which shall be handed on by the Company to the applicable tax authorities for approval, and then excess portions of the tax amounts withheld can be refunded.

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

Income Tax Withholding for H Shareholders via the Hong Kong Stock Connect Program

For Mainland investors (including enterprises and individuals) investing in the Company's H Shares via the Hong Kong Stock Connect Program, China Securities Depository and Clearing Corporation Limited, as the nominee holding H Shares for investors via the Hong Kong Stock Connect Program, will receive the final dividend distributed by the Company and distribute such final dividend to the relevant investors through its depositary and clearing system. The final dividend to be distributed to the investors via the Hong Kong Stock Connect Program will be paid in Renminbi. Pursuant to the *Notice on Tax Policies for Pilot Mechanism of Shanghai-Hong Kong Stock Connect Program (Cai Shui [2014] No. 81)* and the *Notice on Tax Policies for Pilot Mechanism of Shenzhen - Hong Kong Stock Connect Program (Cai Shui [2016] No. 127)*:

For Mainland individual investors who invest in the H Shares of the Company via the Hong Kong Stock Connect Program, the Company will withhold individual income tax at the rate of 20% in the distribution of the final dividend. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Corporation Limited for tax refund relating to the withholding tax already paid abroad. For Mainland securities investment funds that invest in the H Shares of the Company via the Hong Kong Stock Connect Program, the Company will withhold individual income tax in the distribution of the final dividend pursuant to the above provisions;

For Mainland enterprise investors that invest in the H Shares of the Company via the Hong Kong Stock Connect Program, the Company will not withhold income tax in the distribution of the final dividend and the Mainland enterprise investors shall declare and pay the tax on their own.

Income Tax Withholding for A Shareholders via the Shanghai Stock Connect Program

For Hong Kong investors (including enterprises and individuals) investing in the Company's A Shares via the Shanghai Stock Connect Program, the final dividend will be paid in Renminbi by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to Hong Kong Securities Clearing Company Limited, and the Company will withhold income tax at the rate of 10% as stipulated in the *Notice on Tax Policies for Pilot Mechanism of Shanghai-Hong Kong Stock Connect Program (Cai Shui [2014] No. 81)*.

For investors via the Shanghai Stock Connect Program who are tax residents of other countries or regions (excluding Hong Kong), which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, those enterprises or individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the Company for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate under such tax treaty will be refunded.

Significant Events

All investors are requested to read this part carefully. Shareholders are recommended to consult their tax advisors for tax effects regarding their holding and disposing of the shares of the Company, involving the PRC, Hong Kong and other countries and regions. The Company will announce detailed arrangement regarding the income tax withholding when it distributes 2018 final dividend to holders of A shares on the website of SSE separately.

FULFILLMENTS OF UNDERTAKINGS

Undertakings in Respect of the Major Asset Restructuring with Shenzhen Development Bank

(1) The Company undertakes that, after the completion of the major asset restructuring with Shenzhen Development Bank, and during the period when the Company remains as the controlling shareholder of Shenzhen Development Bank, and in respect of the businesses or commercial opportunities similar to those of Shenzhen Development Bank that the Company and the enterprises under its control intend to carry out or have substantially obtained whereby the assets and businesses arising from such businesses or commercial opportunities may possibly form potential competition with those of Shenzhen Development Bank, the Company and the enterprises under its control shall not engage in the businesses identical or similar to those carried out by Shenzhen Development Bank, so as to avoid direct or indirect competition with the operations of Shenzhen Development Bank.

(2) The Company undertakes that, after the completion of the major asset restructuring with Shenzhen Development Bank, and in respect of the transactions between the Company and the enterprises under its control and Shenzhen Development Bank which constitute the connected transactions of Shenzhen Development Bank, the Company and the enterprises under its control shall enter into such transactions with Shenzhen Development Bank by following the principle of "openness, fairness and justness" at fair and reasonable market prices, and shall go through the decision-making process according to the requirements of the relevant laws and regulations and regulatory documents, and shall perform their obligations of information disclosure as required by law. The Company undertakes that the Company and the enterprises under its control shall not procure any illegal interests or make 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, 2018, the above undertakings were still being performed and there was no breach of the above undertakings.

Undertaking in Respect of the Issuance pf Ping An Convertible Bonds

During the period of issuing Ping An Convertible Bonds by the Company, in terms of certain subsidiaries engaging in construction of properties for self-use purpose and retirement communities, the Company undertakes that, it complies and will strictly comply with relevant regulations in relation to the insurance funds used in real estate investment and the principle that the insurance funds should only be applied for specific property development purpose without the motive of property speculation or sale in an inappropriate form. It will not develop or sell commercial housing by means of investment in retirement communities or real estate for self-use purpose.

As at December 31, 2018, the above undertaking was still being performed and there was no breach of the above undertaking.

Undertaking in Respect of the Subscription for 210,206,652 New Shares of Ping An Bank Through Non-Public Issuance

In relation to the subscription for 210,206,652 new shares of Ping An Bank through non-public issuance, the Company undertakes that it shall not transfer the shares within 36 months since the date of listing of the new shares (i.e. May 21, 2015). Such shares shall not be disposed of or transferred among its non-connected or connected parties during the lock-up period. In addition, no arrangement of any other disposal of interests shall be entered into with respect to such shares during the lock-up period.

As at December 31, 2018, the above undertaking had been fulfilled.

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, 2018, 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		1,966,603,275	Long position	26.41	10.76
		Party to s317 agreement		88,708,000	Long position	1.19	0.49
		Total:	(1), (2)	2,055,311,275		27.60	11.24
		Interest of controlled corporations	(1)	285,847,741	Short position	3.84	1.56
Dhanin Chearavanont	H	Party to s317 agreement		1,966,603,275	Long position	26.41	10.76
		Interest of controlled corporations		88,708,000	Long position	1.19	0.49
		Total:	(1), (2)	2,055,311,275		27.60	11.24
		Party to s317 agreement	(2)	285,847,741	Short position	3.84	1.56
King Ace International Limited	H	Party to s317 agreement		1,966,603,275	Long position	26.41	10.76
		Interest of controlled corporations		88,708,000	Long position	1.19	0.49
		Total:	(1), (2)	2,055,311,275		27.60	11.24
		Party to s317 agreement	(2)	285,847,741	Short position	3.84	1.56

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 (%)
JPMorgan Chase & Co.	H	Interest of controlled corporations	(3)	708,377,410	Long position	9.51	3.88
		Investment manager		323,606,470	Long position	4.35	1.77
		Person having a security interest in shares		5,101,498	Long position	0.07	0.03
		Trustee		32,012	Long position	0.00	0.00
		Approved lending agent		221,672,394	Lending pool	2.98	1.21
		Total:	(3)	1,258,789,784		16.90	6.89
		Interest of controlled corporations	(3)	786,797,037	Short position	10.56	4.30
		Investment manager		19,673,000	Short position	0.26	0.11
		Total:	(3)	806,470,037		10.83	4.41
UBS Group AG	H	Person having a security interest in shares		50,223,057	Long position	0.67	0.27
		Interest of controlled corporations	(4)	1,870,597,412	Long position	25.12	10.23
		Total:	(4)	1,920,820,469		25.79	10.51
		Interest of controlled corporations	(4)	2,100,861,881	Short position	28.21	11.49

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 (%)
BlackRock, Inc.	H	Interest of controlled corporations	(5)	412,982,017	Long position	5.55	2.26
			(5)	545,000	Short position	0.01	0.00
Citigroup Inc.	H	Interest of controlled corporations	(6)	60,225,545	Long position	0.81	0.33
		Approved lending agent		416,914,509	Lending Pool	5.60	2.28
		Total:		477,140,054		6.41	2.61
		Interest of controlled corporations	(6)	29,597,482	Short position	0.40	0.16
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 1,966,603,275 H shares (Long position) and 285,847,741 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 January 2, 2019, 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	Percentage of control (%)	Direct interest (Y/N)	Nature of interest	Number of shares
CPG Overseas Company Limited	Charoen Pokphand Group Company Limited	100.00	N	Long position	1,966,603,275
Active Business Holdings Limited	CPG Overseas Company Limited	100.00	N	Long position	33,615,868
Spring Height International Limited	Active Business Holdings Limited	100.00	N	Long position	23,646,368
Express Ascend Limited	Spring Height International Limited	100.00	Y	Long position	23,646,368
Jumbo Kingdom Ventures Limited	Active Business Holdings Limited	100.00	N	Long position	9,969,500
Epic Success Developments Limited	Jumbo Kingdom Ventures Limited	100.00	Y	Long position	9,969,500
CT Bright Group Company Limited (Formerly known as Chia Tai Resources Holdings Limited)	CPG Overseas Company Limited	100.00	N	Long position	1,932,987,407
Choice Great Investments Limited	CT Bright Group Company Limited	100.00	N	Long position	23,646,368
Project Perfect Limited	Choice Great Investments Limited	100.00	Y	Long position	23,646,368
Chia Tai Giant Far Limited	CT Bright Group Company Limited	100.00	N	Long position	1,909,341,039
Chia Tai Primrose Holdings Limited	Chia Tai Giant Far Limited	100.00	N	Long position	1,909,341,039
Chia Tai Primrose Investment Limited	Chia Tai Primrose Holdings Limited	100.00	N	Long position	1,909,341,039
Easy Boom Developments Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position Short position	285,847,741 285,847,741
Business Fortune Holdings Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	717,306,596
Ewealth Global Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	51,239,090
King Beyond Global Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	30,819,856
Oriental Power Developments Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	4,893,000
Excel Trade Developments Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	71,211,068
Golden Magic Holdings Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	33,359,691
New Orient Ventures Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	714,663,997

The entire interests of CP Group Ltd. in the Company included 285,847,741 H shares (Short position) which were held through derivatives, the category of which was through physically settled unlisted derivatives. In addition, CP Group Ltd. was also deemed to be interested in 88,708,000 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 708,000 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 1,966,603,275 H shares (Long position) and 285,847,741 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 708,377,410 H shares (Long position) and 786,797,037 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 3, 2019, 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	Percentage of control (%)	Direct interest (Y/N)	Nature of interest	Number of shares
JPMorgan Chase Bank, N.A. - Taipei Branch	JPMorgan Chase Bank, National Association	100.00	Y	Long position Short position	3,550,100 0
J.P. Morgan Bank Luxembourg S.A. – Amsterdam Branch	J.P. Morgan Bank Luxembourg S.A.	100.00	Y	Long position Short position	1,953,000 0
J.P. Morgan Securities LLC	J.P. Morgan Broker-Dealer Holdings Inc.	100.00	Y	Long position Short position	1,863,088 1,311,000
J.P. Morgan Whitefriars LLC	J.P. Morgan Overseas Capital LLC	100.00	Y	Long position Short position	31,000 0
JPMorgan Asset Management (Taiwan) Limited	JPMorgan Asset Management (Asia) Inc.	100.00	Y	Long position Short position	3,337,000 0
J.P. Morgan Europe Limited, Oslo Branch	J.P. MORGAN EUROPE LIMITED	100.00	Y	Long position Short position	210,285 0
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	JPMORGAN ASSET MANAGEMENT HOLDINGS (UK) LIMITED	100.00	Y	Long position Short position	44,826,900 0
J.P. Morgan Chase Bank Berhad	J.P. Morgan International Finance Limited	100.00	Y	Long position Short position	0 13,060,000
JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	100.00	Y	Long position Short position	96,897,473 62,045,055
JF Asset Management Limited	JPMorgan Asset Management (Asia) Inc.	99.99	Y	Long position Short position	64,767,500 0
JF International Management Inc.	JPMorgan Asset Management (Asia) Inc.	100.00	Y	Long position Short position	161,500 0
China International Fund Management Co., Ltd.	JPMORGAN ASSET MANAGEMENT (UK) LIMITED	49.00	Y	Long position Short position	2,917,000 0
J.P. Morgan GT Corporation	JPMorgan Chase Holdings LLC	100.00	Y	Long position Short position	882,000 0
J.P. Morgan Bank Luxembourg S.A. – Stockholm Bankfilial	J.P. Morgan Bank Luxembourg S.A.	100.00	Y	Long position Short position	9,450,907 0
Highbridge Capital Management, LLC	JPMorgan Asset Management Holdings Inc.	100.00	Y	Long position Short position	33,700,240 19,673,000
JPMORGAN CHASE BANK, N.A. – LONDON BRANCH	JPMorgan Chase Bank, National Association	100.00	Y	Long position Short position	78,167,751 0
J.P. Morgan Investment Management Inc.	JPMorgan Asset Management Holdings Inc.	100.00	Y	Long position Short position	149,842,430 0
JPMorgan Asset Management (Japan) Limited	JPMorgan Asset Management (Asia) Inc.	100.00	Y	Long position Short position	1,760,000 0
J.P. Morgan Prime Inc.	J.P. Morgan Securities LLC	100.00	Y	Long position Short position	20,000 20,000
Copthall Mauritius Investment Limited	J.P. Morgan Holdings (Hong Kong) Limited	100.00	Y	Long position Short position	723,000 0
J.P. Morgan Europe (UK), Copenhagen Br, filial af J.P. Morgan Europe Ltd, Storbritannien	J.P. MORGAN EUROPE LIMITED	100.00	Y	Long position Short position	392,500 0
J.P. Morgan Structured Products B.V.	J.P. Morgan International Finance Limited	100.00	Y	Long position Short position	16 66

Name of controlled corporation	Name of controlling shareholder	Percentage of control (%)	Direct interest (Y/N)	Nature of interest	Number of shares
J.P. Morgan Europe Limited, Helsingin sivuliike	J.P. MORGAN EUROPE LIMITED	100.00	Y	Long position Short position	2,026,000 0
J.P. Morgan Bank Luxembourg, Copenhagen Br, filial af J.P. Morgan Bank Luxembourg S.A.	J.P. Morgan Bank Luxembourg S.A.	100.00	Y	Long position Short position	2,006,500 0
JPMorgan Chase Bank, N.A. - Sydney Branch	JPMorgan Chase Bank, National Association	100.00	Y	Long position Short position	7,834,786 0
J.P. Morgan Europe Limited (UK), Stockholm Bankfilial	J.P. MORGAN EUROPE LIMITED	100.00	Y	Long position Short position	1,970,245 0
J.P. Morgan Bank Luxembourg S.A.	J.P. Morgan International Finance Limited	100.00	Y	Long position Short position	23,260,320 0
J.P. Morgan Trust Company of Delaware	J.P. Morgan Equity Holdings, Inc.	100.00	Y	Long position Short position	32,012 0
JPMorgan Chase Bank, N.A. - Hong Kong Branch	JPMorgan Chase Bank, National Association	100.00	Y	Long position Short position	12,606,527 0
J.P. MORGAN SECURITIES PLC	J.P. MORGAN CAPITAL HOLDINGS LIMITED	100.00	Y	Long position Short position	709,926,204 710,360,916
J.P. Morgan (Suisse) SA	J.P. Morgan International Finance Limited	100.00	Y	Long position Short position	3,673,500 0
JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	100.00	N	Long position Short position	857,782,641 723,420,982
J.P. Morgan Bank Luxembourg S.A.	J.P. Morgan International Finance Limited	100.00	N	Long position Short position	13,410,407 0
J.P. Morgan International Finance Limited	JPMorgan Chase Bank, National Association	100.00	N	Long position Short position	755,623,477 723,420,982
J.P. Morgan Broker-Dealer Holdings Inc.	JPMorgan Chase Holdings LLC	100.00	N	Long position Short position	1,883,088 1,331,000
JPMorgan Chase Holdings LLC	JPMorgan Chase & Co.	100.00	N	Long position Short position	304,109,670 21,004,000
J.P. Morgan Overseas Capital LLC	J.P. Morgan International Finance Limited	100.00	N	Long position Short position	31,000 0
JPMorgan Asset Management (Asia) Inc.	JPMorgan Asset Management Holdings Inc.	100.00	N	Long position Short position	70,026,000 0
JPMorgan Asset Management Holdings Inc.	JPMorgan Chase Holdings LLC	100.00	N	Long position Short position	301,312,570 19,673,000
J.P. MORGAN EUROPE LIMITED	J.P. MORGAN SECURITIES PLC	100.00	N	Long position Short position	4,599,030 0
J.P. MORGAN SECURITIES PLC	J.P. MORGAN CAPITAL HOLDINGS LIMITED	100.00	N	Long position Short position	4,599,030 0
J.P. MORGAN CAPITAL HOLDINGS LIMITED	J.P. Morgan International Finance Limited	100.00	N	Long position Short position	714,525,234 710,360,916
JPMORGAN ASSET MANAGEMENT HOLDINGS (UK) LIMITED	JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	100.00	N	Long position Short position	47,743,900 0
JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	JPMorgan Asset Management Holdings Inc.	100.00	N	Long position Short position	47,743,900 0
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	JPMORGAN ASSET MANAGEMENT HOLDINGS (UK) LIMITED	100.00	N	Long position Short position	2,917,000 0
J.P. Morgan Securities LLC	J.P. Morgan Broker-Dealer Holdings Inc.	100.00	N	Long position Short position	20,000 20,000

Name of controlled corporation	Name of controlling shareholder	Percentage of control (%)	Direct interest (Y/N)	Nature of interest	Number of shares
J.P. Morgan Holdings (Hong Kong) Limited	J.P. Morgan International Finance Limited	100.00	N	Long position Short position	723,000 0
J.P. Morgan Equity Holdings, Inc.	JPMorgan Chase Holdings LLC	100.00	N	Long position Short position	32,012 0

The entire interests of JPMorgan Chase & Co. in the Company included a lending pool of 221,672,394 H shares (Long position). Besides, 693,372,998 H shares (Long position) and 729,871,154 H shares (Short position) were held through derivatives as follows:

Derivatives	Nature of interest	Number of shares
Listed derivatives – Physically settled	Long position Short position	93,922,500 100,784,500
Listed derivatives – Cash settled	Long position Short position	1,808,800 53,539,200
Unlisted derivatives – Physically settled	Long position Short position	562,700,456 155,825,818
Unlisted derivatives – Cash settled	Long position Short position	29,892,732 365,914,411
Listed derivatives – Convertible instruments	Long position Short position	5,048,510 53,807,225

(4) UBS Group AG was deemed to be interested in a total of 1,870,597,412 H shares (Long position) and 2,100,861,881 H shares (Short position) in the Company by virtue of its control over several corporations.

According to the disclosure form filed by UBS Group AG on January 3, 2019, 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	Percentage of control (%)	Direct interest (Y/N)	Nature of Interest	Number of shares
UBS AG	UBS Group AG	100.00	Y	Long position Short position	1,660,675,543 2,056,397,106
UBS Bank (Canada)	UBS Group AG	100.00	Y	Long position Short position	102,501 0
UBS Europe SE	UBS Group AG	100.00	Y	Long position Short position	61,000 0
UBS Europe SE (Luxembourg Branch)	UBS Group AG	100.00	Y	Long position Short position	49,500 0
UBS Europe SE (Spain Branch)	UBS Group AG	100.00	Y	Long position Short position	4,680 0
UBS Financial Services Inc.	UBS Group AG	100.00	Y	Long position Short position	103,154 0
UBS Gestión S.G.I.I.C., SA	UBS Group AG	100.00	Y	Long position Short position	2,500 0
UBS La Maison de Gestion	UBS Group AG	100.00	Y	Long position Short position	154,000 0
UBS Swiss Financial Advisers AG	UBS Group AG	100.00	Y	Long position Short position	103,500 0

Name of controlled corporation	Name of controlling shareholder	Percentage of control (%)	Direct interest (Y/N)	Nature of Interest	Number of shares
UBS Switzerland AG	UBS Group AG	100.00	Y	Long position	859,000
				Short position	20,000
UBS Trustees (Bahamas) Limited	UBS Group AG	100.00	Y	Long position	137,000
				Short position	0
UBS Trustees (Cayman) Limited	UBS Group AG	100.00	Y	Long position	12,000
				Short position	0
UBS Trustees (Jersey) Limited	UBS Group AG	100.00	Y	Long position	42,000
				Short position	0
UBS Trustees (Singapore) Limited	UBS Group AG	100.00	Y	Long position	14,000
				Short position	0
UBS Asset Management (Americas) Inc.	UBS Group AG	100.00	Y	Long position	3,384,330
				Short position	0
UBS Asset Management (Australia) Ltd	UBS Group AG	100.00	Y	Long position	468,500
				Short position	0
UBS Asset Management (Canada) Inc.	UBS Group AG	100.00	Y	Long position	3,159,000
				Short position	0
UBS Asset Management (Deutschland) GmbH	UBS Group AG	100.00	Y	Long position	635,724
				Short position	0
UBS Asset Management (Hong Kong) Ltd	UBS Group AG	100.00	Y	Long position	15,341,666
				Short position	250,000
UBS Asset Management (Japan) Ltd	UBS Group AG	100.00	Y	Long position	1,085,500
				Short position	0
UBS Asset Management Life Limited	UBS Group AG	100.00	Y	Long position	681,500
				Short position	0
UBS Asset Management (Singapore) Ltd	UBS Group AG	100.00	Y	Long position	28,003,000
				Short position	250,000
UBS Asset Management Trust Company	UBS Group AG	100.00	Y	Long position	3,432,500
				Short position	0
UBS Asset Management (UK) Limited	UBS Group AG	100.00	Y	Long position	21,966,066
				Short position	0
UBS Fund Management (Luxembourg) S.A.	UBS Group AG	100.00	Y	Long position	72,413,694
				Short position	0
UBS Fund Management (Switzerland) AG	UBS Group AG	100.00	Y	Long position	13,399,000
				Short position	0
UBS Third Party Management Company S.A.	UBS Group AG	100.00	Y	Long position	345,931
				Short position	0
UBS Limited	UBS Group AG	100.00	Y	Long position	1,915,848
				Short position	1,900,000

Name of controlled corporation	Name of controlling shareholder	Percentage of control (%)	Direct interest (Y/N)	Nature of Interest	Number of shares
UBS Securities LLC	UBS Group AG	100.00	Y	Long position	42,044,775
				Short position	42,044,775

Besides, 1,800,357,847 H shares (Long position) and 1,613,511,777 H shares (Short position) were held through derivatives as follows:

Derivatives	Nature of interest	Number of shares
Listed derivatives – Physically settled	Long position	60,103,106
	Short position	36,035,300
Listed derivatives – Cash settled	Long position	2,487,950
	Short position	10,070,850
Unlisted derivatives – Physically settled	Long position	1,247,756,204
	Short position	934,029,722
Unlisted derivatives – Cash settled	Long position	490,010,587
	Short position	633,375,905

(5) BlackRock, Inc. was deemed to be interested in a total of 412,982,017 H shares (Long position) and 545,000 H shares (Short position) in the Company by virtue of its control over several corporations.

According to the disclosure form filed by BlackRock, Inc. on January 3, 2019, the following interests in H shares were held by BlackRock, Inc. through its controlled corporations, the details of which are as follows:

Name of controlled corporation	Name of controlling shareholder	Percentage of control (%)	Direct interest (Y/N)	Nature of interest	Number of shares
Trident Merger, LLC	BlackRock, Inc.	100.00	N	Long position	5,436,746
BlackRock Investment Management, LLC	Trident Merger, LLC	100.00	Y	Long position	5,436,746
BlackRock Holdco 2, Inc.	BlackRock, Inc.	100.00	N	Long position	407,545,271
				Short position	545,000
BlackRock Financial Management, Inc.	BlackRock Holdco 2, Inc.	100.00	N	Long position	394,990,678
				Short position	545,000
BlackRock Financial Management, Inc.	BlackRock Holdco 2, Inc.	100.00	Y	Long position	12,554,593
BlackRock Holdco 4, LLC	BlackRock Financial Management, Inc.	100.00	N	Long position	230,622,844
				Short position	468,000
BlackRock Holdco 6, LLC	BlackRock Holdco 4, LLC	90.00	N	Long position	230,622,844
				Short position	468,000
BlackRock Delaware Holdings Inc.	BlackRock Holdco 6, LLC	100.00	N	Long position	230,622,844
				Short position	468,000
BlackRock Institutional Trust Company, National Association	BlackRock Delaware Holdings Inc.	100.00	Y	Long position	83,992,844
				Short position	468,000
BlackRock Fund Advisors	BlackRock Delaware Holdings Inc.	100.00	Y	Long position	146,630,000
BlackRock Capital Holdings, Inc.	BlackRock Financial Management, Inc.	100.00	N	Long position	5,708,000
				Short position	41,000

Name of controlled corporation	Name of controlling shareholder	Percentage of control (%)	Direct interest (Y/N)	Nature of interest	Number of shares
BlackRock Advisors, LLC	BlackRock Capital Holdings, Inc.	100.00	Y	Long position Short position	5,708,000 41,000
BlackRock International Holdings, Inc.	BlackRock Financial Management, Inc.	100.00	N	Long position Short position	158,659,834 36,000
BR Jersey International Holdings L.P.	BlackRock International Holdings, Inc.	86.00	N	Long position Short position	158,659,834 36,000
BlackRock Lux Finco S.à r.l.	BlackRock HK Holdco Limited	100.00	N	Long position	28,055,779
BlackRock Trident Holding Company Limited	BlackRock Lux Finco S.à r.l.	100.00	N	Long position	28,053,779
BlackRock Japan Holdings GK	BlackRock Trident Holding Company Limited	100.00	N	Long position	28,053,779
BlackRock Japan Co., Ltd.	BlackRock Japan Holdings GK	100.00	Y	Long position	28,053,779
BlackRock Holdco 3, LLC	BR Jersey International Holdings L.P.	100.00	N	Long position Short position	103,788,559 36,000
BlackRock Canada Holdings LP	BlackRock Holdco 3, LLC	99.90	N	Long position	745,000
BlackRock Canada Holdings ULC	BlackRock Canada Holdings LP	100.00	N	Long position	745,000
BlackRock Asset Management Canada Limited	BlackRock Canada Holdings ULC	100.00	Y	Long position	745,000
BlackRock Australia Holdco Pty. Ltd.	BR Jersey International Holdings L.P.	100.00	N	Long position	3,000,000
BlackRock Investment Management (Australia) Limited	BlackRock Australia Holdco Pty. Ltd.	100.00	Y	Long position	3,000,000
BlackRock (Singapore) Holdco Pte. Ltd.	BR Jersey International Holdings L.P.	100.00	N	Long position	51,668,107
BlackRock HK Holdco Limited	BlackRock (Singapore) Holdco Pte. Ltd.	100.00	N	Long position	50,026,607
BlackRock Asset Management North Asia Limited	BlackRock HK Holdco Limited	100.00	Y	Long position	21,970,828
BlackRock Cayman 1 LP	BlackRock Holdco 3, LLC	100.00	N	Long position Short position	103,043,559 36,000
BlackRock Cayman West Bay Finco Limited	BlackRock Cayman 1 LP	100.00	N	Long position Short position	103,043,559 36,000
BlackRock Cayman West Bay IV Limited	BlackRock Cayman West Bay Finco Limited	100.00	N	Long position Short position	103,043,559 36,000
BlackRock Group Limited	BlackRock Cayman West Bay IV Limited	90.00	N	Long position Short position	103,043,559 36,000
BlackRock Finance Europe Limited	BlackRock Group Limited	100.00	N	Long position	39,165,625

Name of controlled corporation	Name of controlling shareholder	Percentage of control (%)	Direct interest (Y/N)	Nature of interest	Number of shares
BlackRock (Netherlands) B.V.	BlackRock Finance Europe Limited	100.00	Y	Long position	740,500
BlackRock Advisors (UK) Limited	BlackRock Finance Europe Limited	100.00	Y	Long position	538,500
BlackRock International Limited	BlackRock Group Limited	100.00	N	Long position	4,961,593
BlackRock International Limited	BlackRock Group Limited	100.00	Y	Long position	5,387,000
BlackRock Group Limited-Luxembourg Branch	BlackRock Group Limited	100.00	N	Long position Short position	53,529,341 36,000
BlackRock Luxembourg Holdco S.à r.l.	BlackRock Group Limited-Luxembourg Branch	100.00	N	Long position Short position	53,529,341 36,000
BlackRock Investment Management Ireland Holdings Limited	BlackRock Luxembourg Holdco S.à r.l.	100.00	N	Long position	36,577,341
BlackRock Asset Management Ireland Limited	BlackRock Investment Management Ireland Holdings Limited	100.00	Y	Long position	36,577,341
BLACKROCK (Luxembourg) S.A.	BlackRock Luxembourg Holdco S.à r.l.	100.00	Y	Long position Short position	16,907,500 36,000
BlackRock Investment Management (UK) Limited	BlackRock Finance Europe Limited	100.00	N	Long position	15,867,280
BlackRock Investment Management (UK) Limited	BlackRock Finance Europe Limited	100.00	Y	Long position	22,019,345
BlackRock Investment Management(UK) Limited – German Branch – Frankfurt BlackRock	BlackRock Investment Management (UK) Limited	100.00	N	Long position	326,000
BlackRock Asset Management Deutschland AG	BlackRock Investment Management(UK) Limited – German Branch – Frankfurt BlackRock	100.00	Y	Long position	326,000
BlackRock Fund Managers Limited	BlackRock Investment Management (UK) Limited	100.00	Y	Long position	15,541,280
BlackRock Life Limited	BlackRock International Limited	100.00	Y	Long position	4,961,593
BlackRock (Singapore) Limited	BlackRock (Singapore) Holdco Pte. Ltd.	100.00	Y	Long position	1,641,500
BlackRock UK Holdco Limited	BlackRock Luxembourg Holdco S.à r.l.	100.00	N	Long position	44,500
BlackRock Asset Management (Schweiz) AG	BlackRock UK Holdco Limited	100.00	Y	Long position	44,500
BlackRock Investment Management (Taiwan) Limited	BlackRock Lux Finco S.à r.l.	100.00	Y	Long position	2,000
Phoenix Acquisition B.V	BR Jersey International Holdings L.P.	100.00	N	Long position	203,168
BlackRock Mexico Operadora	Phoenix Acquisition B.V	99.90	Y	Long position	203,168

The entire interests of BlackRock, Inc. in the Company included 668,500 H shares (Long position) and 173,000 H shares (Short position) which were held through derivatives, the category of which were cash settled unlisted derivatives.

(6) Citigroup Inc. was deemed to be interested in a total of 60,225,545 H shares (Long position) and 29,597,482 H shares (Short position) in the Company by virtue of its control over several corporations.

According to the disclosure form filed by Citigroup Inc. on September 5, 2018, the following interests in H shares of the Company were held by Citigroup Inc. through its controlled corporations, the details of which are as follows:

Name of controlled corporation	Name of controlling shareholder	Percentage of control (%)	Direct interest (Y/N)	Nature of interest	Number of shares
Citicorp LLC	Citigroup Inc.	100.00	N	Long position Short position	426,274,119 1,918,478
Citibank, N.A.	Citicorp LLC	100.00	Y	Long position Short position	426,176,821 1,918,478
Citigroup Global Markets Holdings Inc.	Citigroup Inc.	100.00	N	Long position Short position	50,248,542 22,278,263
Citigroup Financial Products Inc.	Citigroup Global Markets Holdings Inc.	100.00	N	Long position Short position	50,248,542 22,278,263
Citigroup Global Markets (International) Finance AG	Citigroup Financial Products Inc.	100.00	N	Long position Short position	12,558,152 2,784,160
Citigroup Global Markets Overseas Finance Limited	Citigroup Global Markets (International) Finance AG	51.86	N	Long position Short position	547,157 0
Citigroup Global Markets Overseas Finance Limited	Citigroup Global Markets Switzerland Holding GmbH	48.14	N	Long position Short position	547,157 0
Citigroup Global Markets Hong Kong Holdings Limited	Citigroup Global Markets Overseas Finance Limited	100.00	N	Long position Short position	547,157 0
Citigroup First Investment Management Limited	Citigroup Global Markets Overseas Finance Limited	100.00	Y	Long position Short position	547,157 0
Citigroup Global Markets Holdings Inc.	Citigroup Inc.	100.00	Y	Long position Short position	392,893 400,741
Citigroup Global Markets Hong Kong Limited	Citigroup Financial Products Inc.	100.00	Y	Long position Short position	37,657,969 24,494,103
Citigroup Global Markets Inc.	Citigroup Financial Products Inc.	100.00	Y	Long position Short position	32,420 0
Citigroup Global Markets Holdings Bahamas Limited	Citigroup Global Markets (International) Finance AG	50.20	N	Long position Short position	12,010,996 2,784,160
Citigroup Global Markets Holdings Bahamas Limited	Citigroup Financial Products Inc.	49.50	N	Long position Short position	12,010,996 2,784,160
Citigroup Global Markets Limited	Citigroup Global Markets Holdings Bahamas Limited	92.00	Y	Long position Short position	12,010,996 2,784,160
Citicorp Banking Corporation	Citigroup Inc.	100.00	N	Long position Short position	224,500 0
Citibank (Switzerland) AG	Citicorp Banking Corporation	100.00	Y	Long position Short position	224,500 0
Citibank, N.A.	Citicorp LLC	100.00	N	Long position Short position	97,298 0
Citibank Overseas Investment Corporation	Citibank, N.A.	100.00	N	Long position Short position	80,860 0
Citi Overseas Investments Bahamas Inc.	Citibank Overseas Investment Corporation	100.00	N	Long position Short position	80,860 0
Citigroup International Luxembourg Limited	Citi Overseas Investments Bahamas Inc.	100.00	N	Long position Short position	80,860 0

Name of controlled corporation	Name of controlling shareholder	Percentage of control (%)	Direct interest (Y/N)	Nature of interest	Number of shares
Citigroup Participation Luxembourg Limited	Citigroup International Luxembourg Limited	100.00	N	Long position Short position	80,860 0
Cititrust (Bahamas) Limited	Citigroup Participation Luxembourg Limited	100.00	Y	Long position Short position	80,860 0
Citicorp Trust Delaware, National Association	Citibank, N.A.	100.00	Y	Long position Short position	6,238 0
Citicorp Trust South Dakota	Citibank, N.A.	100.00	Y	Long position Short position	10,200 0

The entire interests and short positions of Citigroup Inc. in the Company included a lending pool of 416,914,509 H shares (Long position). Besides, 49,522,100 H shares (Long position) and 25,003,389 H shares (Short position) were held through derivatives as follows:

Derivatives	Nature of interest	Number of shares
Listed derivatives – convertible instruments	Long position Short position	181,492 305,670
Listed derivatives – Physically settled	Long position Short position	15,782,100 10,345,000
Unlisted derivatives – Physically settled	Long position Short position	20,138,346 11,697,021
Unlisted derivatives – Cash settled	Long position Short position	13,420,162 2,655,698

(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, 2018 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.

ENVIRONMENTAL PROTECTION

The Company is not a key pollutant discharging unit announced by the environmental protection department. For more information on environmental protection, please refer to the Company's 2018 Sustainability Report.

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 153 to 315, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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 2018, 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.

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:

- Classification of financial assets at amortized cost
- Impairment assessment of loans and advances to customers and financial assets at amortized cost
- Valuation of policyholders' reserves and claim reserves

Key Audit Matter	How our audit addressed the Key Audit Matter
Classification of financial assets at amortized cost Refer to note 2(12) and 27 to the consolidated financial statements. As at 31 December 2018, the Group's "financial assets at amortized cost" as presented on the consolidated balance sheet represented 29% of total assets. We identified the classification of these financial instruments under IFRS 9 as a key audit matter as it is complex and requires considerable management judgment in: 1) Interpreting contract terms for SPPI testing purpose; 2) Determining business models for debt portfolios under the Group's diverse business activities.	We reviewed the Group's accounting policies in relation to the classification of these financial assets, and performed the following procedures to assess the appropriateness of the classification: - We understood and evaluated the Group's methodologies and processes of the solely payment of principal and interest ('SPPI') testing and business model assessment. - We tested the design effectiveness and operating effectiveness of key controls over SPPI testing. - We evaluated the design of SPPI testing logic and re-performed SPPI testing on a sampling basis by examing the contracts of these financial instruments. - We evaluated appropriateness of business model assessment for these financial instruments under various business lines, and tested the supporting evidence on a sampling basis. Based on the work performed, management's judgements and methodologies adopted in classification of "financial assets at amortized cost" are considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of loans and advances to customers and financial assets at amortized cost Refer to note 2(12), 25 and 27 to the consolidated financial statements. As at 31 December 2018, the Group's "loans and advances to customers" and "financial assets at amortized cost" as presented on the consolidated balance sheet represented 56 % of total assets and the amounts of expected credit loss ('ECL') provision for loans and advances to customers and financial assets at amortized cost were RMB54,187 million and RMB13,305 million respectively. We identified impairment assessment under IFRS 9 as a key audit matter, as it is complex and significant management judgment was involved in: 1) Selecting appropriate ECL models 2) Staging determination 3) Application of model assumptions 4) Formulating forward-looking adjustment	The procedures we performed included: - We tested the design and operating effectiveness of the Group's ECL controls, including the controls over model selection, internal credit rating and staging determination, forecasts of contractual cash flows, etc. - We tested management's key controls over formulation of forward-looking adjustment, including selection of macroeconomic indicators and determination of weightings to various scenario. With the assistance of our credit modelling specialists, we performed the following procedures: - We evaluated whether the ECL models built appropriately cover the Group's "loans and advances to customers" and "financial assets at amortized cost". - We evaluated the reasonableness of staging determination against the Group's historical credit loss experience and industry practice. - We evaluated ECL model methodologies and the detailed application of key ECL model parameters and assumptions, which includes possibility of default, loss given default, exposure at default, discount rate, etc., and assessed the reasonableness of key management's judgements involved. - We evaluated the overall reasonableness of macro-economic scenario-settings and weightings against industry benchmarks. - We tested the ECL model measurement to check whether it is consistent with the Group's ECL model methodologies on a sampling basis. - We also tested the accuracy of ECL data inputs during the period on a sampling basis, by reviewing the counterparties' credit information such as credit exposure, credit risk ratings, loss rates, overdue status, collateral information, and other relevant information. Based on the work performed, the inputs, assumptions and methodologies adopted in ECL provisioning by the Group for "loans and advances to customers" and "financial assets at amortized cost" are considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of policyholders’ reserves and claim reserves Refer to note 2. (30), 3. (4), 45 and 51. (1) to the consolidated financial statements As at 31 December 2018, the Group had significant life insurance contract liabilities (policyholders’ reserve) and non-life insurance contract liabilities (claim reserves) represented 23% of the total liabilities. Significant judgements were involved in assessing 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 assumptions used to estimate these insurance contract liabilities. Therefore, we identified valuation of policyholders’ reserves and chaim reserves as key audit matter.	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 tested the mathematical accuracy of the calculation. – We 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 key 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 Yeung Sheung Yuen.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 March 2019

Consolidated Statement of Income

For the year ended 31 December 2018

(in RMB million)	Notes	2018	2017
Gross written premiums	6	**719,556**	605,035
Less: Premiums ceded to reinsurers		**(19,417)**	(17,420)
Net written premiums	6	**700,139**	587,615
Change in unearned premium reserves		**(22,436)**	(14,625)
Net earned premiums		**677,703**	572,990
Reinsurance commission revenue		**7,966**	6,728
Interest revenue from banking operations	7	**161,714**	147,386
Interest revenue from non-banking operations	8	**88,546**	88,376
Fees and commission revenue from non-insurance operations	9	**46,277**	44,407
Investment income	10	**31,974**	63,725
Share of profits and losses of associates and jointly controlled entities		**18,074**	7,145
Other revenues and other gains	11	**49,892**	43,813
Total revenue		**1,082,146**	974,570
Gross claims and policyholders' benefits	12	**(449,704)**	(436,658)
Less: Reinsurers' share and policyholders' benefits	12	**10,108**	9,415
Claims and policyholders' benefits		**(439,596)**	(427,243)
Commission expenses on insurance operations		**(130,394)**	(114,587)
Interest expenses on banking operations	7	**(86,931)**	(72,501)
Fees and commission expenses on non-insurance operations	9	**(9,086)**	(6,599)
Net impairment losses on financial assets	13	**(52,105)**	–
Loan loss provisions, net of reversals	14, 25	**–**	(40,814)
Net impairment losses on other assets		**(1,709)**	–
Foreign exchange losses		**(946)**	(128)
General and administrative expenses		**(151,581)**	(145,126)
Interest expenses on non-banking operations		**(18,227)**	(11,167)
Other expenses		**(28,420)**	(21,665)
Total expenses		**(918,995)**	(839,830)
Profit before tax	14	**163,151**	134,740
Income tax	15	**(42,699)**	(34,762)
Profit for the year		**120,452**	99,978
Attributable to:			
– Owners of the parent		**107,404**	89,088
– Non-controlling interests		**13,048**	10,890
		120,452	99,978
Earnings per share attributable to ordinary equity holders of the parent:		**RMB**	RMB
– Basic	17	**6.02**	4.99
– Diluted	17	**6.01**	4.99

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

(in RMB million)	Notes	2018	2017
Profit for the year		**120,452**	99,978
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Changes in the fair value of debt instruments at fair value through other comprehensive income		**11,263**	–
Credit risks provision of debt instruments at fair value through other comprehensive income		**767**	–
Available-for-sale financial assets		**–**	38,653
Shadow accounting adjustments		**(5,596)**	(4,288)
Exchange differences on translation of foreign operations		**1,139**	(924)
Share of other comprehensive income of associates and jointly controlled entities		**390**	93
Income tax relating to components of other comprehensive income		**(1,608)**	(11,653)
Items that will not be reclassified to profit or loss:			
Changes in the fair value of equity instruments at fair value through other comprehensive income		**(19,121)**	–
Shadow accounting adjustments		**10,623**	–
Income tax relating to components of other comprehensive income		**4,280**	–
Other comprehensive income for the year, net of tax		**2,137**	21,881
Total comprehensive income for the year		**122,589**	121,859
Attributable to:			
– Owners of the parent		**108,987**	110,672
– Non-controlling interests		**13,602**	11,187
		122,589	121,859

Consolidated Statement of Financial Position

As at 31 December 2018

(in RMB million)	Notes	31 December 2018	31 December 2017
Assets			
Cash and amounts due from banks and other financial institutions	18	**457,524**	483,891
Balances with the Central Bank	19	**273,513**	305,986
Financial assets held under resold agreements	20	**92,951**	99,296
Premium receivables	21	**67,150**	45,694
Accounts receivable		**22,798**	72,061
Derivative financial assets	22	**21,911**	16,192
Reinsurers' share of insurance liabilities	23	**16,671**	15,633
Policy loans		**111,219**	83,203
Finance lease receivable	24	**165,214**	112,028
Loans and advances to customers	25	**1,929,842**	1,660,864
Financial assets at fair value through profit or loss	26	**824,939**	–
Financial assets at amortized cost	27	**2,075,151**	–
Debt financial assets at fair value through other comprehensive income	28	**310,901**	–
Equity financial assets at fair value through other comprehensive income	29	**222,639**	–
Fixed maturity investments	30	**-**	2,376,638
Equity investments	31	**-**	630,676
Investments in associates and jointly controlled entities	32	**154,895**	86,207
Statutory deposits for insurance operations	33	**12,446**	12,250
Investment properties	34	**38,242**	40,108
Property and equipment	35	**49,323**	47,067
Intangible assets	36	**58,450**	60,981
Deferred tax assets	48	**45,187**	40,141
Other assets	37	**155,686**	261,275
Policyholder account assets in respect of insurance contracts	38	**32,344**	38,775
Policyholder account assets in respect of investment contracts	38	**3,964**	4,109
Total assets		**7,142,960**	6,493,075
Equity and liabilities			
Equity			
Share capital	39	**18,280**	18,280
Reserves	40	**203,719**	217,881
Retained profits	40	**334,509**	237,190
Equity attributable to owners of the parent		**556,508**	473,351
Non-controlling interests	40	**127,135**	114,566
Total equity		**683,643**	587,917

Consolidated Statement of Financial Position

As at 31 December 2018

(in RMB million)	Notes	31 December 2018	31 December 2017
Liabilities			
Due to banks and other financial institutions	42	**803,154**	780,530
Financial liabilities at fair value through profit or loss		**16,975**	14,060
Derivative financial liabilities	22	**22,247**	17,950
Assets sold under agreements to repurchase	43	**189,028**	133,981
Accounts payable		**9,779**	8,522
Income tax payable		**31,416**	28,775
Insurance payables		**120,688**	114,108
Policyholder dividend payable		**52,591**	45,622
Customer deposits and payables to brokerage customers	44	**2,114,344**	1,952,695
Bonds payable	47	**556,875**	451,283
Insurance contract liabilities	45	**2,211,887**	1,932,969
Investment contract liabilities for policyholders	46	**52,747**	50,309
Deferred tax liabilities	48	**18,476**	25,891
Other liabilities	49	**259,110**	348,463
Total liabilities		**6,459,317**	5,905,158
Total equity and liabilities		**7,142,960**	6,493,075

The financial statements on pages 153 to 315 were approved and authorized for issue by the Board of Directors on 12 March 2019 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 2018

(in RMB million)	Share capital	Share premium	Financial assets at FVOCI reserves	Shadow accounting adjustments	Others	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Retained profits	Non-controlling interests	Total equity
	For the year ended 31 December 2018										
		Reserves									
As at 31 December 2017	**18,280**	**111,598**	**46,089**	**(6,416)**	**9,114**	**12,164**	**44,964**	**368**	**237,190**	**114,566**	**587,917**
Change in accounting policy (Note 2)	**-**	**-**	**(36,513)**	**1,439**	**-**	**-**	**-**	**-**	**32,300**	**(2,021)**	**(4,795)**
As at 1 January 2018	**18,280**	**111,598**	**9,576**	**(4,977)**	**9,114**	**12,164**	**44,964**	**368**	**269,490**	**112,545**	**583,122**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**107,404**	**13,048**	**120,452**
Other comprehensive income for the year	**-**	**-**	**(3,688)**	**3,742**	**390**	**-**	**-**	**1,139**	**-**	**554**	**2,137**
Total comprehensive income for the year	**-**	**-**	**(3,688)**	**3,742**	**390**	**-**	**-**	**1,139**	**107,404**	**13,602**	**122,589**
Dividend declared (Note 16)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(33,270)**	**-**	**(33,270)**
Appropriations to general reserves	**-**	**-**	**-**	**-**	**-**	**-**	**10,830**	**-**	**(10,830)**	**-**	**-**
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained profits	**-**	**-**	**(1,715)**	**-**	**-**	**-**	**-**	**-**	**1,715**	**-**	**-**
Dividend paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,177)**	**(2,177)**
Equity transactions with non- controlling interests	**-**	**-**	**-**	**-**	**(18)**	**-**	**-**	**-**	**-**	**(125)**	**(143)**
Contributions from non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**224**	**224**
Share purchase scheme	**-**	**-**	**-**	**-**	**5**	**-**	**-**	**-**	**-**	**-**	**5**
Other equity instruments issued by subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,996**	**2,996**
Others	**-**	**-**	**-**	**-**	**10,227**	**-**	**-**	**-**	**-**	**70**	**10,297**
As at 31 December 2018	**18,280**	**111,598**	**4,173**	**(1,235)**	**19,718**	**12,164**	**55,794**	**1,507**	**334,509**	**127,135**	**683,643**

(in RMB million)	Share capital	Share premium	Available-for-sale investment reserves	Shadow accounting adjustments	Others	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Retained profits	Non-controlling interests	Total equity
	For the year ended 31 December 2017										
		Reserves									
As at 1 January 2017	18,280	115,447	20,525	(3,229)	6,749	11,366	36,799	1,253	176,259	103,012	486,461
Profit for the year	-	-	-	-	-	-	-	-	89,088	10,890	99,978
Other comprehensive income for the year	-	-	25,564	(3,187)	92	-	-	(885)	-	297	21,881
Total comprehensive income for the year	-	-	25,564	(3,187)	92	-	-	(885)	89,088	11,187	121,859
Dividend declared (Note 16)	-	-	-	-	-	-	-	-	(19,194)	-	(19,194)
Appropriations to surplus reserves	-	-	-	-	-	798	-	-	(798)	-	-
Appropriations to general reserves	-	-	-	-	-	-	8,165	-	(8,165)	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,084)	(2,084)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(704)	(704)
Equity transactions with non- controlling interests	-	(4,150)	-	-	-	-	-	-	-	(2,525)	(6,675)
Contributions from non-controlling interests	-	301	-	-	-	-	-	-	-	808	1,109
Share purchase scheme	-	-	-	-	(46)	-	-	-	-	-	(46)
Other equity instruments issued by subsidiaries	-	-	-	-	-	-	-	-	-	4,486	4,486
Others	-	-	-	-	2,319	-	-	-	-	386	2,705
As at 31 December 2017	18,280	111,598	46,089	(6,416)	9,114	12,164	44,964	368	237,190	114,566	587,917

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

(in RMB million)	Notes	2018	2017
Net cash flows from operating activities	55	**206,260**	121,283
Cash flows from investing activities			
Purchases of investment properties, property and equipment, and intangible assets		**(10,663)**	(19,257)
Proceeds from disposal of investment properties, property and equipment, and intangible assets		**3,573**	571
Proceeds from disposal of investments		**1,349,977**	1,960,127
Purchases of investments		**(1,711,291)**	(2,435,128)
Acquisition of non-controlling interests in subsidiaries		**(42)**	(6,675)
Acquisition of subsidiaries		**(142)**	(104)
Disposal of subsidiaries		**1,206**	(976)
Interest received		**102,604**	124,094
Dividends received		**46,890**	37,980
Rentals received		**3,743**	2,757
Increase in policy loans		**(26,281)**	(18,156)
Net cash flows used in investing activities		**(240,426)**	(354,767)
Cash flows from financing activities			
Capital injected into subsidiaries by non-controlling interests		**3,220**	5,595
Proceeds from bonds issued		**860,782**	953,639
Increase in assets sold under agreements to repurchase of insurance operations, net		**47,382**	51,615
Proceeds from borrowings		**166,538**	348,046
Repayment of borrowings		**(986,646)**	(1,147,255)
Interest paid		**(25,308)**	(16,109)
Dividends paid		**(35,693)**	(21,278)
Others		**989**	4,335
Net cash flows from financing activities		**31,264**	178,588
Decrease in cash and cash equivalents		**(2,902)**	(54,896)
Net foreign exchange differences		**2,262**	(3,992)
Cash and cash equivalents at beginning of the year		**308,664**	367,552
Cash and cash equivalents at end of the year	54	**308,024**	308,664

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 Centre, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) BASIS OF PREPARATION

The consolidated 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 financial assets and financial liabilities (including derivative instruments) 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 3.

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Changes in accounting policies

To the extent that a topic is not covered explicitly by IFRS, the IFRS framework permits reference to another comprehensive body of accounting principles, and therefore the Group has chosen to refer to the accounting practices currently adopted by insurance companies reporting under Accounting Standards for Business Enterprises.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2017, except for the adoption of new and amended standards as set out in below.

A number of new or amended International Financial Reporting Standards ("IFRS") became applicable for the current reporting period and the Group had to change its accounting policies and make adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and

- IFRS 15 Revenue from Contracts with Customers.

Except for the impact of adopting IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and the other standards have no significant impact on the annual consolidated financial statements for the year ended 31 December 2018.

IFRS 9 replaces the provisions of IAS 39 that relate to the classification and measurement of financial assets, impairment of financial assets and hedge accounting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Changes in accounting policies (continued)

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The new accounting policies are set out in note 2(11) – (17).

(a) IFRS 9 Financial Instruments – Impact of adoption

As IFRS 9 was generally adopted without restating comparative information, the reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognized in the opening balance sheet on 1 January 2018.

The impact on the Group's balance sheet as at 1 January 2018 is as follows:

(in RMB million)	Note	1 January 2018	31 December 2017
Assets		**6,486,756**	6,493,075
Include:			
Cash and amounts due from banks and other financial institutions	1	**459,887**	483,891
Statutory deposits for insurance operations	2	**12,246**	12,250
Financial assets at fair value through profit or loss	3	**692,389**	–
Debt financial assets at fair value through other comprehensive income	4	**219,555**	–
Equity financial assets at fair value through other comprehensive income	5	**215,229**	–
Financial assets at amortized cost	6	**1,947,974**	–
Fixed maturity investments	7	**–**	2,376,638
Equity investments	8	**–**	630,676
Loans and advances to customers	9	**1,631,688**	1,660,864
Financial assets held under resold agreements		**99,295**	99,296
Deferred tax assets		**41,687**	40,141
Other assets	10	**238,762**	261,275
Equity		**583,122**	587,917
Include:			
Reserves		**182,807**	217,881
Retained profits		**269,490**	237,190
Non-controlling interests		**112,545**	114,566
Liabilities		**5,903,634**	5,905,158
Include:			
Insurance contract liabilities		**1,932,228**	1,932,969
Investment contract liabilities for policyholders		**50,295**	50,309
Deferred tax liabilities		**25,709**	25,891
Other liabilities		**347,876**	348,463

The Group's retained profits was increased by RMB32,300 million upon initial adoption of IFRS 9 on 1 January 2018, opening balances of reserves was decreased by RMB35,074 million, non-controlling interests was decreased by RMB2,021 million and total net asset was decreased by RMB4,795 million respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(a) IFRS 9 Financial Instruments – Impact of adoption (continued)

Following the adoption of IFRS 9, the adjustments to the carrying amount of each financial statement item are illustrated as follows:

(1) Cash and amounts due from banks and other financial institutions

	31 December 2017	Reclassification effects (i)	Remeasurement effects (iii)	1 January 2018
Cash and amounts due from banks and other financial institutions	483,891	(23,500)	(504)	**459,887**
Measured at fair value through other comprehensive income ('FVOCI')	–	3,900	(7)	**3,893**
Measured at amortized cost ('AC')	483,891	(27,400)	(497)	**455,994**
– To financial assets at fair value through profit or loss ('FVPL')		(23,500)	–	
– To cash and amounts due from banks and other financial institutions measured at FVOCI (ii)		(3,900)	–	

(2) Statutory deposits for insurance operations

	31 December 2017	Reclassification effects (i)	Remeasurement effects (iii)	1 January 2018
Statutory deposits for insurance operations	12,250	–	(4)	**12,246**

(3) Financial assets at fair value through profit or loss

	31 December 2017	Reclassification effects (i)	Remeasurement effects (iii)	1 January 2018
Financial assets at fair value through profit or loss	–	693,799	(1,410)	**692,389**
– From fixed maturity investments		254,316	(1,294)	
– From available for sale ('AFS')		31,539	–	
– From financial assets at FVPL		63,801	–	
– From Held-to-maturity ('HTM')		9,625	(211)	
– From Loans and receivables ('LR')		149,351	(1,083)	
– From equity investments		415,447	(116)	
– From AFS		346,895	(116)	
– From financial assets at FVPL		68,552		
– From loans and advances to customers		358	–	
– From other assets		178	–	
– From cash and amounts due from banks and other financial institutions		23,500	–	

FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(a) IFRS 9 Financial Instruments – Impact of adoption (continued)

Following the adoption of IFRS 9, the adjustments to the carrying amount of each financial statement item are illustrated as follows (continued):

(4) Debt financial assets at fair value through other comprehensive income

	31 December 2017	Reclassification effects (i)	Remeasurement effects (iii)	1 January 2018
Debt financial assets at fair value through other comprehensive income	–	219,533	22	**219,555**
– From fixed maturity investments		208,307	22	
– From AFS		188,793	–	
– From LR		19,514	22	
– From other assets		11,226	–	

(5) Equity financial assets at fair value through other comprehensive income

	31 December 2017	Reclassification effects (i)	Remeasurement effects (iii)	1 January 2018
Equity financial assets at fair value through other comprehensive income	–	215,229	–	**215,229**
– From equity investments		215,229	–	
– From AFS		206,332	–	
– From financial assets at FVPL		8,897	–	

(6) Financial assets at amortized cost

	31 December 2017	Reclassification effects (i)	Remeasurement effects (iii)	1 January 2018
Financial assets at amortized cost	–	1,950,043	(2,069)	**1,947,974**
– From Loans and advances to customers		24,919	–	
– From other assets		11,109	–	
– From fixed maturity investments		1,914,015	(2,069)	
– From AFS		1,539	–	
– From HTM		1,234,143	(72)	
– From LR		678,333	(1,997)	

(7) Fixed maturity investments

	31 December 2017	Reclassification effects (i)	Remeasurement effects (iii)	1 January 2018
Fixed maturity investments	2,376,638	(2,376,638)	–	**-**
– To financial assets at AC		(1,914,015)	–	
– To financial assets at FVPL		(254,316)	–	
– To debt financial assets at FVOCI		(208,307)	–	

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(a) IFRS 9 Financial Instruments – Impact of adoption (continued)

Following the adoption of IFRS 9, the adjustments to the carrying amount of each financial statement item are illustrated as follows (continued):

(8) Equity investments

	31 December 2017	Reclassification effects (i)	Remeasurement effects (iii)	1 January 2018
Equity investments	630,676	(630,676)	–	**-**
– To financial assets at FVPL		(415,447)	–	
– To equity financial assets at FVOCI		(215,229)	–	

(9) Loans and advances to customers

	31 December 2017	Reclassification effects (i)	Remeasurement effects (iii)	1 January 2018
Loans and advances to customers	1,660,864	(25,277)	(3,899)	**1,631,688**
Measured at FVOCI (ii)	–	24,428	–	**24,428**
Measured at AC	1,660,864	(49,705)	(3,899)	**1,607,260**
– To financial assets at FVPL		(358)	–	
– To financial assets at AC		(24,919)	–	
– To loans and advances to customers measured at FVOCI (ii)		(24,428)	–	

(10) Other assets

	31 December 2017	Reclassification effects (i)	Remeasurement effects (iii)	1 January 2018
Other assets	261,275	(22,513)	–	**238,762**
– To financial assets at FVPL		(178)	–	
– To debt financial assets at FVOCI		(11,226)	–	
– To financial assets at AC		(11,109)	–	

(i) The reclassification effects have not taken into account of the remeasurement effects.

(ii) A portion of placements at other institutions, notes, forfeiting and retail loans are held for under business model of both for sale and collection of contractual principals and interests. Therefore, those financial assets are classified in the FVOCI measurement category under IFRS 9.

(iii) The remeasurement effects are mainly from the change of impairment provision by the adoption of IFRS 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(a) IFRS 9 Financial Instruments – Impact of adoption (continued)

For those AFS been reclassified to financial assets at AC and financial assets at FVPL been reclassified to equity financial assets at fair value through other comprehensive income category, the following table shows their fair value as at 31 December 2018 and the fair value gain or loss that would have been recognized if these financial assets had not been reclassified as part of the transition to IFRS 9:

	31 December 2018
From AFS (IAS 39) to AC (IFRS 9)	
Fair value as at 31 December 2018	**842**
Fair value gain/(loss) that would have been recognized during the year if the financial asset had not been reclassified	**–**
From FVPL (IAS 39) to FVOCI (IFRS 9)	
Fair value as at 31 December 2018	**7,659**
Fair value gain/(loss) that would have been recognized during the year if the financial asset had not been reclassified	**(1,238)**

Applying the expected credit risk model resulted in the recognition of impairment provisions of financial assets on 1 January 2018 is as follow:

Impairment provisions	31 December 2017	1 January 2018
Loans and advances to customers (1)	44,322	**47,763**
Financial assets at amortized cost (2)	–	**8,422**
Debt financial assets at fair value through other comprehensive income	–	**530**
Fixed maturity investments	6,543	**–**
Equity investments	27,373	**–**
Other financial assets	111	**615**
Total	78,349	**57,330**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(a) IFRS 9 Financial Instruments – Impact of adoption (continued)

Following the adoption of IFRS 9, the adjustments to the impairment provisions of each financial statement item are illustrated as follows:

(1) Impairment provisions of loans and advances to customers

	31 December 2017	Reclassification effects (i)	Remeasurement effects	1 January 2018
Impairment provisions of loans and advances to customers	44,322	(512)	3,953	**47,763**
Measured at financial assets at AC	44,322	(512)	3,899	**47,709**
Measured at financial assets at FVOCI	–	–	54	**54**

(2) Impairment provisions of financial assets at amortized cost

	31 December 2017	Reclassification effects (i)	Remeasurement effects	1 January 2018
Impairment provisions of financial assets at amortized cost	–	6,353	2,069	**8,422**
– From Loans and advances to customers		512	–	
– From fixed maturity investments		5,841	2,069	

(i) The reclassification effects has not taken into account of the remeasurement effects.

Accounting policies applied until 31 December 2017,

Classification and measurement of 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(a) IFRS 9 Financial Instruments – Impact of adoption (continued)

Classification and measurement of financial assets (continued)

Financial instruments at fair value through profit or loss have two sub-categories namely financial instruments held for trading and those designated at fair value through profit or loss at inception. Financial instruments typically bought with the intention to sell in the near future are classified as held for trading. A financial instrument can only be designated at inception as at fair value through profit or loss and cannot be subsequently changed. For financial instruments designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial asset contains an embedded derivative that needs to be separately recorded.

These financial instruments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Fair value adjustments and realized gains and losses are recognized in the statement of income.

Financial assets at fair value through profit or loss include derivative financial instruments.

Held-to-maturity financial assets are non-derivative financial assets that comprise fixed or determinable payments and maturities of which the Group has the positive intention and ability to hold until maturity. Investments intended to be held for an undefined period are not included in this classification. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost using the effective interest method and less any provision for impairment. The amortized cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the statement of income when the investments are derecognized or impaired, as well as through the amortization process.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(a) IFRS 9 Financial Instruments – Impact of adoption (continued)

Classification and measurement of financial assets (continued)

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the capital reserve until the asset is derecognized, at which time, the cumulative gain or loss is recognized in investment income, or until the investment is determined to be impaired, when the cumulative loss is recognized in the statement of income in investment income and removed from the capital reserve.

Reclassification of financial assets with fixed or determinable payments and fixed maturity from available for sale to held-to-maturity is permitted when the Group has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate ('EIR'). Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

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 bellow the cost 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(a) IFRS 9 Financial Instruments – Impact of adoption (continued)

Available-for-sale financial assets (continued)

The Group also considers qualitative evidence that includes, but is not necessarily limited to the following:

- Significant financial difficulty of the investee, including failure to comply with contractual obligations, financial restructuring, deterioration of going concern expectations;

- Adverse changes relative to the investee's technology, market, customer base, macroeconomic indicators relative to the business, significant legal or regulatory matters.

Impairments do not establish a new cost basis and, accordingly, to the extent an impairment loss has been previously recorded due to the significant or prolonged criteria described above, any subsequent losses, including any portion attributable to foreign currency changes, are also recognized in profit or loss until the asset is derecognized.

If after an impairment loss has been recognized on an available-for-sale debt instrument, and the fair value of the debt instrument increases in a subsequent period whereby the increase can be objectively related to an event occurring after the impairment losses were recognized, the impairment loss is reversed which is recognized in profit or loss. Impairment losses recognized for equity instruments classified as available-for-sale are not reversed through profit or loss.

Financial assets carried at amortized cost

If financial assets carried at amortized cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognized as an impairment loss in the statement of income. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognizes the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognized are not included with similar risk characteristics 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(a) IFRS 9 Financial Instruments – Impact of adoption (continued)

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(b) IFRS 15, 'Revenue from contracts with customers'

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for financial years commencing on 1 January 2018. The Group has applied IFRS 15 and completed the assessment of the impact which has no material impact on the Group for the year ended 31 December 2018.

Changes in accounting estimates

Material judgement 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 2018 and updated estimate for future cash flows, with the corresponding impact on long term life insurance contract liabilities taken into statement of income of the current year. As a result of such changes in assumptions, long term life insurance and long term health insurance policyholders' reserves were decreased by RMB3,002 million as at 31 December 2018 and the profit before tax for the year 2018 was increased by RMB3,002 million (2017: long term life insurance and long term health insurance policyholders' reserves were increased by RMB32,193 million as at 31 December 2017 and the profit before tax for the year 2017 was decreased by RMB32,193 million).

(3) ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised standards, which have been issued but are not yet effective.

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 on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The new standard will be effective for financial years commencing on or after 1 January 2019. The Group has completed the assessment of the impact of IFRS 16, which would not be expected to have material impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

IFRS 17, 'Insurance Contracts', was published on 18 May 2017. IFRS 17 established principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin representing the unearned profit of the contract. The new standard is currently mandatorily effective for financial years commencing on or after 1 January 2021, however in November 2018, IASB proposed to defer IFRS 17 until the financial period beginning on or after 1 January 2022. The Group has started to assess the impact of IFRS 17.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(4) 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 IFRS 9 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 IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) BUSINESS COMBINATIONS AND GOODWILL (CONTINUED)

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.

(5) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018 and for the year then ended.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends, are eliminated on consolidation in full, unless the transaction provides evidence of an impairment of the transferred asset.

Total comprehensive income within a subsidiary is still attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) 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.

(7) STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual or related arrangements.

The Group determines whether it is an agent or a principal in relation to those structured entities in which the Group acts as an asset manager on management's judgement. If an asset manager is agent, it acts primarily on behalf of others and so does not control the structured entity. It may be principal if it acts primarily for itself, and therefore controls the structured entity.

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.

(8) ASSOCIATES

An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated financial statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(8) ASSOCIATES (CONTINUED)

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment, as well as the gain on disposal of the associates, are recognized in profit or loss.

The results of associates are included in the Group's statement of income to the extent of dividends received and receivable. The Group's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

(9) 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 2. (8) for details of the equity method of accounting.

(10) 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 on change arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in profit or loss and other comprehensive income, respectively).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) FOREIGN CURRENCIES (CONTINUED)

The functional currency of most of overseas subsidiaries is the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of income are translated into RMB at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange differences on translation of foreign operations reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of income.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates for their functional and currencies ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rate for the year.

(11) 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.

(12) FINANCIAL ASSETS

Recognition

The Group shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Classification and Measurement

The Group classifies its financial assets in the following measurement categories, which depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows:

- those to be measured at amortized cost ("AC");
- those to be measured at fair value through other comprehensive income ("FVOCI"); or
- those to be measured at fair value through profit or loss ("FVPL").

The Group determines the classification of debt investments according to its business model and the contractual cash flow characteristics of the financial assets. The investments shall be classified as FVPL if the cash flows cannot pass solely payments of principal and interest on the principal amount ("SPPI") testing. Otherwise, the classification finally depends on the business model. For investments in equity instruments, investments are classified as FVPL in general, except those designated as the equity investment at FVOCI.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) FINANCIAL ASSETS (CONTINUED)

Classification and Measurement (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds, etc. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL are measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising from derecognition or impairment is recognized directly in profit or loss. Such assets held by the group mainly include cash and amounts due from banks and other financial institution, balances with the central bank, accounts receivable, financial assets at AC, loans and advances to customers measured at AC, etc.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated as FVPL are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss on the instrument's amortized cost previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in interest income using the effective interest rate method. Such assets held by the group mainly include debt financial assets at FVOCI and loans and advances to customers measured at FVOCI, etc.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. The gains or losses arisen from fair value changes on the debt investments measured at FVPL are recognized in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends, representing a return on such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) FINANCIAL ASSETS (CONTINUED)

Impairment

Expected credit loss refers to the weighted average amount of credit loss of financial instruments based on the probability of default. Credit loss refers to the difference between all contractual cash flows receivable and all cash flows that the entity expects to receive, discounted at the original effective interest rate.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost, FVOCI, with the exposure arising from loan commitments and financial guarantee contracts that are not in the scope of 'Insurance Contracts'. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

i) Choosing appropriate models and assumptions for the measurement of ECL including exposure at default (EAD), probability of default (PD), loss given default (LGD), etc.;

ii) Determining criteria for significant increase in credit risk;

iii) Establishing the number and relative weightings of forward-looking scenarios for the associated ECL.

For the financial assets subject to ECL measurement, the Group assesses the significant increase in credit risk since initial recognition or whether an asset is considered to be credit impaired, 'Three-stage' expected credit loss models are established and staging definition are set for each of these financial assets class. Incorporating forward-looking information, expected credit losses for financial assets are recognized into the different stages.

Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group. The impairment provisions is measured at an amount equal to the 12-month expected credit losses for the financial assets which are not considered to have significantly increased in credit risk since initial recognition.

Stage 2: If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The impairment provisions is measured based on expected credit losses on lifetime basis.

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The impairment provisions is measured based on expected credit losses on lifetime basis.

For the financial Instruments in Stage 1 and Stage 2, the Group calculates the interest income based on its gross carrying amount (ie amortized cost) before adjusting for impairment provision using the effective interest method. For the financial instruments in Stage 3, the interest income is calculated based on the carrying amount of the asset, net of the impairment provision, using the effective interest method. Financial assets that are originated or purchased credit impaired are financial assets that are impaired at the time of initial recognition, and the impairment provision for these assets is the expected credit loss for the entire lifetime.

The Group recognizes or reverses the loss allowance through profit or loss. For debt instruments measured at FVOCI, impairment gains or losses are included in the net impairment losses on financial assets and corresponding by reduce the accumulated changes in fair value included in the OCI reserve of equity.

For account receivables, the Group refers to historical experience of credit loss, combines with current situation and forward-looking information, formulate the lifetime expected credit loss of the financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) FINANCIAL ASSETS (CONTINUED)

Derecognition

Financial assets are derecognized when:

(a) the contractual rights to receive the cash flows from the financial assets have expired;

(b) they have been transferred and the Group transfers substantially all the risks and rewards of ownership;

(c) they have been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

When the equity financial assets measured at FVOCI is derecognised, the cumulative gain or loss previously recognized in OCI is reclassified from equity to retained profits. When the other financial assets is derecognised, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no expectation of recovery. Indicators that there is no reasonable expectation of recovery include: (a) ceasing enforcement activity, and (b) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

(13) FINANCIAL LIABILITIES

At initial recognition, the Group classifies a financial liability as at fair value through profit or loss or other financial liabilities. The Group measures a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability. Transaction costs of financial liabilities carried at FVPL are expensed in profit or loss.

When all or part of the current obligations of a financial liability have been discharged, the Group derecognises the portion of the financial liability or obligation that has been discharged. The difference between the carrying amount of the derecognised liability and the consideration is recognised in profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Financial liabilities held for trading are the financial liabilities that:

(a) are incurred principally for the purpose of repurchasing it in the near term;

(b) on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(c) are derivatives (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

Such financial liabilities held for trading shall subsequently measured at fair value. All the related realized and unrealized gains/(losses) are recognized in profit/(loss) in the current period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) FINANCIAL LIABILITIES (CONTINUED)

Financial liabilities at fair value through profit or loss (continued)

The Group may, at initial recognition, designate a financial liability as measured at fair value through profit or loss when one of the following criteria is met:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or

(b) a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel; or

(c) a contract contains one or more embedded derivatives, with the host being not an asset within the scope of IFRS 9, and the embedded derivative(s) do(es) significantly modify the cash flows;

Once designated as at fair value through profit or loss at initial recognition, the financial liabilities shall not be reclassified to other financial liabilities in subsequent periods. Financial liabilities designated at FVPL are subsequently measured at fair value. Any changes in fair value are recognized in profit or loss, except for changes in fair value arising from changes in the Group's own credit risk which are recognized in the OCI. Changes in fair value due to changes in the Group's own credit risk are not subsequently reclassified to profit or loss upon derecognition of the liabilities.

Other financial liabilities

The Group measures other financial liabilities subsequently at amortized cost, using the effective interest method, the other financial liabilities of the Group mainly include customer deposits and payables to brokerage customers, short term borrowings, long term borrowings and bonds payable, etc.

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, which 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. The fair value at inception is likely to equal the premium received. This amount is recognized ratably over the period of the contract to fees and commission income. Subsequently, the liabilities arising from the financial guarantee contracts are measured at the higher of the premium received on initial recognition less income recognised in accordance with the principles of IFRS 15, and the amount of loss allowance calculated as described in note 2.(12).

However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loan allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount for the loan, the expected credit losses are recognized as a provision.

Apart from the above financial guarantee contracts issued by the Group's banking operations with are accounted for under IFRS 9, the Group has also regarded certain financial guarantee contracts as insurance contracts and has elected to apply the accounting policies on insurance contracts (Note 2.(28)) to such financial guarantee contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(14) DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments mainly include interest rate swaps, forward currency contracts and swap transaction, credit swap and stock index futures, etc. Such derivative financial instruments are initially recognized at fair value on the date of which the related derivative contracts are entered into and are subsequently measured at fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

The gains or losses arisen from fair value changes of derivatives are recognized in profit or loss.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host-with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

If a hybrid contract contains a host that is not an asset within the scope of IFRS 9, an embedded derivative shall be separated from the host and accounted for as a derivative if, and only if:

a. the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;

b. a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

c. the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss (i.e. a derivative that is embedded in the hybrid contract at fair value through profit or loss is not separated).

For the above assets, the Group may bifurcate the embedded derivative and measured it at fair value through profit or loss, or designate the entire hybrid instrument to be measured at fair value through profit or loss.

(15) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument that is traded in an active market 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 should be appropriate in the circumstances for which sufficient data is available, and the inputs should be consistent with the objective of estimating the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, and maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Such techniques include using recent prices in 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.

Determining whether to classify financial instruments into level 3 of the fair value hierarchy is generally based on the significance of the unobservable factors involved in valuation methodologies.

(16) OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is 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 Group or the counterparty.

(17) 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 recognized and presented as '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 recognized on the balance sheet. The difference between the selling price and repurchasing price is recognized as interest expense over 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 recognized and presented as financial assets held under resold agreements'. The Group may not take physical possession of assets purchased under such agreements. In the event of default by the counterparty to repurchase the asset, the Group has the right to the underlying assets. The difference between the purchasing price and reselling price is recognized as interest income over the term of the agreement using the effective interest method.

Sale of assets under repurchase agreements and purchase of assets under reverse repurchase agreements conducted in the bank and securities businesses are included in the operating activities of consolidated statement of cash flows and sale of assets under repurchase agreements and purchase of assets under reverse repurchase agreements conducted in the insurance business are included in the financing and investing activities of consolidated statement of cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(18) FINANCE LEASE RECEIVABLE AND UNEARNED FINANCE INCOME

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognizes the minimum lease payments receivable by the Group, the initial direct costs and the unguaranteed residual value in the finance lease receivable. The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) the aggregate of their present values is recognized as unearned finance lease income. Finance lease receivable net of unearned finance lease income which represents the Group's net investment in the finance lease is presented as finance lease receivable in the consolidated statement of financial position. Unearned finance lease income is allocated over the lease term based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease, and is recognized as 'other revenues and other gains'.

The Group incorporates forward looking information in estimating the expected credit loss for finance lease receivable. Refer to note 13 and note 24 for details.

(19) 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.

(20) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) 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.

(22) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) 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 lands related to the Group's prepaid land premiums are located in Mainland China.

(d) Trademarks

Trademarks are initially stated at cost and subsequently amortized on the straight-line basis over the estimated useful lives.

The estimated useful lives of intangible assets are set as below:

	Estimated useful lives
Expressway operating rights	20 – 30 years
Prepaid land premiums	30 – 50 years, indefinite
Core deposits	20 years
Trademarks	10 – 40 years
Software and others (including patents and know-how, customer relationships and contract rights, etc.)	2 – 28 years

FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) 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'.

(25) INVENTORIES

The Group's inventories comprise raw materials, product in progress, finished goods, other supplemental materials, etc. and lands purchased that have been set to be used to build properties for sale by real estate subsidiaries. Inventory is initially measured at cost which includes purchasing cost, processing cost and other costs which made the inventory to the present place and status.

The actual cost of inventory is priced based on moving weighted average method.

At the end of the reporting period, inventory is measured at the lower of its cost and net realizable value. If the net realizable value is lower than cost, inventory impairment provisions are allotted.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and related taxes. Estimates of net recoverable amount are based on the most reliable evidence available at the time the estimates are made, also taking into consideration the purpose for which the inventory is held and the influence of events after the end of the reporting period.

Inventory impairment provisions should be accrued when the cost of individual inventory item is higher than its net realizable value.

After allotting inventory impairment provisions, if the influencing factors of previous inventory impairment provisions have disappeared, and hence the net realizable value of the inventories are higher than their book values, the previous written down amount should be recovered and the reversed amount which is within the amount of original allotted inventory impairment provisions should be included in current profit and loss.

(26) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(26) IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

For non-financial assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of income.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. The recoverable amount is the higher of its fair value less costs to disposal and its value-in-use, determined on an individual asset (or cash-generating unit) basis, unless the individual asset (or cash-generating unit) does not generate cash flows that are largely independent from those of other assets or groups of assets (or groups of cash-generating units). Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Intangible assets with indefinite useful lives are tested for impairment annually at each year end either individually or at the cash-generating unit level, as appropriate.

(27) INSURANCE GUARANTEE FUND

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

- 0.8% of the premium income for non-investment type property insurance, 0.08% of the consideration received for investment type property insurance with guaranteed return, and 0.05% of the consideration received for investment type property insurance without guaranteed return;
- 0.15% of the consideration received for life insurance with guaranteed return, and 0.05% of the consideration received for life insurance without guaranteed return;
- 0.8% of the premium income for short term health insurance, and 0.15% of the premium income for long term health insurance; and
- 0.8% of the premium income for non-investment type accident insurance; 0.08% of the consideration received for investment type accident insurance with guaranteed return, and 0.05% of the consideration received for investment type accident insurance without guaranteed return.

No additional provision is required when the accumulated insurance guarantee fund balances of Ping An Life Insurance Company of China, Ltd. ('Ping An Life'), Ping An Annuity Insurance Company of China, Ltd. ('Ping An Annuity') and Ping An Health Insurance Company of China, Ltd. ('Ping An Health') reach 1% of their respective total assets. For Ping An Property & Casualty Insurance Company of China, Ltd. ('Ping An Property & Casualty'), no additional provision is required when the accumulated balance reaches 6% of its total assets. Insurance guarantee fund levy is charged to expenses as incurred.

The revenue and premium income used in the calculation of the insurance guarantee fund is the amount agreed in the insurance policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(28) 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.

(29) 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.

(30) INSURANCE CONTRACT LIABILITIES

The insurance contract liabilities of the Group include long term life insurance policyholders' reserves, unearned premium reserves and claim reserves.

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Property and casualty and short term life insurance policies are grouped into certain measurement units by lines of business. For long term life insurance policies, the Group mainly considers the characteristics of the policies, including product type, gender, age, and durations of policies, when determining the measurement units.

Insurance contract liabilities are measured based on a reasonable estimate of amount of payments when the Group fulfills the relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfill the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:

  - Guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits;

  - Non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends, etc.;

  - Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses, claim expenses, etc.

- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(30) INSURANCE CONTRACT LIABILITIES (CONTINUED)

A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the statement of income over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty associated with the future net cash flows. The Group determines risk margins of the long term life insurance policyholders' reserves using the scenario comparison method. The unfavorable scenarios are determined according to the uncertainty and impact of expected net cash outflows.

- At inception of an insurance contract, any 'day-one' gain is not recognized in the statement of income, but included in the insurance contract liabilities as a residual margin. The residual margin is calculated net of certain acquisition costs, mainly consisting of commission expenses on insurance operations. At inception of an insurance contract, any 'day-one' loss is recognized in the statement of income. Any residual margin is subsequently measured based on the assumptions of the years when the policies become effective, and will not be adjusted for future change in assumptions. For non-life insurance contracts, the Group amortizes the residual margin which is embedded in the unearned premium reserves on a time basis during the whole insurance coverage period and records it in profit or loss. For life insurance contracts, the Group amortizes the residual margin on the basis of the sums insured or the number of policies during the whole insurance coverage period.

When measuring insurance contract liabilities, the time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short duration contracts whose duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money is determined with reference to information currently available as at the end of the reporting period and is not locked.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to reprice the premium.

Unearned premium reserves

The unearned premium reserves are provided for unexpired insurance obligations of property and casualty and short term life insurance contracts.

Unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions made for commissions, insurance guarantee fund, regulatory charges and other incremental costs. Subsequent to initial recognition, unearned premium reserves are measured on a 1/365 basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(30) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(31) 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.

(32) 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.

(33) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(33) 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 51.

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.

(34) UNIVERSAL LIFE BUSINESS

The universal life contracts of the Group contain significant insurance risks 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 2. (30).

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 financial assets at FVOCI 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 financial assets at FVOCI related to the universal life insurance portfolio attributable to policyholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(35) 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.

The Group incorporates forward looking information in estimating the expected credit loss for loan commitments and financial guarantee contracts. Refer to note 13 and note 49 for details.

(36) REVENUE RECOGNITION

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 2. (37).

(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 when, or as, the control of services is transferred to customers unless the related services still need to be provided in the future period, in which fees should be recognized over the period of the contract by reference to the progress towards complete satisfaction of performance obligation. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(36) REVENUE RECOGNITION (CONTINUED)

(c) Interest income

Interest income for interest bearing financial instruments, is recognized in the statement of income using the effective interest rate method. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Fees and commission income of non-insurance operations

The fees and commission income of non-insurance operations from a diverse range of services it provides to its customers are recognized when the control of services is transferred to 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 and the control of services is transferred to customers. 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 the performance obligation of services.

(g) Sale of goods

Revenue from the sale of goods is recognized when control of the goods has transferred. The Group considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to be entitled in exchange for transferring promised goods to a customer. When determining the transaction price, the Group consider the effects of variable consideration, constraining estimates of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(37) 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.

(38) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(39) 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.

(40) 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.

(41) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(41) SHARE-BASED PAYMENT (CONTINUED)

Equity-settled share-based payment transactions (continued)

At the end of each reporting period, the Group revises its estimates of the number of options and awarded shares that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of income, with a corresponding adjustment to equity.

The Company settles with the awardees under the share purchase scheme upon vesting.

(42) SHARES HELD BY CONSOLIDATED STRUCTURED ENTITIES

The Group's subsidiaries consolidated certain third party assets management scheme. These assets management schemes invested in the insurance index shares. As such the Group indirectly hold the Company's shares. The employee share purchase scheme consolidated by the Group also hold the Company's shares. The consideration paid by the consolidated structured entities in purchasing the Company's shares from the market, including any directly attributable incremental cost, is debited to 'Share premium' under 'Reserves'. No gain or loss shall be recognized in profit or loss on the sale of those shares, the consideration received is credited to 'Share premium' under 'Reserves'.

(43) TAX

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income, or in other comprehensive income or in equity if it relates to items that are recognized in the same or a different period directly in other comprehensive income or in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(43) TAX (CONTINUED)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed by the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(44) 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.

(45) RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same Group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(45) RELATED PARTIES (CONTINUED)

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(46) 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:

(a) The component produces income and expenses in its daily operation;

(b) 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;

(c) 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.

3. 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.

(1) FAIR VALUE OF FINANCIAL INSTRUMENTS DETERMINED USING VALUATION TECHNIQUES

Fair value, in the absence of an active market, is estimated by using valuation techniques, applying currently applicable and sufficiently available data, and the valuation techniques supported by other information, mainly include market approach and income approach, reference to the recent arm's length transactions, current market value of another instrument which is substantially the same, and by using the discounted cash flow analysis and option pricing models.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(1) FAIR VALUE OF FINANCIAL INSTRUMENTS DETERMINED USING VALUATION TECHNIQUES (CONTINUED)

When using valuation techniques to determine the fair value of financial instruments, the Group would choose the input value in consistent with market participants, considering the transactions of related assets and liabilities. All related observable market parameters are considered in priority, including interest rate, foreign exchange rate, commodity prices and share prices or index. When related observable parameters are unavailable or inaccessible, the Group uses unobservable parameters and makes estimates for credit risk, market volatility and liquidity adjustments.

Using different valuation techniques and parameter assumptions may lead to significant difference of fair value estimation.

(2) CLASSIFICATION OF FINANCIAL ASSETS

The judgments in determining the classification of financial assets include the analysis of business models and the characteristics of contractual cash flows.

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows are arising from collecting contractual cash flows, selling financial assets or both. The business model of managing financial assets is not determined by a single factor or activity. Instead, the entity should consider all relevant evidence available when making the assessment. Relevant evidence mainly includes, but not limited to, how the cash flow of the group of assets is collected, how the performance of the group of assets is reported to key management personnel, and how the risk of group of assets is being assessed and managed.

The contractual cash flows characteristics of financial assets refer to the cash flow attributes of the financial assets reflecting the economic characteristics of the relevant financial assets (i.e. whether the contractual cash flows generated by the relevant financial assets on a specified date solely represents the payments of principal and interest). The principal amount refers to the fair value of the financial asset at initial recognition. The principal amount may change throughout the lifetime of the financial assets due to prepayment or other reasons. The interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, other basic lending credit risks, and the consideration of costs and profits.

(3) MEASUREMENT OF THE EXPECTED CREDIT LOSS ALLOWANCE

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 51.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

3. 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 2.(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, with consideration of the Cai Kuai [2017] No.637 issued by CIRC and other relevant regulations, the discount rate assumption is based on the benchmarking yield curve for the measurement of insurance contract liabilities published by China Central Depository and Clearing Co., Ltd, with consideration of the impact of the tax and liquidity premium. The current discount rate assumption for the measurement as at 31 December 2018 ranged from 3.28%- 4.75% (31 December 2017: 3.16%- 4.75%).

  For long term non-life insurance contracts where the future insurance benefits are not affected by investment return of the underlying asset portfolio, as the risk margin has no material impact on the reserve measurement, the discount rate assumption used is the benchmarking yield curve for the measurement of insurance contract liabilities published by China Central Depository and Clearing Co., Ltd.

  For long term life insurance contracts where the future insurance benefits are affected by investment return of the underlying asset portfolio, the discount rates are determined based on expected future investment returns of the asset portfolio backing those liabilities. The future investment returns assumption for the measurement as at 31 December 2018 ranged from 4.75%- 5.00% (31 December 2017: 4.75%- 5.00%).

  For short term insurance contracts liabilities whose duration is within one year, the future cash flows are not discounted.

  The discount rate and investment return assumptions are affected by the future macro-economy, capital market, investment channels of insurance funds, investment strategy, etc., and therefore subject to uncertainty.

3. 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 market and actual experience and expected future development trends, in deriving assumptions of mortality rates, morbidity rates, disability rates, etc.

  The assumption of mortality rates is based on the industrial benchmark or the Group's prior experience data on mortality rates, estimates of current and future expectations, the industry criteria 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.

- The Group uses reasonable estimates, based on an expense study and future development trends, in deriving expense assumptions. If the future expense level becomes sensitive to inflation, the Group will consider the inflation factor as well in determining expense assumptions.

  The expense assumptions include assumptions of acquisition costs and maintenance costs. The assumption of maintenance costs also has a risk margin.

- The Group uses reasonable estimates, based on expected investment returns of participating insurance accounts, participating dividend policy, policyholders' reasonable expectations, etc. in deriving policy dividend assumptions.

  The assumption of participating insurance accounts is affected by the above factors, and hence bears uncertainty. The future assumption of life and participating insurance with a risk margin is 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 considers the insurance industry guideline ranged from 3% to 6% to determine risk margins.

The major assumptions needed in measuring claim reserves include the claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The claim development factors and expected claim ratio of each measurement unit are based on the Group's historical claim development experience 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 environment such as macroeconomic, regulations, and legislation. In the measurement of claim reserves, the Group applies the cost of capital approach and considers insurance industry guideline ranged from 2.5% to 5.5% to determine risk margins.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(5) CLASSIFICATION AND UNBUNDLING/SEPARATION OF INSURANCE CONTRACTS AND SIGNIFICANT INSURANCE RISK TESTS

The Group makes significant judgments on whether a written policy undertake both insurance risks and other risks, whether contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. Such judgment affects the unbundling/separation of insurance contracts.

The Group makes significant judgments on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. Such judgment affects the classification of insurance contracts.

When determining whether the policies transfer a significant insurance risk, the Group makes the following judgments for different policies:

- If the insurance risk ratio of a non-annuity policy is equal or greater than 5% at one or more points in time during the policy coverage period, the Group classifies it as an insurance contract. The insurance risk ratio of a direct insurance policy is the percentage of the benefits to be paid when the insured event occurs divided by the amounts to be paid when the insured event does not occur minus 100%;

- Annuity policies where the longevity risk is transferred are classified as insurance contracts;

- If a property and casualty insurance or a short term life insurance policy obviously meets the criteria for significant insurance risk transfer, the Group directly classifies it as an insurance contract.

When determining whether a reinsurance policy transfers significant insurance risks, judgment is made on a comprehensive understanding of the commercial substance of the reinsurance policy and other relevant contracts and agreements. If the reinsurance risk ratio of the reinsurance policy is greater than 1%, the Group classifies it as a reinsurance contract. The reinsurance risk ratio of a reinsurance policy is derived from the present value of probability-weighted average net losses where the reinsurer incurs a net loss divided by expected premium income of the reinsurer. If a reinsurance policy obviously transfers a significant insurance risk, the Group directly classifies it as a reinsurance contract without calculating the reinsurance risk ratio.

When performing significant insurance risk testing, the Group would group all policies of the same product with similar risk characteristics into the same portfolio. The Group would then select sufficient and representative policy samples from each policy portfolio to perform individual testing.

The unbundling/separation and classification of insurance contracts would affect the Group's revenue recognition, liability measurement and financial statement presentation.

(6) DETERMINATION OF CONTROL OVER THE STRUCTURED ENTITIES

To determine whether the Group controls the structured entities of which the Group acts as an asset manager, management applies judgment based on all relevant fact and circumstance to determine whether the Group is acting as the principal or agent for the structured entities. If the Group is acting as the principal, it has control over the structured entities. In assessing whether the Group is acting as the principal, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variable returns results from its additional involvement with structured entities. The Group will perform reassessment once the fact and circumstance changes leading to changes in above factors.

For further disclosure in respect of the maximum risk exposure of unconsolidated structured entities of the Group, see Note 51. (8).

4. SCOPE OF CONSOLIDATION

(1) Particulars of the Company's principal subsidiaries as at 31 December 2018 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 Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An Life	Shenzhen, Corporation	Life insurance, Shenzhen	99.51%	-	99.51%	33,800,000,000
Ping An Property & Casualty	Shenzhen, Corporation	Property and casualty insurance, Shenzhen	99.51%	-	99.51%	21,000,000,000
Ping An Bank Co., Ltd. (ii) ('Ping An Bank')	Shenzhen, Corporation	Banking, Shenzhen	49.56%	8.40%	58.00%	17,170,411,366
China Ping An Trust Co., Ltd.	Shenzhen, Corporation	Investment and trust, Shenzhen	99.88%	-	99.88%	13,000,000,000
Ping An Securities Company Limited. ('Ping An Securities')	Shenzhen, Corporation	Securities investment and brokerage, Shenzhen	40.96%	55.59%	96.62%	13,800,000,000
Ping An Annuity	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 (iii)	Shanghai, Corporation	Health insurance, Shanghai	73.37%	1.63%	75.01%	1,816,577,790
China Ping An Insurance Overseas (Holdings) Limited ('Ping An Overseas Holdings')	Hong Kong, Corporation	Investment holding, Hong Kong	100.00%	-	100.00%	HKD7,085,000,000
China Ping An Insurance (Hong Kong) Company Limited	Hong Kong, Corporation	Property and casualty insurance, Hong Kong	-	100.00%	100.00%	HKD490,000,000
Ping An International Financial Leasing Co., Ltd. (iii) ('Ping An Financial Leasing')	Shanghai, Corporation	Finance lease business, Shanghai	67.93%	32.07%	100.00%	13,241,511,182
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.	Shanghai, Corporation	Investment consulting, Shanghai	-	99.75%	100.00%	100,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2018 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 Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An Real Estate Co., Ltd. ('Ping An Real Estate')	Shenzhen, Corporation	Property management and investment management, Shenzhen	-	99.59%	100.00%	20,000,000,000
Ping An Technology (Shenzhen) Co., Ltd. (iii) ('Ping An Technology')	Shenzhen, Corporation	IT services, Shenzhen	68.38%	31.62%	100.00%	2,924,763,800
Shenzhen Ping An Financial Services Co., Ltd.	Shenzhen, Corporation	IT and business process outsourcing services, Shenzhen	-	100.00%	100.00%	598,583,070
Ping An E-wallet Electronic Commerce Company Limited ('Ping An E-wallet')	Shenzhen, Corporation	Internet service, Shenzhen	-	77.14%	78.63%	1,000,000,000
Shenzhen Wanlitong Network Information Technology Co., Ltd.	Shenzhen, Corporation	Customer loyalty service, Shenzhen	-	77.14%	100.00%	200,000,000
Shenzhen Ping An Commercial Property Investment Co., Ltd. (iii) ('Ping An Commercial Property Investment')	Shenzhen, Corporation	Real estate investment, Shenzhen	-	99.50%	99.99%	1,367,000,000
Ping An Futures Co., Ltd.	Shenzhen, Corporation	Futures brokerage, Shenzhen	-	96.74%	100.00%	420,000,000
Shenzhen Ping An Real Estate Investment Co., Ltd.	Shenzhen, Corporation	Real estate investment, Shenzhen	-	100.00%	100.00%	1,310,000,000
Shanghai Pingpu Investment Co., Ltd.	Shanghai, Corporation	Investment management, Shanghai	-	99.51%	100.00%	9,130,500,000
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) ('Ping An Financial Technology')	Shenzhen, Corporation	Financial advisory services, Shenzhen	100.00%	-	100.00%	30,406,000,000
Ping An Tradition International Money Broking Company Ltd.	Shenzhen, Corporation	Currency brokerage, Shenzhen	-	66.92%	67.00%	50,000,000

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4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2018 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 Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Pingan Haofang (Shanghai) E-commerce Co., Ltd.	Shanghai, Corporation	Property agency, Shanghai	-	80.00%	80.00%	680,000,000
Ping An-UOB Wealthtone Asset Management Co., Ltd. (iii)	Shenzhen, Corporation	Asset management, Shenzhen	-	68.11%	100.00%	800,000,000
Ping An Fund Management Company Limited (iii)	Shenzhen, Corporation	Fund raising and distribution, Shenzhen	-	68.11%	68.19%	1,300,000,000
Shenzhen Ping An Financial Center Development Company Ltd. (iii)	Shenzhen, Corporation	Real estate development, Shenzhen	-	99.51%	100.00%	5,648,870,000
Ping An Insurance Sales Services Co., Ltd.	Shenzhen, Corporation	Sale agency of insurance, Shenzhen	-	100.00%	100.00%	50,000,000
Ping An Chuang Zhan Insurance Sales & Service Co., Ltd	Shenzhen, Corporation	Insurance sale, Shenzhen	-	99.51%	100.00%	50,000,000
Reach Success International Company Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	99.51%	100.00%	USD50,000
Jade Reach Investment Company Limited	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	99.51%	100.00%	USD50,000
Shenyang Shengping Investment Management Co., Ltd.	Shenyang, Corporation	Real estate investment, Shenyang	-	99.51%	100.00%	419,000,000
Tongxiang Ping An Investment Co., Ltd.	Tongxiang Corporation	Investment management, Tongxiang	-	99.59%	100.00%	500,000,000
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

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2018 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 Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Ping An of China Securities (Hong Kong) Company Limited (iii)	Hong Kong, Corporation	Securities investment and brokerage, Hong Kong	-	96.55%	100.00%	HKD324,681,000
Ping An Wealth Management Co., Ltd.	Shanghai, Corporation	Consulting services, Shanghai	-	100.00%	100.00%	100,000,000
Ping An International Financial Leasing (Tianjing) Co., Ltd. (iii)	Tianjin, Corporation	Finance lease business, Tianjin	-	100.00%	100.00%	10,400,000,000
Shenzhen Pingan Real Estate Industrial Logistics Company Ltd. (iii)	Shenzhen, Corporation	Logistics, Shenzhen	-	99.51%	100.00%	4,500,000,000
Beijing Shuangronghui Investment Co., Ltd.	Beijing, Corporation	Real estate investment, Beijing	-	99.51%	100.00%	256,323,143
Chengdu Ping An Property Investment Company Co., Ltd.	Chengdu, Corporation	Real estate investment, Chengdu	-	99.51%	100.00%	840,000,000
Hangzhou Pingjiang Investment Co., Ltd.	Hangzhou, Corporation	Real estate development, Hangzhou	-	99.51%	100.00%	1,600,000,000
Beijing Jingxinlize Investment Co., Ltd.	Beijing, Corporation	Real estate investment, Beijing	-	99.51%	100.00%	1,160,000,000
Anbon Allied Investment Company Limited.(iii)	Hong Kong, Corporation	Real estate investment, United Kingdom	-	99.51%	100.00%	GBP90,000,160
Talent Bronze Limited	Hong Kong, Corporation	Real estate investment, Hong Kong	-	99.51%	100.00%	GBP133,000,000
Ping An Pioneer Capital Co., Ltd.	Shenzhen, Corporation	Asset management, Shenzhen	-	96.55%	100.00%	1,000,000,000
Shenzhen Pingke Information Consulting Co., Ltd.	Shenzhen, Corporation	Management consulting, Shenzhen	-	100.00%	100.00%	3,115,150,000
Beijing Jingping Shangdi Investment Co., Ltd.	Beijing, Corporation	Property leasing, Beijing	-	99.51%	100.00%	45,000,000
Guangzhou Xinping Property Investment Co., Ltd.	Guangzhou, Corporation	Property leasing, Guangzhou	-	99.51%	100.00%	50,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2018 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 Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
Shanghai Jahwa (Group) Company Ltd. ('Shanghai Jahwa')	Shanghai, Corporation	Production and sale of consumer chemicals, Shanghai	-	99.51%	100.00%	5,268,261,234
Shanghai Jahwa United Co., Ltd. (iii)	Shanghai, Corporation	Industry, Shanghai	-	51.85%	52.11%	671,713,547
Shanghai Zean Investment Management Company Limited	Shanghai, Corporation	Asset management, Shanghai	-	99.51%	100.00%	4,810,000,000
Shanghai Pingan Automobile E-commerce Co., Ltd.	Shanghai, Corporation	E-commerce, Shanghai	-	94.74%	94.74%	63,330,000
Shanghai Gezhouba Yangming Property Co., Ltd.	Shanghai, Corporation	Real estate development and management, Shanghai	-	99.51%	100.00%	20,000,000
Shanghai Jinyao Investment Management Co., Ltd.	Shanghai, Corporation	Investment management, Shanghai	-	99.05%	100.00%	1,290,000,000
Shanghai PingXin Asset Management Co., Ltd. (iii)	Shanghai, Corporation	Asset management, Shanghai	-	100.00%	100.00%	1,010,000,000
Shenzhen Qianhai Credit Service Centre Co., Ltd.	Shenzhen, Corporation	Personal and Enterprise Credit Information services, Shenzhen	-	100.00%	100.00%	50,000,000
Pingan Real Estate Capital Limited	Hong Kong, Corporation	Financing platform, Hong Kong	-	99.59%	100.00%	USD100,000,000
Shenzhen Qianhai Inclusive Crowdfunding & Trading Co., Ltd.	Shenzhen, Corporation	Private equity Financing, Shenzhen	-	79.14%	80.00%	100,000,000
Value Success International Limited ('Value Success International')	British Virgin Islands, Corporation	Project investment, British Virgin Islands	-	100.00%	100.00%	USD50,000
Shenzhen Ping An Chuangke Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.79%	100.00%	100,000,000
Shenzhen Ping An Anchuang Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.79%	100.00%	100,000,000

4. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2018 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 Company (%)	Proportion of ordinary shares indirectly held by the Company (%)	Proportion of votes (%) (i)	Registered/ authorized capital (RMB unless otherwise stated)
An Ke Technology Company Limited	Hong Kong, Corporation	Investment management and investment consulting, Hong Kong	-	100.00%	100.00%	USD335,000,000
Ping An Pay Technology Service Co., Ltd.	Shenzhen, Corporation	Internet service, Shenzhen	-	77.14%	100.00%	680,000,000
Lianxin (Shenzhen) Investment Management Co., Ltd.	Shenzhen, Corporation	Investment management, Shenzhen	-	99.69%	100.00%	100,000,000
Tongxiang Anhao Investment Management Co., Ltd.	Tongxiang, Corporation	Investment management, Tongxiang	-	99.79%	100.00%	300,000,000
Mayborn Group Limited	United Kingdom, Corporation	Infant products, United Kingdom	-	51.85%	52.11%	GBP1,154,873
Autohome Inc.	Cayman Islands, Corporation	Automotive internet platform, Beijing	-	52.37%	52.37%	USD1,191,623

Notes:

(i) The proportion of ordinary shares, as shown in the above table, is the sum product of direct holding by the Company and indirect holding by a multiplication of the proportion of shares held in each holding layer. The proportion of votes is the sum product of the proportion of votes held directly by the Company and indirectly via subsidiaries controlled by the Company.

(ii) For the year ended 31 December 2018, Ping An Bank's profit attributable to its non-controlling interest was RMB10,424 million (2017: RMB9,740 million), the dividend paid to its non-controlling interest was RMB1,348 million (2017: RMB1,507 million). As at 31 December 2018, Ping An Bank's equity attributable to its non-controlling interest was RMB100,818 million (2017: RMB93,263 million). Ping An Bank's summarized financial information is disclosed in 'Segment reporting' under the 'Banking' segment.

(iii) The registered capitals of these subsidiaries were changed in 2018.

Other than the changes above, there are no significant changes to the scope of consolidation as at 31 December 2018 as compared to 2017.

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 51. (7) for detailed disclosure on the relevant regulatory capital requirements.

4. SCOPE OF CONSOLIDATION (CONTINUED)

(2) As at 31 December 2018, the Group consolidated the following principal structured entities:

Name	Attributable equity interest	Paid-in capital (RMB)	Principal activities
Ping An Asset Xinxiang No.28 Assets Management	99.51%	26,425,812,763	Investment in wealth management product
Huabao East Aggregated Fund Trust Scheme	98.86%	12,000,000,000	Investment in debts
Shanghai Trust Changcheng Aggregated Fund Management Scheme	59.71%	10,000,000,000	Investment in debts
Shanghai Trust Huarong Aggregated Fund Management Scheme	99.51%	9,500,000,000	Investment in debts
Ping An Asset Xinxiang No.5 Assets Management	99.50%	8,910,000,000	Investment in wealth management product
Ping An Asset Xinxiang No.19 Assets Management	99.51%	9,103,702,167	Investment in wealth management product
Ping An Asset Xinxiang No.20 Assets Management	99.51%	8,068,893,684	Investment in wealth management product
Ping An Asset Xinxiang No.18 Assets Management	99.51%	8,052,180,412	Investment in wealth management product
Ping An Asset Xinxiang No.10 Assets Management	99.51%	7,296,884,848	Investment in wealth management product
Ping An Asset Xinxiang No.14 Assets Management	99.51%	5,001,000,000	Investment in wealth management product
Ping An Asset Xinxiang No.11 Assets Management	99.51%	3,050,198,071	Investment in wealth management product

5. SEGMENT REPORTING

In 2018, the segment businesses are separately presented as the insurance segment, the banking segment, the trust segment, the securities segment, the other asset management segment, the fintech & healthtech segment and the other businesses, based on the products and service offerings. The insurance segment is divided into the life insurance and health insurance and the property and casualty insurance segment in line with the nature of products, risk and asset portfolios. The types of products and services from which reportable segments derive revenue are listed below:

- The life and health insurance segment offers a comprehensive range of life insurance products to individual and corporate customers, including term, whole-life, endowment, annuity, investment-linked, universal life and health care and medical insurance, reflecting performance summary of life insurance, annuity insurance and health insurance subsidiaries;
- The property and casualty insurance segment offers a wide variety of insurance products to individual and corporate customers, including automobile insurance, non-automobile insurance and accident and health insurance, reflecting performance of property and casualty insurance subsidiary;
- The banking segment undertakes loan and intermediary business with corporate customers and retail business customers as well as wealth management and credit card services with individual customers, reflecting performance of banking subsidiary;
- The trust segment provides trust products services and undertake investing activities;
- The securities segment undertakes brokerage, trading, investment banking and asset management services;
- The other asset management segment provides investment management services, finance lease business and other asset management services, reflecting performance summary of asset management and finance lease and the other asset management subsidiaries;
- The fintech & healthtech segment provides various financial and daily-life services through internet platforms such as financial transaction information service platform, health care service platform, reflecting performance summary of the fintech & healthtech business subsidiaries, associates and jointly controlled entities.

Except for the above business segments, the other segments did not have material impact on the Group's operating outcome, and as such are not separately presented.

In the year 2018, the Group reorganized the presentation of the cross-shareholding business based on the management of the sub-business lines. The comparative figures have been restated accordingly.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions with regard to resources allocation and performance assessment. Segment performance is assessed based on indicators such as net profit.

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

More than 95% of the Group's revenue is derived from its operations in Mainland China. More than 95% of the Group's non-current assets are located in Mainland China.

During 2018 and 2017, the Group's top five customers in respect of total revenue are as follows:

(in RMB million)	2018	2017
Total revenue from top five customers	**2,628**	1,040
Percentage of total revenue	**0.27%**	0.12%

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2018 and for the year then ended is as follows:

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Fintech & Healthtech	Other businesses and elimination	Total
Gross written premiums	472,359	247,526	-	-	-	-	-	(329)	719,556
Less: Premiums ceded to reinsurers	(5,081)	(14,881)	-	-	-	-	-	545	(19,417)
Change in unearned premium reserves	(1,695)	(20,727)	-	-	-	-	-	(14)	(22,436)
Net earned premiums	465,583	211,918	-	-	-	-	-	202	677,703
Reinsurance commission revenue	1,173	6,964	-	-	-	-	-	(171)	7,966
Interest revenue from banking operations	-	-	162,888	-	-	-	-	(1,174)	161,714
Interest revenue from non-banking operations	71,190	7,493	-	247	2,983	8,642	8	(2,017)	88,546
Including: Inter-segment interest revenue from non-banking operations	395	72	-	39	119	1,238	22	(1,885)	-
Fees and commission revenue from non-insurance operations	-	-	39,362	3,801	4,014	1,254	52	(2,206)	46,277
Including: Inter-segment fees and commission revenue from non-insurance operations	-	-	1,882	478	27	18	-	(2,405)	-
Investment income	3,417	2,980	10,109	841	1,674	6,033	8,157	(1,237)	31,974
Including: Inter-segment investment income	1,124	46	3	2	3	515	50	(1,743)	-
Including: operating lease income from investment properties	4,117	212	31	-	3	247	-	(867)	3,743
Share of profits and losses of associates and jointly controlled entities	6,230	1,177	-	97	-	6,381	6,697	(2,508)	18,074
Other revenues and other gains	25,030	1,415	384	203	2,926	25,038	20,025	(25,129)	49,892
Including: Inter-segment other revenues	11,488	22	105	3	21	1,292	8,169	(21,100)	-
Including: Non-operating gains	197	103	28	5	3	10	29	10	385
Total revenue	572,623	231,947	212,743	5,189	11,597	47,348	34,939	(34,240)	1,082,146

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2018 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Fintech & Healthtech	Other businesses and elimination	Total
Claims and policyholders' benefits	(323,494)	(116,305)	-	-	-	-	-	203	(439,596)
Commission expenses on insurance operations	(84,142)	(49,337)	-	-	-	-	-	3,085	(130,394)
Interest expenses on banking operations	-	-	(88,143)	-	-	-	-	1,212	(86,931)
Fees and commission expenses on non-insurance operations	-	-	(8,065)	(116)	(847)	(489)	-	431	(9,086)
Net impairment losses on financial assets and other assets	(243)	(1,410)	(47,871)	(1)	(217)	(3,970)	(4)	(98)	(53,814)
Including: Loan impairment losses	-	-	(43,657)	-	-	-	-	-	(43,657)
Including: Impairment losses on investment assets	(200)	(187)	(3,582)	-	(198)	(1,978)	-	(23)	(6,168)
Including: Impairment losses on receivables and others	(43)	(1,223)	(632)	(1)	(19)	(1,992)	(4)	(75)	(3,989)
Foreign exchange (losses)/gains	(851)	(45)	209	2	2	(16)	-	(247)	(946)
Investment expenses	(2,090)	(256)	-	-	-	-	-	2,211	(135)
Including: Taxes and surcharges on investment operations	(125)	(10)	-	-	-	-	-	-	(135)
Administrative expenses	(50,034)	(43,537)	(36,540)	(1,038)	(3,478)	(9,246)	(13,685)	6,112	(151,446)
Including: Taxes and surcharges on insurance operations	(758)	(1,284)	-	-	-	-	-	-	(2,042)
Interest expenses on non-banking operations	(3,939)	(1,124)	-	(114)	(2,219)	(12,113)	(63)	1,345	(18,227)
Including: Financial costs	(2,686)	(677)	-	(33)	(1,125)	(12,105)	(63)	1,348	(15,341)
Including: Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions	(1,253)	(447)	-	(81)	(1,094)	(8)	-	(3)	(2,886)
Other expenses	(26,571)	(418)	(102)	(9)	(2,824)	(9,097)	(5,576)	16,177	(28,420)
Total expenses	(491,364)	(212,432)	(180,512)	(1,276)	(9,583)	(34,931)	(19,328)	30,431	(918,995)
Profit before tax	81,259	19,515	32,231	3,913	2,014	12,417	15,611	(3,809)	163,151
Income tax	(22,502)	(7,241)	(7,413)	(901)	(334)	(3,400)	(627)	(281)	(42,699)
Profit for the year	58,757	12,274	24,818	3,012	1,680	9,017	14,984	(4,090)	120,452
- Attribute to owners of the parent	57,914	12,215	14,394	3,008	1,599	8,264	14,006	(3,996)	107,404

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2018 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Fintech & Healthtech	Other businesses and elimination	Total
Cash and amounts due from banks and other financial institutions	176,442	53,935	163,047	5,779	31,150	39,224	17,817	(29,870)	457,524
Balances with Central Bank and statutory deposits for insurance operations	8,153	4,286	273,513	-	-	-	-	7	285,959
Accounts receivable	1,806	-	-	-	-	17,016	3,902	74	22,798
Finance lease receivable	-	-	-	-	-	165,214	-	-	165,214
Loans and advances to customers	-	-	1,949,757	-	-	-	-	(19,915)	1,929,842
Financial assets at fair value through profit or loss	443,974	71,187	148,768	13,361	30,648	66,285	38,291	12,425	824,939
Financial assets at amortized cost	1,237,974	94,687	629,366	-	639	126,014	733	(14,262)	2,075,151
Financial assets at fair value through other comprehensive income	392,223	42,227	72,183	13	44,926	11,040	49	(29,121)	533,540
Investments in associates and jointly controlled entities	83,761	9,464	-	1,203	59	34,816	39,429	(13,837)	154,895
Others	287,724	96,838	181,958	3,587	14,880	70,756	23,566	13,789	693,098
Segment assets	2,632,057	372,624	3,418,592	23,943	122,302	530,365	123,787	(80,710)	7,142,960
Due to banks and other financial institutions	33,952	5,552	567,100	-	341	210,710	4,182	(18,683)	803,154
Assets sold under agreements to repurchase	126,387	13,885	7,988	-	32,445	8,323	-	-	189,028
Accounts payable	3,066	-	-	-	50	5,745	1,080	(162)	9,779
Insurance payables	92,891	29,241	-	-	-	-	-	(1,444)	120,688
Customer deposits and payables to brokerage customers	-	-	2,149,142	-	25,453	-	-	(60,251)	2,114,344
Bonds payable	32,519	8,680	381,884	-	15,221	111,191	-	7,380	556,875
Insurance contract liabilities	1,997,775	213,597	-	-	-	-	-	515	2,211,887
Investment contract liabilities for policyholders	52,728	19	-	-	-	-	-	-	52,747
Policyholder dividend payable	52,591	-	-	-	-	-	-	-	52,591
Others	54,903	24,261	72,436	6,205	19,391	141,045	31,231	(1,248)	348,224
Segment liabilities	2,446,812	295,235	3,178,550	6,205	92,901	477,014	36,493	(73,893)	6,459,317
Segment equity	185,245	77,389	240,042	17,738	29,401	53,351	87,294	(6,817)	683,643
– Attribute to owners of the parent	178,824	77,014	139,224	17,717	27,976	43,161	79,541	(6,949)	556,508
Other segment information:									
Capital expenditures	1,383	1,936	4,232	9	276	3,960	2,538	215	14,549
Depreciation and amortization	3,774	617	2,466	56	209	615	1,484	621	9,842
Total other non-cash expenses charged to consolidated results	243	1,410	47,871	1	217	3,970	4	98	53,814

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2017 and for the year then ended is as follows:

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Fintech & Healthtech	Other businesses and elimination	Total
Gross written premiums and policy fees	388,642	216,090	–	–	–	–	–	303	605,035
Less: Premiums ceded to reinsurers	(3,028)	(14,294)	–	–	–	–	–	(98)	(17,420)
Change in unearned premium reserves	(1,047)	(13,577)	–	–	–	–	–	(1)	(14,625)
Net earned premiums	384,567	188,219	–	–	–	–	–	204	572,990
Reinsurance commission revenue	482	6,226	–	–	–	–	–	20	6,728
Interest revenue from banking operations	–	–	148,068	–	–	–	–	(682)	147,386
Interest revenue from non-banking operations	67,892	7,792	–	441	2,809	7,067	356	2,019	88,376
Including: Inter-segment interest income from non-banking operations	658	33	–	44	112	1,038	18	(1,903)	–
Fees and commission income from non-insurance operations	–	–	35,725	4,292	4,255	1,728	145	(1,738)	44,407
Including: Inter-segment fees and commission revenue from non-insurance operations	–	–	1,496	272	139	48	–	(1,955)	–
Investment income	42,032	3,318	(1,213)	1,612	476	1,610	18,051	(2,161)	63,725
Including: Inter-segment investment income	1,442	499	–	100	2	(26)	40	(2,057)	–
Impairment loss of investment assets	96	(51)	(1,819)	(38)	(39)	(662)	–	(188)	(2,701)
Share of profits and losses of associates and jointly controlled entities	3,887	557	–	183	–	1,814	3,115	(2,411)	7,145
Other revenues and other gains	22,803	1,150	385	136	2,197	18,773	20,980	(22,611)	43,813
Including: Inter-segment other revenues	13,214	27	7	1	–	1,760	7,420	(22,429)	–
Non-operating gains	179	104	38	6	4	8	13	2	354
Total revenue	521,663	207,262	182,965	6,664	9,737	30,992	42,647	(27,360)	974,570
Claims and policyholders' benefits	(320,957)	(106,474)	–	–	–	–	–	188	(427,243)
Commission expenses on insurance operations	(77,754)	(38,973)	–	–	–	–	–	2,140	(114,587)
Interest expenses on banking operations	–	–	(74,059)	–	–	–	–	1,558	(72,501)
Fees and commission expenses on non-insurance operations	–	–	(5,051)	(276)	(811)	(563)	–	102	(6,599)
Loan loss provisions, net of reversals	–	–	(40,803)	–	–	–	–	(11)	(40,814)
Foreign exchange (losses)/gains	477	(59)	166	–	–	(241)	(152)	(319)	(128)
Investment expenses	(2,265)	(268)	–	–	–	–	–	2,533	–
Administrative expenses	(47,569)	(41,886)	(32,941)	(1,319)	(3,632)	(9,025)	(13,138)	4,384	(145,126)
Including: Taxes and surcharges	(742)	(1,349)	(1,022)	(70)	(27)	(246)	(226)	(53)	(3,735)
Impairment loss of other assets	(61)	(743)	(303)	(14)	(19)	(562)	(3)	(31)	(1,736)
Interest expenses on non-banking operations	(2,282)	(351)	–	(91)	(580)	(6,096)	(453)	(1,314)	(11,167)
Including: Financial costs	(2,282)	(351)	–	(91)	(580)	(6,096)	(453)	(1,314)	(11,167)
Other expenses	(20,642)	(352)	(120)	(3)	(2,135)	(5,676)	(8,654)	15,917	(21,665)
Total expenses	(470,992)	(188,363)	(152,808)	(1,689)	(7,158)	(21,601)	(22,397)	25,178	(839,830)
Profit before tax	50,671	18,899	30,157	4,975	2,579	9,391	20,250	(2,182)	134,740
Income tax	(14,528)	(5,527)	(6,968)	(1,018)	(456)	(1,888)	(3,912)	(465)	(34,762)
Profit for the year	36,143	13,372	23,189	3,957	2,123	7,503	16,338	(2,647)	99,978
– Attribute to owners of the parent	35,658	13,307	13,449	3,953	2,043	7,108	16,270	(2,700)	89,088

5. SEGMENT REPORTING (CONTINUED)

The segment analysis as at 31 December 2017 and for the year then ended is as follows (continued):

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Fintech & Healthtech	Other businesses and elimination	Total
Cash and amounts due from banks and other financial institutions	175,729	37,844	193,448	8,594	30,568	32,681	25,159	(20,132)	483,891
Balances with the Central Bank and statutory deposits for insurance operations	8,043	4,205	305,986	–	–	–	–	2	318,236
Accounts receivable	1,309	–	52,886	–	–	14,470	4,260	(864)	72,061
Finance lease receivable	–	–	–	–	–	112,028	–	–	112,028
Loans and advances to customers	3,593	–	1,660,420	–	–	–	–	(3,149)	1,660,864
Fixed maturity investments	1,261,019	133,425	800,539	–	33,459	123,395	19,349	5,452	2,376,638
Equity investments	513,706	62,990	6,462	11,814	5,510	53,174	15,448	(38,428)	630,676
Investments in associates and jointly controlled entities	48,344	8,280	–	1,326	59	12,482	27,597	(11,881)	86,207
Others	285,788	89,329	228,734	4,086	28,076	77,249	27,625	11,587	752,474
Segment assets	2,297,531	336,073	3,248,475	25,820	97,672	425,479	119,438	(57,413)	6,493,075
Due to banks and other financial institutions	27,724	4,357	589,580	–	241	135,884	2,189	20,555	780,530
Assets sold under agreements to repurchase	82,370	11,714	6,359	–	23,176	10,027	–	335	133,981
Accounts payable	2,949	–	–	–	–	5,107	1,353	(887)	8,522
Insurance payables	90,083	25,201	–	–	–	–	–	(1,176)	114,108
Customer deposits and payables to brokerage customers	–	–	2,000,420	–	22,307	–	–	(70,032)	1,952,695
Bonds payable	31,174	8,543	342,492	–	9,500	59,574	–	–	451,283
Insurance contract liabilities	1,744,070	188,405	–	–	–	–	–	494	1,932,969
Investment contract liabilities for policyholders	50,268	41	–	–	–	–	–	–	50,309
Policyholder dividend payable	45,622	–	–	–	–	–	–	–	45,622
Others	56,879	27,668	87,570	6,288	15,256	175,914	58,629	6,935	435,139
Segment liabilities	2,131,139	265,929	3,026,421	6,288	70,480	386,506	62,171	(43,776)	5,905,158
Segment equity	166,392	70,144	222,054	19,532	27,192	38,973	57,267	(13,637)	587,917
– Attribute to owners of the parent	160,450	69,804	128,791	19,509	25,842	31,658	50,679	(13,382)	473,351
Other segment information:									
Capital expenditures	4,858	1,788	3,056	–	299	7,518	1,677	228	19,424
Depreciation and amortization	3,365	580	2,691	7	164	375	957	468	8,607
Total other non-cash expenses charged to consolidated results	(35)	794	42,925	47	58	411	856	195	45,251

6. GROSS AND NET WRITTEN PREMIUMS

(in RMB million)	2018	2017
Gross written premiums and premium deposits	**818,379**	692,288
Less: Premium deposits of policies without significant insurance risk transfer	**(5,654)**	(5,886)
Premium deposits separated out from universal life and investment-linked products	**(93,169)**	(81,367)
Gross written premiums	**719,556**	605,035

(in RMB million)	2018	2017
Long term life business gross written premiums	**440,422**	364,490
Short term life business gross written premiums	**31,278**	24,152
Property and casualty business gross written premiums	**247,856**	216,393
Gross written premiums	**719,556**	605,035

(in RMB million)	2018	2017
Gross written premiums		
Life insurance		
Individual business	**454,351**	373,139
Group business	**17,349**	15,503
	471,700	388,642
Property and casualty insurance		
Automobile insurance	**181,923**	170,664
Non-automobile insurance	**56,462**	39,177
Accident and health insurance	**9,471**	6,552
	247,856	216,393
Gross written premiums	**719,556**	605,035

(in RMB million)	2018	2017
Net of reinsurance premiums ceded		
Life insurance		
Individual business	**450,219**	370,327
Group business	**17,059**	15,287
	467,278	385,614
Property and casualty insurance		
Automobile insurance	**174,988**	163,099
Non-automobile insurance	**48,495**	32,410
Accident and health insurance	**9,378**	6,492
	232,861	202,001
Net written premiums	**700,139**	587,615

7. NET INTEREST INCOME FROM BANKING OPERATIONS

(in RMB million)	2018	2017
Interest revenue from banking operations		
Due from the Central Bank	**4,002**	4,232
Due from financial institutions	**10,932**	10,726
Loans and advances to customers		
Corporate loans and advances to customers	**37,188**	40,812
Individual loans and advances to customers	**78,926**	53,278
Discounted bills	**237**	201
Financial investments	**28,355**	34,081
Others	**2,074**	4,056
Subtotal	**161,714**	147,386
Interest expenses on banking operations		
Due to the Central Bank	**4,293**	2,671
Due to financial institutions	**18,398**	18,523
Customer deposits	**48,718**	36,949
Bonds payable	**15,522**	14,358
Subtotal	**86,931**	72,501
Net interest income from banking operations	**74,783**	74,885

8. INTEREST REVENUE FROM NON-BANKING OPERATIONS

(in RMB million)	2018	2017
Financial assets at amortized cost	**80,418**	–
Debt financial assets at fair value through other comprehensive income	**8,128**	–
Held-to-maturity investments	**–**	37,220
Loans and receivables	**–**	41,087
Available-for-sale financial assets	**–**	10,069
	88,546	88,376

9. NET FEES AND COMMISSION INCOME FROM NON-INSURANCE OPERATIONS

(in RMB million)	2018	2017
Fees and commission revenue from non-insurance operations		
Brokerage commission	**2,320**	2,363
Underwriting commission	**724**	794
Trust service fees	**3,125**	5,723
Fees and commission from the banking business	**37,764**	34,184
Others	**2,344**	1,343
Subtotal	**46,277**	44,407
Fees and commission expenses on non-insurance operations		
Brokerage commission	**709**	690
Fees and commission on the banking business	**8,049**	5,034
Others	**328**	875
Subtotal	**9,086**	6,599
Net fees and commission income from non-insurance operations	**37,191**	37,808

10. INVESTMENT INCOME

(in RMB million)	2018	2017
Net investment income	**52,643**	38,971
Realized gains from disposal	**7,615**	24,184
Unrealized gains	**(28,284)**	3,271
Impairment losses	**–**	(2,701)
Total investment income	**31,974**	63,725

(1) NET INVESTMENT INCOME

(in RMB million)	2018	2017
Dividend income		
Equity financial assets at fair value through profit or loss	**22,076**	2,659
Equity financial assets at fair value through other comprehensive income	**10,291**	–
Available-for-sale financial assets	**–**	35,649
Other net investment income		
Debt financial assets at fair value through profit or loss	**16,533**	1,362
Operating lease income from investment properties	**3,743**	2,757
Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions	**–**	(3,456)
	52,643	38,971

(2) REALIZED GAINS FROM DISPOSAL

(in RMB million)	2018	2017
Financial assets at fair value through profit or loss	**3,069**	2,569
Debt financial assets at fair value through other comprehensive income	**(199)**	–
Financial assets at amortized cost	**121**	–
Loans and receivables	**–**	(358)
Available-for-sale financial assets	**–**	3,452
Derivative financial instruments	**958**	640
Gain on disposals of loans and advances	**769**	525
Income from precious metal transactions	**573**	620
Investment in subsidiaries, associates and jointly controlled entities	**2,324**	16,736
	7,615	24,184

10. INVESTMENT INCOME (CONTINUED)

(3) UNREALIZED (LOSSES)/GAINS

(in RMB million)	2018	2017
Financial assets at fair value through profit or loss		
– Bonds	**1,677**	(191)
– Funds	**(12,150)**	(120)
– Stocks	**(28,688)**	1,000
– Wealth management investments and other investments	**11,213**	–
Financial assets designated at fair value through profit or loss	**–**	2,462
Derivative financial instruments	**(199)**	120
Financial liabilities at fair value through profit or loss	**(137)**	–
	(28,284)	3,271

(4) IMPAIRMENT LOSSES

(in RMB million)	2017
Fixed maturity investments	
– Available-for-sale	–
– Held-to-maturity	656
– Loan and receivables	(2,145)
Equity investments	
– Available-for-sale	(1,212)
Total	(2,701)

11. OTHER REVENUES AND OTHER GAINS

(in RMB million)	2018	2017
Sales revenue	**18,268**	13,756
Management fee from investment-linked products and from investment contracts	**3,588**	2,557
Expressway toll fee	**1,195**	1,161
Annuity management fee	**679**	595
Consulting income	**4,151**	7,829
Finance lease income	**12,749**	5,753
Income from guarantees	**416**	1,256
Income from customer loyalty service	**121**	2,694
Others	**8,725**	8,212
	49,892	43,813

12. CLAIMS AND POLICYHOLDERS' BENEFITS

(1)

(in RMB million)	2018 Gross	2018 Reinsurers' share	2018 Net
Claims and claim adjustment expenses	**164,351**	**(9,743)**	**154,608**
Surrenders	**21,539**	**-**	**21,539**
Annuities	**22,725**	**-**	**22,725**
Maturities and survival benefits	**22,186**	**-**	**22,186**
Policyholder dividends	**16,445**	**-**	**16,445**
Increase in policyholders' reserves	**185,051**	**(365)**	**184,686**
Interest credited to policyholder contract deposits	**17,407**	**-**	**17,407**
	449,704	**(10,108)**	**439,596**

(in RMB million)	2017 Gross	2017 Reinsurers' share	2017 Net
Claims and claim adjustment expenses	146,840	(9,824)	137,016
Surrenders	20,519	–	20,519
Annuities	7,371	–	7,371
Maturities and survival benefits	27,709	–	27,709
Policyholder dividends	13,129	–	13,129
Increase in policyholders' reserves	197,217	409	197,626
Interest credited to policyholder contract deposits	23,873	–	23,873
	436,658	(9,415)	427,243

(2)

(in RMB million)	2018 Gross	2018 Reinsurers' share	2018 Net
Long term life insurance contract benefits	**309,571**	**(2,064)**	**307,507**
Short term life insurance claims	**16,633**	**(979)**	**15,654**
Property and casualty insurance claims	**123,500**	**(7,065)**	**116,435**
	449,704	**(10,108)**	**439,596**

(in RMB million)	2017 Gross	2017 Reinsurers' share	2017 Net
Long term life insurance contract benefits	309,297	(1,094)	308,203
Short term life insurance claims	13,279	(525)	12,754
Property and casualty insurance claims	114,082	(7,796)	106,286
	436,658	(9,415)	427,243

13. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

(in RMB million)	2018
Accounts receivables	**145**
Loans and advances to customers	**43,657**
Debt financial assets at fair value through other comprehensive income	**676**
Financial assets at amortized cost	**5,244**
Finance lease receivables	**1,047**
Loan commitments	**218**
Placements with banks and other financial institutions	**(94)**
Others	**1,212**
	52,105

14. PROFIT BEFORE TAX

(1) PROFIT BEFORE TAX IS ARRIVED AT AFTER CHARGING THE FOLLOWING ITEMS:

(in RMB million)	2018	2017
Employee costs (Note 14. (2))	**65,904**	64,071
Interest expenses on policyholder contract deposits and investment contract reserves	**17,407**	23,873
Depreciation of investment properties	**1,231**	1,233
Depreciation of property and equipment	**5,053**	4,385
Amortization of intangible assets	**2,898**	2,394
Net impairment losses on financial investments	**52,105**	–
Impairment loss on other assets	**1,709**	–
Provision for doubtful debts, net	**–**	581
Loan loss provisions, net of reversals	**–**	40,814
Cost of sales	**6,310**	4,325
Auditors' remuneration – annual audit, half-year review and quarterly agreed-upon procedures	**85**	80

(2) EMPLOYEE COSTS

(in RMB million)	2018	2017
Wages, salaries and bonuses	**49,902**	48,271
Retirement benefits, social security contributions and welfare benefits	**14,148**	14,006
Others	**1,854**	1,794
	65,904	64,071

15. INCOME TAX

(in RMB million)	2018	2017
Current income tax		
– Charge for the year	**51,135**	43,857
– Adjustments in respect of current income tax of previous years	**(336)**	(199)
Deferred income tax	**(8,100)**	(8,896)
	42,699	34,762

Certain subsidiaries enjoy tax preferential treatments. These subsidiaries are not material to the Group. Except for those subsidiaries enjoying tax preferential treatments, the applicable corporate income tax rate of the Group for 2018 was 25%.

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate of 25% (2017: 25%) is as follows:

(in RMB million)	2018	2017
Profit before tax	**163,151**	134,740
Tax at the applicable tax rate of 25% (2017： 25%)	**40,788**	33,685
Expenses not deductible for tax	**15,774**	14,850
Income not subject to tax	**(13,527)**	(13,574)
Adjustments in respect of current income tax of previous years	**(336)**	(199)
Income tax per consolidated statement of income	**42,699**	34,762

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.

16. DIVIDENDS

(in RMB million)	2018	2017
2017 final dividend declared in 2018- RMB1.00 (2016 final dividend declared in 2017: RMB0.55) per ordinary share (i)	**18,280**	10,054
30th Anniversary Special Dividend declared in 2018- RMB0.20 (ii)	**3,656**	–
2018 interim dividend – RMB0.62 (2017: RMB0.50) per ordinary share (iii)	**11,334**	9,140

(i) On 20 March 2018, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2017, agreeing to declare a cash dividend in the amount of RMB1.00 (tax inclusive) per share based on the total shares of 18,280,241,410 for 2017. The total amount of the cash dividend for 2017 was RMB18,280 million.

(ii) On 26 April 2018, the Board of Directors of the Company approved the Resolution of 30th Anniversary Special Dividend, agreeing to declare a cash dividend in the amount of RMB0.20 (tax inclusive) per share based on the total shares of 18,280,241,410. The total amount of the 30th Anniversary Special Dividend was RMB3,656 million.

On 23 May 2018, the above profit appropriation plans in (i) and (ii) were approved by the shareholders of the Company at the annual general meeting.

(iii) On 21 August 2018, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for Interim Dividend of 2018, and declared an interim cash dividend of RMB0.62 (tax inclusive) per share for 2018. The amount of the interim cash dividend for 2018 would be RMB11,334 million.

(iv) On 12 March 2019, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2018, agreeing to declare a final cash dividend of RMB1.10(tax inclusive) per share for 2018. It was not recognized as a liability as at 31 December 2018.

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.

	2018	2017
Profit attributable to owners of the parent (in RMB million)	**107,404**	89,088
Weighted average number of ordinary shares in issue (million shares)	**17,834**	17,837
Basic earnings per share (in RMB)	**6.02**	4.99

	2018	2017
Weighted average number of ordinary shares in issue (million shares)		
Issued ordinary shares as at 1 January	**18,280**	18,280
Weighted average number of shares held by the share purchase scheme	**(29)**	(26)
Weighted average number of shares held by the consolidated assets management scheme (i)	**(417)**	(417)
Weighted average number of ordinary shares in issue	**17,834**	17,837

(i) As at 31 December 2018, 417 million (31 December 2017: 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 41) have potential dilutive effect on the earnings per share.

	2018	2017
Earnings (in RMB million)		
Profit attributable to owners of the parent	**107,404**	89,088
Weighted average number of ordinary shares (million shares)		
Weighted average number of ordinary shares in issue	**17,834**	17,837
Adjustments for:		
– Assumed vesting of share purchase scheme	**29**	26
Weighted average number of ordinary shares for diluted earnings per share	**17,863**	17,863
Diluted earnings per share (in RMB)	**6.01**	4.99

18. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2018	31 December 2017
Cash on hand	**5,019**	4,228
Term deposits	**178,833**	161,850
Due from banks and other financial institutions	**199,238**	257,398
Placements with banks and other financial institutions	**74,434**	60,415
	457,524	483,891

Details of placements with banks and other financial institutions are as follows:

(in RMB million)	31 December 2018	31 December 2017
Measured at amortized most:		
Placements with banks	**68,611**	54,512
Placements with other financial institutions	**2,239**	5,924
Gross	**70,850**	60,436
Less: Provision for impairment losses	**(172)**	(21)
Net	**70,678**	60,415
Measured at fair value through other comprehensive income:		
Placements with other financial institutions	**3,756**	–
Total	**74,434**	60,415

As at 31 December 2018, the provision for impairment losses of placements with banks and other financial institutions measured at fair value through other comprehensive income is RMB16 million.

As at 31 December 2018, cash and amounts due from banks and other financial institutions of RMB5,446 million (31 December 2017: RMB4,506 million) were restricted from use.

As at 31 December 2018, cash and amounts due from overseas banks and other financial institutions amounted to RMB16,187 million (31 December 2017: RMB20,306 million).

19. BALANCES WITH THE CENTRAL BANK

(in RMB million)	31 December 2018	31 December 2017
Statutory reserve deposits with the Central Bank for banking operations	**229,525**	271,259
– Statutory reserve deposits with the Central Bank for banking operations-RMB	**223,067**	266,802
– Statutory reserve deposits with the Central Bank for banking operations-Foreign Currencies	**6,458**	4,457
Surplus reserve deposits with the Central Bank	**41,917**	32,898
Fiscal deposits with the Central Bank	**2,071**	1,829
	273,513	305,986

In accordance with relevant regulations, subsidiaries of the Group engaged in bank operations are required to place mandatory reserve deposits with the People's Bank of China (the 'PBC') for customer deposits in both local currency and foreign currencies. As at 31 December 2018, the mandatory deposits are calculated at 12% (31 December 2017: 15%) of customer deposits denominated in RMB and 5% (31 December 2017: 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.

20. FINANCIAL ASSETS HELD UNDER RESOLD AGREEMENTS

(in RMB million)	31 December 2018	31 December 2017
Bonds	**84,574**	92,428
Bills	**959**	–
Gross	**85,533**	92,428
Less: Provision for impairment losses	**(196)**	(14)
Net	**85,337**	92,414
Stocks and others	**7,614**	6,882
Total	**92,951**	99,296

21. PREMIUM RECEIVABLES

(in RMB million)	31 December 2018	31 December 2017
Premium receivables	**69,793**	47,597
Less: Provision for doubtful receivables	**(2,643)**	(1,903)
Premium receivables, net	**67,150**	45,694
Life insurance	**16,415**	11,458
Property and casualty insurance	**50,735**	34,236
Premium receivables, net	**67,150**	45,694

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 2018	31 December 2017
Within 3 months	**65,159**	44,711
Over 3 months but within 1 year	**2,300**	1,350
Over 1 year	**2,334**	1,536
	69,793	47,597

22. DERIVATIVE FINANCIAL INSTRUMENTS

(in RMB million)	31 December 2018			
	Assets		Liabilities	
	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	**1,564,617**	**12,013**	**2,729,192**	**12,147**
Currency forwards and swaps	**459,542**	**7,622**	**438,417**	**6,898**
Gold derivative instruments	**28,051**	**2,273**	**56,020**	**2,670**
Stock index options	**–**	**–**	**5,398**	**16**
Others	**3**	**3**	**676**	**516**
	2,052,213	**21,911**	**3,229,703**	**22,247**

(in RMB million)	31 December 2017			
	Assets		Liabilities	
	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	1,035,712	225	1,351,287	100
Currency forwards and swaps	473,565	14,107	535,465	15,848
Gold derivative instruments	61,788	1,852	50,663	1,972
Stock index options	19,373	6	4	1
Others	2	2	176	29
	1,590,440	16,192	1,937,595	17,950

23. REINSURERS' SHARE OF INSURANCE LIABILITIES

(in RMB million)	31 December 2018	31 December 2017
Reinsurers' share of unearned premium reserves	**6,325**	5,929
Reinsurers' share of claim reserves	**9,112**	8,835
Reinsurers' share of policyholders' reserves	**1,234**	869
	16,671	15,633

24. FINANCE LEASE RECEIVABLE

(in RMB million)	31 December 2018	31 December 2017
Finance lease receivable, net of unearned finance income	**167,783**	113,710
Less: Provision for impairment losses	**(2,569)**	(1,682)
	165,214	112,028

The Group's long-term receivables are financial leases receivable to offset the net unrealized financial gains.

25. LOANS AND ADVANCES TO CUSTOMERS

(1) ANALYSED BY CORPORATE AND INDIVIDUAL

(in RMB million)	31 December 2018	31 December 2017
Measured at amortized cost:		
Corporate customers		
Loans	**761,938**	835,864
Discounted bills	**-**	14,756
Individual customers		
New generation loan	**153,745**	129,844
Credit cards	**473,295**	303,628
Property mortgages	**182,363**	152,865
Vehicle loans	**172,029**	140,929
Others	**172,581**	127,300
Gross	**1,915,951**	1,705,186
Add：Interest receivable	**6,237**	–
Less: Provision for impairment losses	**(54,033)**	(44,322)
Net	**1,868,155**	1,660,864
Measured at fair value through other comprehensive income:		
Corporate customers		
Loans	**19,985**	–
Discounted bills	**41,702**	–
Subtotal	**61,687**	–
Carrying amount	**1,929,842**	1,660,864

As at 31 December 2018, the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income is RMB154 million (refer to Note 25.(6)).

As at 31 December 2018, discounted bills with a carrying amount of RMB4,178 million (31 December 2017: RMB3,467 million) were pledged for amounts due to the Central Bank.

25. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) ANALYSED BY INDUSTRY

(in RMB million)	31 December 2018	31 December 2017
Corporate customers		
Agriculture, husbandry and fishery	**5,837**	9,291
Extraction (heavy industry)	**41,140**	58,048
Manufacturing (light industry)	**119,845**	141,976
Energy	**21,745**	25,854
Transportation and communication	**39,131**	53,274
Commercial	**101,039**	91,746
Real estate	**176,016**	163,765
Social service, technology, culture and sanitary industries	**142,266**	135,938
Construction	**45,403**	48,107
Others	**89,501**	107,865
Subtotal of loans	**781,923**	835,864
Discounted bills	**41,702**	14,756
Subtotal of corporate customers	**823,625**	850,620
Individual customers	**1,154,013**	854,566
Gross	**1,977,638**	1,705,186
Add： Interest receivable	**6,237**	–
Less: Provision for impairment losses	**(54,033)**	(44,322)
Carrying amount	**1,929,842**	1,660,864

(3) ANALYSED BY TYPE OF COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS

(in RMB million)	31 December 2018	31 December 2017
Unsecured	**775,467**	592,717
Guaranteed	**200,873**	227,376
Secured by collateral		
Secured by mortgages	**671,915**	599,210
Secured by monetary assets	**287,681**	271,127
Subtotal	**1,935,936**	1,690,430
Discounted bills	**41,702**	14,756
Gross	**1,977,638**	1,705,186
Add： Interest receivable	**6,237**	–
Less: Provision for impairment losses	**(54,033)**	(44,322)
Carrying amount	**1,929,842**	1,660,864

25. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) AGING ANALYSIS OF PAST DUE LOANS BY PASS DUE DAYS

	31 December 2018				
(in RMB million)	**Within 3 months**	**3 months to 1 year**	**1 to 3 years**	**More than 3 years**	**Total**
Unsecured	**9,817**	**7,140**	**1,275**	**1,119**	**19,351**
Guaranteed	**1,490**	**4,610**	**2,924**	**266**	**9,290**
Secured by collateral					
Secured by mortgages	**4,060**	**7,123**	**3,703**	**160**	**15,046**
Secured by monetary assets	**2,605**	**4,441**	**1,071**	**139**	**8,256**
	17,972	**23,314**	**8,973**	**1,684**	**51,943**

	31 December 2017				
(in RMB million)	Within 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured	7,981	6,289	2,142	104	16,516
Guaranteed	5,585	6,641	2,814	49	15,089
Secured by collateral					
Secured by mortgages	3,703	10,237	4,974	146	19,060
Secured by monetary assets	2,394	5,537	2,778	134	10,843
	19,663	28,704	12,708	433	61,508

Past due loans refer to the loans with either principal or interest being past due by one day or more.

(5) ANALYSED BY REGION

	31 December 2018		31 December 2017	
(in RMB million)	**Amount**	**%**	Amount	%
Eastern China	**588,065**	**29.74%**	540,755	31.71%
Southern China	**840,288**	**42.49%**	637,393	37.38%
Western China	**184,593**	**9.33%**	190,016	11.14%
Northern China	**298,178**	**15.08%**	285,757	16.76%
Offshore business	**66,514**	**3.36%**	51,265	3.01%
Gross	**1,977,638**	**100.00%**	1,705,186	100.00%
Add：Interest receivable	**6,237**		–	
Less: Loan allowance	**(54,033)**		(44,322)	
Carrying amount	**1,929,842**		1,660,864	

25. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(6) LOAN LOSS PROVISION

(in RMB million)	2018	2017 Individually assessed	2017 Collectively assessed	2017 Total
Measured at amortized cost:				
As at 31 December 2017/31 December 2016	**44,322**	8,445	31,780	40,225
Change in accounting policy (Note 2)	**3,387**	–	–	–
As at 1 January 2018/1 January 2017	**47,709**	8,445	31,780	40,225
Charge for the year	**43,557**	30,379	10,435	40,814
Write-off and transfer during the year	**(46,409)**	(27,820)	(11,582)	(39,402)
Recovery of loans written off previously	**9,356**	1,637	1,859	3,496
Unwinding of discount of impairment allowances recognized as interest income	**(675)**	(659)	–	(659)
Others	**495**	(96)	(56)	(152)
As at 31 December	**54,033**	11,886	32,436	44,322
Measured at fair value through other comprehensive income				
As at 31 December 2017/31 December 2016	**–**	–	–	–
Change in accounting policy (Note 2)	**54**	–	–	–
As at 1 January 2018/1 January 2017	**54**	–	–	–
Charge for the year	**100**	–	–	–
As at 31 December	**154**	–	–	–
As at 31 December 2018/31 December 2017	**54,187**	11,886	32,436	44,322

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26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(in RMB million)	31 December 2018
Bonds	
Government bonds	**40,833**
Finance bonds	**82,333**
Corporate bonds	**46,201**
Funds	**200,753**
Stocks	**89,640**
Preferred shares	**1,177**
Unlisted equity investments	**57,544**
Debt schemes	**15,432**
Wealth management investments	**230,846**
Other investments	**60,180**
	824,939
Listed	**146,082**
Unlisted	**678,857**
Total	**824,939**

As at 31 December 2017, the Group held the investments of RMB21,786 million financial assets designated at fair value through profit or loss. With the implementation of IFRS 9, following the tests on business model and contractual cash flows characteristics, these financial assets became mandatorily measured at fair value through profit or loss, therefore they were de-designated as measured at fair value through profit or loss.

At 31 December 2018, the Group did not hold any financial assets designated at fair value through profit or loss.

27. FINANCIAL ASSETS AT AMORTIZED COST

(in RMB million)	31 December 2018
Bonds	
Government bonds	**894,996**
Finance bonds	**497,233**
Corporate bonds	**133,650**
Debt schemes	**301,971**
Wealth management investments	**155,759**
Other investments	**104,847**
Gross	**2,088,456**
Less: provision for impairment losses	**(13,305)**
Net	**2,075,151**
Listed	**130,878**
Unlisted	**1,944,273**
	2,075,151

28. DEBT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(in RMB million)	31 December 2018
Bonds	
Government bonds	123,491
Finance bonds	69,598
Corporate bonds	66,225
Margin accounts receivables	16,751
Wealth management investments	34,836
	310,901
Listed	49,815
Unlisted	261,086
	310,901

As at 31 December 2018, the total provision for impairment losses recognized in debt financial assets at fair value through other comprehensive income is RMB1,180 million.

29. EQUITY FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity financial assets at fair value through other comprehensive income comprise the following individual investments:

(in RMB million)	31 December 2018
Stocks	154,235
Preferred shares	66,682
Unlisted equity investments	1,722
	222,639
Listed	220,917
Unlisted	1,722
	222,639

For the equity investments which are not held for trading but for long term investments, the Group has irrevocably elected them at initial recognition to recognize in this category.

Due to the increase of shareholding of a stock investment in the reporting period, the Group became to have significant influence over the investee, so the stock investment in the investee was changed from an equity investment designated as FVOCI to an investment in associates and accounted for using the equity method. The carrying amount upon transfer was RMB13,973 million. The dividend income recognized for the year was RMB673 million, and the accumulated other comprehensive income of RMB1,715 million has been transferred to retain profits. There is no other material disposal of equity financial assets at fair value through other comprehensive income in the current year.

29. EQUITY FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

The dividends income of equity financial assets at fair value through other comprehensive income recognized during the year are as follows:

(in RMB million)	2018
Stocks	**7,174**
Preferred shares	**3,115**
Unlisted equity investments	**2**

30. FIXED MATURITY INVESTMENTS

(in RMB million)	31 December 2017
Bonds (1)	1,628,508
Asset management schemes	239,351
Debt schemes and trust schemes	465,191
Wealth management products	43,588
	2,376,638

(1) BONDS

(in RMB million)	31 December 2017
Held-to-maturity	1,243,768
Available-for-sale, at fair value	221,871
Carried at fair value through profit or loss	63,801
Loans and receivables	99,068
	1,628,508

(in RMB million)	31 December 2017
Government bonds	638,859
Finance bonds	604,805
Corporate bonds	384,844
	1,628,508
Listed	471,018
Unlisted	1,157,490
	1,628,508

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 Co., Ltd. ("Ping An Bank") reclassified bonds with a fair value of RMB91,675 million from available-for-sale financial investments to held-to-maturity financial assets reflecting its positive intention and ability to hold them until maturity. As at 31 December 2017, the carrying amount of these bonds was RMB44,060 million while the corresponding fair value was RMB43,226 million. These financial investments are reclassified to the financial assets at amortized cost under IFRS 9.

31. EQUITY INVESTMENTS

(in RMB million)	31 December 2017
Security investment funds	90,426
Equity securities	276,916
Other equity investments	263,334
	630,676

(1) SECURITY INVESTMENT FUNDS

(in RMB million)	31 December 2017
Available-for-sale, at fair value	56,935
Held for trading	33,491
	90,426
Listed	10,806
Unlisted	79,620
	90,426

(2) EQUITY SECURITIES

(in RMB million)	31 December 2017
Available-for-sale, at fair value	259,938
Held for trading	16,978
	276,916
Listed	276,576
Unlisted	340
	276,916

(3) OTHER EQUITY INVESTMENTS

(in RMB million)	31 December 2017
Available-for-sale, at fair value	236,228
Available-for-sale, at cost	126
Carried at fair value through profit or loss	
Held for trading	9,475
Designated at fair value through profit or loss	17,505
	263,334
Listed	77,059
Unlisted	186,275
	263,334

Note: Unlisted equity securities include those not traded on stock exchanges, which are mainly open-ended funds with public market price quotation.

32. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The Group's investments in the principal associates and jointly controlled entities as at 31 December 2018 are as follows:

	2018							
(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 (%)(i)
Associates								
Veolia Water (Kunming) Investment Co., Ltd. ('Veolia Kunming')	261	-	30	291	(36)	-	-	23.88%
Veolia Water (Yellow River) Investment Co., Ltd. ('Veolia Yellow River')	213	-	(4)	209	(395)	-	-	48.76%
Veolia Water (Liuzhou) Investment Co., Ltd. ('Veolia Liuzhou')	112	-	12	124	(23)	-	-	44.78%
Shanxi Taichang Expressway Co., Ltd. ('Shanxi Taichang')	759	-	62	821	-	-	-	29.85%
Beijing-Shanghai High-Speed Railway Equity Investment Scheme ('Beijing-Shanghai Railway')	6,300	-	-	6,300	-	-	305	39.19%
Lufax Holding Ltd.('Lufax')	11,996	-	8,880	20,876	-	-	-	41.14%
Foshan Huatai Property Development Co., Ltd.	1,046	-	(1,046)	-	-	-	414	-
Massive Idea Investments Limited	840	-	54	894	-	-	-	36.65%
Guangzhou Jinglun Property Development Co., Ltd.	510	-	(11)	499	-	-	-	39.92%
Shenzhen Jinzheng Science & Technology Co., Ltd.	1,664	-	(753)	911	(766)	(766)	-	6.00%
Xuhui Holdings Co., Ltd.	2,889	-	421	3,310	-	-	156	9.56%
Ping An Healthcare and Technology Co., Ltd. ('Ping An Good Doctor')	15,710	-	2,160	17,870	-	-	-	39.27%
Ping An Medical and Healthcare Management Co., Ltd.	181	-	4,418	4,599	-	-	-	38.54%
OneConnect Financial Technology Co., Ltd. ('OneConnect')	689	-	2,418	3,107	-	-	-	39.87%
Shenzhen China Merchants-Ping An Asset Management Co., Ltd.	1,190	-	(17)	1,173	-	-	-	38.81%
Jiangsu Dezhan Investment Co., Ltd.	2,001	-	114	2,115	-	-	-	23.65%
Zhongan Online Property & Casualty Co., Ltd.	1,755	-	(170)	1,585	-	-	-	10.21%
Beijing Beiqi Penglong Automobile Service Co., Ltd.	1,415	-	114	1,529	-	-	102	39.18%
China Yangtze Power Co., Ltd.	-	13,973	258	14,231	-	-	673	4.47%
China Traditional Chinese Medicine Holdings Co., Ltd.	-	2,175	80	2,255	-	-	57	11.94%
China Fortune Land Development Co., Ltd.	-	13,868	609	14,477	-	-	-	19.73%
Others	14,293	9,472	2,468	26,233	(98)	-	882	
Subtotal	63,824	39,488	20,097	123,409	(1,318)	(766)	2,589	
Jointly controlled entities								
Yunnan KunYu Highway Development Co., Ltd. ('Kunyu Highway')	1,147	-	(403)	744	-	-	509	49.94%
Nanjing Mingwan Property Development Co., Ltd.	2,174	-	(49)	2,125	-	-	-	48.85%
Beijing ZhaoTai Property Development Co., Ltd.	1,299	-	(4)	1,295	-	-	-	24.92%
Wuhan DAJT Property Development Co., Ltd.	837	-	(266)	571	-	-	351	49.79%
Xi'an Languang Meidu Enterprise Management Service Ltd.	992	-	1	993	-	-	-	48.90%
Others	15,934	5,069	4,755	25,758	(6)	(6)	874	
Subtotal	22,383	5,069	4,034	31,486	(6)	(6)	1,734	
Investments in associates and jointly controlled entities	86,207	44,557	24,131	154,895	(1,324)	(772)	4,323	

32. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

The Group's investments in the principal associates and jointly controlled entities as at 31 December 2017 are as follows:

(in RMB million)	2017 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 (%)(i)
Associates								
Veolia Kunming	266	-	(5)	261	-	-	-	23.88%
Veolia Yellow River	240	-	(27)	213	(348)	-	-	48.76%
Veolia Liuzhou	120	-	(8)	112	-	-	-	44.78%
Shanxi Taichang	746	-	13	759	-	-	83	29.85%
Beijing-Shanghai Railway	6,300	-	-	6,300	-	-	198	39.18%
Lufax	9,182	-	2,814	11,996	-	-	-	43.76%
Foshan Huatai Property Development Co., Ltd.	908	-	138	1,046	-	-	-	29.34%
Massive Idea Investments Limited	793	-	47	840	-	-	-	36.65%
Guangzhou Jinglun Property Development Co., Ltd.	523	-	(13)	510	-	-	-	39.92%
Shenzhen Jinzheng Science & Technology Co., Ltd.	1,648	-	16	1,664	-	-	-	6.00%
Xuhui Holdings Co., Ltd.	-	2,889	-	2,889	-	-	-	9.56%
Ping An Good Doctor	-	-	15,710	15,710	-	-	-	46.20%
Ping An Medical and Healthcare Management Co., Ltd.	-	-	181	181	-	-	-	44.33%
OneConnect	-	-	689	689	-	-	-	44.30%
Shenzhen China Merchants-Ping An Asset Management Co., Ltd.	-	1,170	20	1,190	-	-	-	38.81%
Jiangsu Dezhan Investment Co., Ltd.	-	1,974	27	2,001	-	-	-	23.65%
Zhongan Online Property & Casualty Co., Ltd.	848	-	907	1,755	-	-	-	10.21%
Beijing Beiqi Penglong Automobile Service Co., Ltd.	723	937	(245)	1,415	-	-	134	39.18%
Others	8,516	3,750	2,027	14,293	(98)	-	138	
Subtotal	30,813	10,720	22,291	63,824	(446)	-	553	
Jointly controlled entities								
Kunyu Highway	1,243	-	(96)	1,147	-	-	285	49.94%
Nanjing Mingwan Property Development Co., Ltd.	1,689	-	485	2,174	-	-	-	48.90%
Beijing ZhaoTai Property Development Co., Ltd.	1,243	-	56	1,299	-	-	-	24.95%
Wuhan DAJT Property Development Co., Ltd.	632	-	205	837	-	-	-	49.79%
Xi'an Languang Meidu Enterprise Management Service Ltd.	-	1,000	(8)	992	-	-	-	48.90%
Others	13,335	2,664	(65)	15,934	-	-	-	
Subtotal	18,142	3,664	577	22,383	-	-	285	
Investments in associates and jointly controlled entities	48,955	14,384	22,868	86,207	(446)	-	838	

32. 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 2018 are as follows:

Name of the invested entity	Place of business	Place of incorporation	Principal activities	Significant to the Group's operation	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue in current year	Net profit/ (loss) in current year
Associates								
Veolia Kunming	Kunming	Hong Kong	Water plant operation	Yes	**1,317**	**9**	**74**	**64**
Veolia Yellow River	Lanzhou	Hong Kong	Water plant operation	Yes	**773**	**3**	**(19)**	**(21)**
Veolia Liuzhou	Liuzhou	Hong Kong	Water plant operation	Yes	**305**	**3**	**18**	**14**
Shanxi Taichang	Taiyuan	Taiyuan	Expressway operation	Yes	**5,997**	**2,944**	**989**	**333**
Beijing-Shanghai Railway	The PRC	The PRC	Railway investment	Yes	**16,001**	**-**	**791**	**775**
Jointly controlled entities								
Kunyu Highway	Kunming	Kunming	Expressway operation	Yes	**1,623**	**64**	**390**	**174**

The financial information summary of the Group's principal associates and jointly controlled entities as at year end of 2017 are as follows:

Name of the invested entity	Place of business	Place of incorporation	Principal activities	Significant to the Group's operation	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue in current year	Net profit/ (loss) in current year
Associates								
Veolia Kunming	Kunming	Hong Kong	Water plant operation	Yes	1,157	48	66	58
Veolia Yellow River	Lanzhou	Hong Kong	Water plant operation	Yes	806	1	(24)	(27)
Veolia Liuzhou	Liuzhou	Hong Kong	Water plant operation	Yes	260	1	16	12
Shanxi Taichang	Taiyuan	Taiyuan	Expressway operation	Yes	6,272	3,340	1,033	346
Beijing-Shanghai Railway	The PRC	The PRC	Railway investment	Yes	16,001	-	519	503
Jointly controlled entities								
Kunyu Highway	Kunming	Kunming	Expressway operation	Yes	1,992	85	1,733	1,070

The Group has no significant contingent liabilities relating to the associates and jointly controlled entities listed above.

(i) The proportion of ordinary shares, as shown in the above table, is the multiplication of the proportion of shares held in each holding layer.

33. STATUTORY DEPOSITS FOR INSURANCE OPERATIONS

(in RMB million)	31 December 2018	31 December 2017
Ping An Life	**6,758**	6,760
Ping An Property & Casualty	**4,198**	4,200
Ping An Annuity	**972**	972
Ping An Health	**310**	310
Others	**8**	8
Subtotal	**12,246**	12,250
Add: Interest receivables	**200**	–
Total	**12,446**	12,250

Statutory deposits for insurance operations are placed with PRC national commercial banks in accordance with the relevant regulations issued by China Bank and Insurance Regulatory Commission (the 'CBIRC') based on 20% of the registered capital for the insurance company subsidiaries and 5% of the registered capital for insurance sales agency subsidiaries within the Group, respectively. Statutory deposit for insurance operations can only be utilized to settle liabilities during liquidation of insurance companies.

34. INVESTMENT PROPERTIES

(in RMB million)	**2018**	2017
Cost		
As at 1 January	**45,834**	41,180
Additions	**1,188**	5,095
Transfer from construction in progress	**–**	761
Transfer to property and equipment, net	**(2,097)**	(1,199)
Disposals	**–**	(3)
As at 31 December	**44,925**	45,834
Accumulated depreciation		
As at 1 January	**5,725**	4,611
Charge for the year	**1,231**	1,233
Transfer to property and equipment, net	**(274)**	(118)
Disposals	**–**	(1)
As at 31 December	**6,682**	5,725
Impairment losses		
As at 1 January	**1**	1
As at 31 December	**1**	1
Net book value		
As at 31 December	**38,242**	40,108
As at 1 January	**40,108**	36,568
Fair value as at 31 December	**67,240**	66,922

The fair values of the investment properties as at 31 December 2018 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 2018 amounted to RMB3,743 million (2017: RMB2,757 million), which is included in net investment income.

As at 31 December 2018, investment properties with a carrying amount of RMB9,338 million (31 December 2017: RMB7,666 million) were pledged as collateral for long term borrowings with a carrying amount of RMB5,133 million (31 December 2017: RMB4,507 million).

The Group was still in the process of applying for title certificates for certain investment properties with a carrying amount of RMB2,189 million as at 31 December 2018 (31 December 2017: RMB2,046 million).

35. PROPERTY AND EQUIPMENT

(in RMB million)	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	2018					
Cost						
As at 1 January 2018	8,775	32,401	13,553	9,431	3,176	67,336
Additions	689	279	4,507	1,810	1,884	9,169
Transfer of construction in progress	518	2,896	302	5	(3,721)	-
Transfer from/(to) investment properties, net	-	2,097	-	-	-	2,097
Disposals of subsidiaries	-	(8)	(6)	-	-	(14)
Disposals	(309)	(299)	(1,137)	(3,352)	(86)	(5,183)
As at 31 December 2018	9,673	37,366	17,219	7,894	1,253	73,405
Accumulated depreciation						
As at 1 January 2018	4,745	7,197	6,955	1,265	-	20,162
Charge for the year	1,024	1,237	2,231	561	-	5,053
Transfer from investment properties, net	-	274	-	-	-	274
Disposals of subsidiaries	-	(4)	(2)	-	-	(6)
Disposals	(48)	(191)	(909)	(360)	-	(1,508)
As at 31 December 2018	5,721	8,513	8,275	1,466	-	23,975
Impairment losses						
As at 1 January 2018	-	86	15	6	-	107
Charge for the year	-	-	-	19	-	19
Disposals	-	-	(15)	(4)	-	(19)
As at 31 December 2018	-	86	-	21	-	107
Net book value						
As at 31 December 2018	3,952	28,767	8,944	6,407	1,253	49,323
As at 1 January 2018	4,030	25,118	6,583	8,160	3,176	47,067

35. PROPERTY AND EQUIPMENT (CONTINUED)

	2017					
(in RMB million)	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2017	7,733	30,974	11,906	4,102	2,765	57,480
Additions	495	233	3,064	5,599	2,130	11,521
Transfer of construction in progress	625	29	85	–	(739)	–
Transfer from/(to) investment properties, net	–	1,199	–	–	(761)	438
Disposals of subsidiaries	–	–	(185)	–	–	(185)
Disposals	(78)	(34)	(1,317)	(270)	(219)	(1,918)
As at 31 December 2017	8,775	32,401	13,553	9,431	3,176	67,336
Accumulated depreciation						
As at 1 January 2017	3,737	6,057	6,290	1,167	–	17,251
Charge for the year	1,073	1,028	1,976	308	–	4,385
Transfer from investment properties, net	–	118	–	–	–	118
Disposals of subsidiaries	94	–	(180)	–	–	(86)
Disposals	(159)	(6)	(1,131)	(210)	–	(1,506)
As at 31 December 2017	4,745	7,197	6,955	1,265	–	20,162
Impairment losses						
As at 1 January 2017	–	86	–	–	–	86
Charge for the year	–	–	15	6	–	21
As at 31 December 2017	–	86	15	6	–	107
Net book value						
As at 31 December 2017	4,030	25,118	6,583	8,160	3,176	47,067
As at 1 January 2017	3,996	24,831	5,616	2,935	2,765	40,143

The Group was still in the process of applying for title certificates for its buildings with a carrying amount of RMB295 million as at 31 December 2018 (31 December 2017: RMB390 million).

36. INTANGIBLE ASSETS

(in RMB million)	Goodwill (i)	Expressway operating rights	Prepaid land premiums	Core deposits	Trademarks	Software and others	Total
	2018						
Cost							
As at 1 January 2018	20,507	8,360	10,669	15,082	9,714	9,544	73,876
Acquisitions of subsidiaries	-	-	-	-	-	20	20
Additions	15	1	1,833	-	445	1,746	4,040
Disposals of subsidiaries	-	(4,823)	-	-	(249)	-	(5,072)
Disposals/decrease	(2)	-	(34)	-	-	(275)	(311)
As at 31 December 2018	20,520	3,538	12,468	15,082	9,910	11,035	72,553
Accumulated amortization							
As at 1 January 2018	-	2,163	918	4,901	674	4,239	12,895
Charge for the year	-	235	233	723	78	1,629	2,898
Disposals of subsidiaries	-	(1,405)	-	-	(249)	-	(1,654)
Disposals	-	-	(9)	-	-	(27)	(36)
As at 31 December 2018	-	993	1,142	5,624	503	5,841	14,103
Net book value							
As at 31 December 2018	20,520	2,545	11,326	9,458	9,407	5,194	58,450
As at 1 January 2018	20,507	6,197	9,751	10,181	9,040	5,305	60,981

36. INTANGIBLE ASSETS (CONTINUED)

	2017						
(in RMB million)	Goodwill (i)	Expressway operating rights	Prepaid land premiums	Core deposits	Trademarks	Software and others	Total
Cost							
As at 1 January 2017	20,639	11,232	10,075	15,082	9,268	8,553	74,849
Additions	143	–	594	–	446	1,448	2,631
Disposals of subsidiaries	–	(2,872)	–	–	–	(77)	(2,949)
Disposals	(275)	–	–	–	–	(380)	(655)
As at 31 December 2017	20,507	8,360	10,669	15,082	9,714	9,544	73,876
Accumulated amortization							
As at 1 January 2017	–	2,717	737	4,147	346	3,885	11,832
Charge for the year	–	372	181	754	328	759	2,394
Disposals of subsidiaries	–	(926)	–	–	–	(136)	(1,062)
Disposals	–	–	–	–	–	(269)	(269)
As at 31 December 2017	–	2,163	918	4,901	674	4,239	12,895
Net book value							
As at 31 December 2017	20,507	6,197	9,751	10,181	9,040	5,305	60,981
As at 1 January 2017	20,639	8,515	9,338	10,935	8,922	4,668	63,017

As at 31 December 2018, expressway operating rights with a carrying amount of RMB2,545 million (31 December 2017: RMB5,711 million) were pledged as collateral for long term borrowings amounting to RMB836 million (31 December 2017: RMB2,939 million).

As at 31 December 2018, prepaid land premiums with a carrying amount of RMB3,757 million (31 December 2017: RMB3,632 million) were pledged as collateral for long term borrowings amounting to RMB2,420 million (31 December 2017: RMB2,304 million).

The Group was still in the process of applying for its prepaid land premium with a carrying amount of RMB54 million as at 31 December 2018 (31 December 2017: RMB52 million).

36. INTANGIBLE ASSETS (CONTINUED)

(i) GOODWILL

(in RMB million)	2018 As at 1 January 2018	Increase	Decrease	As at 31 December 2018
Ping An Bank	**8,761**	**–**	**–**	**8,761**
Shanghai Jahwa	**2,502**	**–**	**–**	**2,502**
Mayborn Group Limited	**1,831**	**–**	**(2)**	**1,829**
Ping An Securities	**328**	**–**	**–**	**328**
Ping An Commercial Property Investment	**66**	**–**	**–**	**66**
Beijing Shuangronghui Investment Co., Ltd.	**134**	**–**	**–**	**134**
Shanghai Gezhouba Yangming Property Co., Ltd.	**241**	**–**	**–**	**241**
Ping An E-wallet	**1,073**	**–**	**–**	**1,073**
Autohome Inc.	**5,265**	**–**	**–**	**5,265**
Other	**306**	**15**	**–**	**321**
Total	**20,507**	**15**	**(2)**	**20,520**
Less：Impairment losses	**–**	**–**	**–**	**–**
Net book value	**20,507**	**15**	**(2)**	**20,520**

(in RMB million)	2017 As at 1 January 2017	Increase	Decrease	As at 31 December 2017
Ping An Bank	8,761	–	–	8,761
Shanghai Jahwa	2,502	–	–	2,502
Mayborn Group Limited	2,106	–	(275)	1,831
Ping An Securities	328	–	–	328
Ping An Commercial Property Investment	66	–	–	66
Beijing Shuangronghui Investment Co., Ltd.	134	–	–	134
Shanghai Gezhouba Yangming Property Co., Ltd.	241	–	–	241
Ping An E-wallet	1,073	–	–	1,073
Autohome Inc.	5,265	–	–	5,265
Other	163	143	–	306
Total	20,639	143	(275)	20,507
Less：Impairment losses	–	–	–	–
Net book value	20,639	143	(275)	20,507

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 7% to 18% (2017: 9% to 16%) and growth rates, where applicable, range from 1% to 40% (2017: 2% to 33%).

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.

37. OTHER ASSETS

(in RMB million)	31 December 2018	31 December 2017
Interest receivables	**1,152**	51,934
Other receivables	**67,666**	81,743
Due from reinsurers	**8,695**	8,001
Foreclosed assets	**4,634**	5,251
Prepayments	**3,209**	2,664
Precious metals held for trading	**56,835**	87,501
Dividends receivable	**494**	395
Inventories	**5,082**	4,868
Amounts in the processing clearance and settlement	**1,886**	5,890
Margin accounts receivables	**–**	11,266
Others	**8,160**	4,350
Gross	**157,813**	263,863
Less: Loss provisions	**(2,127)**	(2,588)
Interest receivables	**–**	(34)
Other receivables	**(1,369)**	(1,373)
Due from reinsurers	**(12)**	(12)
Foreclosed assets	**(256)**	(288)
Prepayments	**–**	(445)
Inventories	**(4)**	(45)
Margin accounts receivables	**–**	(40)
Others	**(486)**	(351)
Net	**155,686**	261,275

38. POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE/ INVESTMENT CONTRACTS

(1) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE CONTRACTS

(in RMB million)	31 December 2018	31 December 2017
Cash and amounts due from banks and other financial institutions	**5,070**	3,950
Financial assets at fair value through profit or loss		
Bonds	**2,821**	6,118
Funds	**20,990**	24,470
Stocks	**1,481**	3,329
Other investments	**333**	172
Financial assets held under resold agreements	**730**	330
Other assets	**919**	406
	32,344	38,775

(2) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INVESTMENT CONTRACTS

(in RMB million)	31 December 2018	31 December 2017
Cash and amounts due from banks and other financial institutions	**395**	120
Financial assets at fair value through profit or loss		
Bonds	**1,666**	1,636
Funds	**776**	1,128
Stocks	**-**	19
Other investments	**952**	603
Financial assets held under resold agreements	**-**	380
Other assets	**175**	223
	3,964	4,109

39. 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 2018	10,832	7,448	18,280
31 December 2018	10,832	7,448	18,280

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40. RESERVES, RETAINED PROFITS AND NON-CONTROLLING INTERESTS

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures, fund businesses, finance lease and financial guarantee businesses. The Group's respective entities engaged in such businesses would need to make appropriations for such reserves based on their respective year-end profit or risk assets, the companies operating in the insurance should make appropriations for general reserves based on 10% of net profit, the company operating in banking should make appropriations based on 1.5% of risk assets, the company operating in securities should make appropriations based on 10% of net profit, the companies operating in trust should make appropriations based on 5% of trust claim reserves, the companies operating in futures should make appropriation based on 10% of net profit, and the companies operating in fund should make appropriation based on 10% of fund management fees as determined in accordance with PRC Accounting Standards, and based on the applicable PRC financial regulations, in their annual financial statements. Such reserves are not available for dividend distribution or transfer to share capital.

In accordance with the relevant regulations, the net profit after tax of the Company for profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profits determined in accordance with IFRSs.

41. SHARE PURCHASE SCHEME

The Company has adopted an employee share purchase scheme (the 'Scheme') for the key employees (including executive directors and senior management) of the Company and its subsidiaries. Shares shall be vested and awarded to the key employees approved for participation in the Scheme, subject to the achievement of certain performance targets.

Movement of reserves relating to the Scheme is as follows:

(in RMB million)	Cost of shares held for share purchase scheme	Value of employee services	Total
As at 1 January 2018	**(1,008)**	**714**	**(294)**
Purchased (i)	**(593)**	**–**	**(593)**
Share-based compensation expenses (ii)	**–**	**565**	**565**
Exercised	**277**	**(277)**	**–**
Expired	**33**	**–**	**33**
As at 31 December 2018	**(1,291)**	**1,002**	**(289)**
As at 1 January 2017	(679)	431	(248)
Purchased (i)	(603)	–	(603)
Share-based compensation expenses (ii)	–	524	524
Exercised	244	(244)	–
Expired	30	3	33
As at 31 December 2017	(1,008)	714	(294)

(i) As at 27 April 2018, 9,666,900 ordinary A shares were purchased from the market. The average price of shares purchased was RMB61.29 per share.

During the period from 23 March 2017 to 27 March 2017, 16,419,990 ordinary A shares were purchased from the market. The average price of shares purchased was RMB36.74 per share.

(ii) The share-based compensation expense arising from the Scheme and the total value of employee services for the year ended 31 December 2018 were RMB565 million (31 December 2017: RMB524 million) and RMB565 million (31 December 2017: RMB524 million) respectively.

42. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2018	31 December 2017
Deposits from other banks and financial institutions	**411,702**	450,403
Due to the Central Bank	**149,756**	130,652
Short term borrowings	**93,627**	90,310
Long term borrowings	**148,069**	109,165
	803,154	780,530

Refer to Notes 25, 34 and 36 for the assets pledged as collateral to support the above borrowings.

43. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	31 December 2018	31 December 2017
Bonds	**189,028**	133,981

As at 31 December 2018, bonds with a carrying amount of RMB95,739 million (31 December 2017: RMB94,012 million) were pledged as collaterals for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market. The collaterals are restricted from trading during the period of the repurchase transaction.

As at 31 December 2018, the carrying amount of bonds deposited in the collateral pool was RMB112,164 million (31 December 2017: RMB118,607 million). The collaterals are restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in short time provided that the value of the bonds is no less than the balance of related repurchase transactions.

For bonds repurchase transactions through stock exchange, the Group is required to deposit certain exchange traded bonds and/or bonds transferred under new pledged repurchase transaction with fair value converted at a standard rate pursuant to stock exchange's regulation no less than the balance of related repurchase transaction into a collateral pool.

44. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

(in RMB million)	31 December 2018	31 December 2017
Customer deposits		
Current and savings accounts		
– Corporate customers	**491,267**	531,988
– Individual customers	**173,372**	175,268
Term deposits		
– Corporate customers	**901,739**	778,685
– Individual customers	**267,697**	140,194
Guarantee deposits	**175,098**	218,900
Time deposits from the Central Bank	**38,481**	34,812
Fiscal deposits	**17,903**	32,729
Remittance payables and outward remittance	**23,472**	17,828
	2,089,029	1,930,404
Payables to brokerage customers		
– Individual customers	**20,288**	19,123
– Corporate customers	**5,027**	3,168
	25,315	22,291
	2,114,344	1,952,695

As at 31 December 2018, bonds classified as financial assets carried at amortized costs with a carrying amount of RMB36,924 million (31 December 2017: financial assets classified as fixed maturity investments with a carrying amount of RMB21,326 million and bonds classified as loans and receivables with a carrying amount of RMB14,624 million) were pledged as collaterals for time deposits from the Central Bank.

45. INSURANCE CONTRACT LIABILITIES

(in RMB million)	31 December 2018	31 December 2017
Policyholders' reserves	**1,376,017**	1,190,925
Policyholder contract deposits	**574,132**	502,646
Policyholder account liabilities in respect of insurance contracts	**32,344**	38,775
Unearned premium reserves	**132,838**	110,006
Claim reserves	**96,556**	90,617
Total	**2,211,887**	1,932,969

	31 December 2018		
(in RMB million)	**Insurance contract liabilities**	**Reinsurers' share**	**Net**
Long term life insurance contracts	**1,982,493**	**(1,234)**	**1,981,259**
Short term life insurance contracts	**15,107**	**(926)**	**14,181**
Property and casualty insurance contracts	**214,287**	**(14,511)**	**199,776**
	2,211,887	**(16,671)**	**2,195,216**

	31 December 2017		
(in RMB million)	Insurance contract liabilities	Reinsurers' share	Net
Long term life insurance contracts	1,732,346	(869)	1,731,477
Short term life insurance contracts	11,723	(595)	11,128
Property and casualty insurance contracts	188,900	(14,169)	174,731
	1,932,969	(15,633)	1,917,336

(in RMB million)	31 December 2018	31 December 2017
Current portion*		
Long term life	**(90,517)**	(62,348)
Short term life	**14,241**	11,073
Property and casualty	**116,645**	106,569
Non-current portion		
Long term life	**2,073,010**	1,794,694
Short term life	**866**	650
Property and casualty	**97,642**	82,331
Total	**2,211,887**	1,932,969

* Estimated net cash flows within 12 months from the end of the reporting period.

45. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(1) LONG TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2018	31 December 2017
Policyholders' reserves	**1,376,017**	1,190,925
Policyholder contract deposits	**574,132**	502,646
Policyholder account liabilities in respect of insurance contracts	**32,344**	38,775
	1,982,493	1,732,346

The policyholders' reserves are analysed as follows:

(in RMB million)	2018	2017
As at 31 December 2017/2016	**1,190,925**	990,737
Change in accounting policy	**(376)**	–
As at 1 January 2018/2017	**1,190,549**	990,737
Increase during the year	**342,700**	329,744
Decrease during the year		
– Claims and benefits paid	**(125,478)**	(99,257)
– Surrender	**(35,295)**	(33,683)
– Others	**3,541**	3,384
As at 31 December 2018/2017	**1,376,017**	1,190,925

The policyholder contract deposits are analysed as follows:

(in RMB million)	2018	2017
As at 31 December 2017/2016	**502,646**	431,711
Change in accounting policy	**(365)**	–
As at 1 January 2018/2017	**502,281**	431,711
Policyholder principal increased	**102,318**	87,371
Accretion of investment income	**17,530**	24,490
Liabilities released for benefits paid	**(34,183)**	(27,787)
Policy administration fees and risk premiums deducted	**(13,814)**	(13,139)
As at 31 December 2018/2017	**574,132**	502,646

45. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(2) SHORT TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2018	31 December 2017
Unearned premium reserves	**7,992**	6,137
Claim reserves	**7,115**	5,586
	15,107	11,723

The unearned premium reserves of short term life insurance are analysed as follows:

	2018			2017		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**6,137**	**(365)**	**5,772**	4,895	(170)	4,725
Premiums written during the year	**30,618**	**(5,080)**	**25,538**	24,151	(2,948)	21,203
Premiums earned during the year	**(28,763)**	**4,920**	**(23,843)**	(22,909)	2,753	(20,156)
As at 31 December	**7,992**	**(525)**	**7,467**	6,137	(365)	5,772

The claim reserves of short term life insurance are analysed as follows:

	2018			2017		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**5,586**	**(231)**	**5,355**	4,757	(203)	4,554
Claims incurred during the year	**16,633**	**(2,750)**	**13,883**	13,279	(1,912)	11,367
Claims paid during the year	**(15,104)**	**2,579**	**(12,525)**	(12,450)	1,884	(10,566)
As at 31 December	**7,115**	**(402)**	**6,713**	5,586	(231)	5,355

45. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS

(in RMB million)	31 December 2018	31 December 2017
Unearned premium reserves	**124,846**	103,869
Claim reserves	**89,441**	85,031
	214,287	188,900

The unearned premium reserves of property and casualty insurance are analysed as follows:

	2018			2017		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
As at 1 January	**103,869**	**(5,564)**	**98,305**	90,614	(5,888)	84,726
Premiums written during the year	**188,495**	**(9,645)**	**178,850**	162,856	(9,443)	153,413
Premiums earned during the year	**(167,518)**	**9,409**	**(158,109)**	(149,601)	9,767	(139,834)
As at 31 December	**124,846**	**(5,800)**	**119,046**	103,869	(5,564)	98,305

The claim reserves of property and casualty insurance are analysed as follows:

	2018			2017		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
As at 1 January 2018/2017	**85,031**	**(8,604)**	**76,427**	63,053	(7,730)	55,323
Claims incurred during the year	**123,530**	**(7,086)**	**116,444**	114,407	(7,796)	106,611
Claims paid during the year	**(119,120)**	**6,980**	**(112,140)**	(92,429)	6,922	(85,507)
As at 31 December 2018/2017	**89,441**	**(8,710)**	**80,731**	85,031	(8,604)	76,427

46. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

(in RMB million)	31 December 2018	31 December 2017
Policyholder account liabilities in respect of investment contracts	**3,964**	4,109
Investment contract reserves	**48,783**	46,200
	52,747	50,309

The investment contract liabilities are analysed as follows:

(in RMB million)	2018	2017
As at 1 January	**50,295**	44,930
Policyholder principal increased	**10,108**	11,138
Accretion of investment income	**1,047**	2,264
Liabilities released for benefits paid	**(8,949)**	(7,949)
Policy administration fees and risk premiums deducted	**(59)**	(63)
Others	**305**	(11)
As at 31 December	**52,747**	50,309

As at 31 December 2017 and 2018, all reinsurance contracts of the Group transferred significant insurance risk.

47. 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 2018**	31 December 2017
Ping An Financial Leasing	Medium term notes	None	3-5 years	None	4,000	2016	Fixed	3.34%-3.58%	**4,081**	4,000
Ping An Financial Leasing	Private placement notes	None	3 years	None	5,000	2016	Fixed	3.35%-4.55%	**5,011**	5,000
Ping An Financial Leasing	Private corporate bonds	None	3 years	None	5,000	2017	Fixed	5.30%-5.56%	**5,100**	5,000
Ping An Financial Leasing	Corporate bonds	None	3 years	None	4,400	2017	Fixed	4.70%-4.89%	**4,472**	4,400
Ping An Financial Leasing	Medium term notes	None	3 years	None	2,100	2017	Fixed	5.50%	**2,189**	2,100
Ping An Financial Leasing	Private placement notes	None	3 years	None	5,000	2017	Fixed	5.40%-6.10%	**5,031**	5,000
Ping An Financial Leasing	Short-term financing bills	None	150 days-1 year	None	11,500	2017	Fixed	4.55%-5.46%	**-**	11,500
Ping An Financial Leasing	Private placement notes	None	1-3 years	None	7,500	2018	Fixed	5.20%-6.40%	**7,727**	-
Ping An Financial Leasing	Private corporate bonds	None	2-3 years	None	10,508	2018	Fixed	5.00%-6.29%	**10,780**	-
Ping An Financial Leasing	Short-term financing bills	None	1 year	None	4,600	2018	Fixed	3.80%-4.82%	**4,697**	-
Ping An Financial Leasing	Super short-term financing bills	None	180 days-270 days	None	8,000	2018	Fixed	3.70%-4.49%	**8,075**	-
Ping An Financial Leasing	Medium term notes	None	3 years	None	2,400	2018	Fixed	4.48%	**2,407**	-

47. 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 2018**	31 December 2017
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)	**1,533**	1,466
Ping An Bank	Hybrid capital debt instrument	None	15 years	End of the tenth year	3,650	2011	Fixed	7.50%	**3,808**	3,650
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	6,000	2014	Fixed	6.50%	**6,259**	6,000
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	9,000	2014	Fixed	6.80%	**9,388**	9,000
Ping An Bank	Interbank deposits	None	1-3 years	None	3,950	2016	Floating	2.95%-3.30%	**2,946**	3,000
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	10,000	2016	Fixed	3.85%	**10,431**	10,000
Ping An Bank	Interbank deposits	None	Less than 1 year	None	302,670	2018	Fixed	2.90%-4.80%	**297,201**	294,376
Ping An Bank	Financial bonds	None	3 years	None	15,000	2017	Fixed	4.20%	**15,083**	15,000
Ping An Bank	Financial bonds	None	3 years	None	35,000	2018	Fixed	3.79%	**35,234**	-
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)	**8,749**	8,270
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)	**5,064**	5,037

47. 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 2018	31 December 2017
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)	**10,370**	10,059
Ping An Life	Offshore USD bonds	None	3-5 years	None	7,872	2016	Fixed	2.38%-2.88%	**8,336**	7,807
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)	**5,172**	5,043
Ping An Property & Casualty	Capital supplement bonds	None	10 years	End of the fifth year	3,500	2017	Fixed	First 5 years：5.10% Next 5 years：6.10% (If not redeemed)	**3,507**	3,500
Value Success International	Offshore RMB bonds	Guaranteed (Note 1)	5 years	None	2,100	2013	Fixed	4.75%	**-**	2,102
Value Success International	Offshore RMB bonds	Guaranteed (Note 1)	5 years	None	750	2014	Fixed	4.95%	**765**	751
Value Success International	Offshore SGD bonds	Guaranteed (Note 1)	5.5 years	None	1,779	2014	Fixed	4.13%	**1,883**	1,806
Value Success International	Offshore HKD bonds	Guaranteed (Note 1)	5 years	None	1,272	2016	Fixed	3.00%	**1,349**	1,283
Value Success International	Offshore USD bonds	Guaranteed (Note 1)	5 years	None	2,003	2016	Fixed	3.20%	**2,074**	1,957
Value Success International	Offshore USD bonds	Guaranteed (Note 1)	1 year	None	547	2018	Fixed	3.35%	**607**	-
Value Success International	Offshore HKD bonds	Guaranteed (Note 1)	1 year	None	2,196	2018	Fixed	2.50%-2.65%	**2,407**	-
Li Guan International Co.,Ltd.	Offshore USD bonds	Guaranteed (Note 1)	5 years	None	3,440	2018	Fixed	4.38%	**3,442**	-

47. 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 2018**	31 December 2017
Ping An Securities	Private corporate bonds	None	3 years	End of the second year	1,500	2016	Fixed	3.50%	**1,541**	1,500
Ping An Securities	Private corporate bonds	None	3 years	None	1,300	2017	Fixed	4.65%	**1,352**	1,300
Ping An Securities	Private corporate bonds	None	5 years	End of the second and third year	1,200	2017	Fixed	4.99%	**1,251**	1,200
Ping An Securities	Private corporate bonds	None	6 months-3 years	End of the second year	5,500	2017	Fixed	4.88%-5.48%	**4,064**	5,500
Ping An Securities	Private corporate bonds	None	2-3 years	None	3,840	2018	Fixed	5.30%-5.60%	**3,997**	-
Ping An Securities	Corporate bonds	None	5 years	End of the third year	3,000	2018	Fixed	4.10%	**3,016**	-
Shenzhen Ping An Real Estate Investment Co., Ltd.	Corporate bonds	None	1 year	End of the sixth month	2,852	2018	Fixed	8.70%-9.00%	**2,991**	-
Shenzhen Ping An Real Estate Investment Co., Ltd.	Private corporate bonds	None	1-2 years	None	5,305	2018	Fixed	9.38%-11.40%	**5,419**	-
Ping An Financial Technology	Corporate bonds	None	2 years	None	5,000	2018	Fixed	4.70%-4.80%	**5,000**	-
Shenzhen Dingshuntong Investment Co. Ltd	Corporate bonds	None	1 year	End of the sixth month	2,382	2018	Fixed	8.85%	**2,446**	-
Ping An Real Estate	Corporate bonds	None	3-7 years	None or end of the fifth year	8,000	2016	Fixed	3.27%-3.60%	**8,194**	7,983

47. 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 2018	31 December 2017
Ping An Real Estate	Corporate bonds	None	5 years	None or end of the third year	2,500	2017	Fixed	4.88%-5.27%	**2,588**	2,492
Fuxiang Investment Management Limited	Offshore USD bonds	Guaranteed (Note 2)	3 years	None	2,709	2016	Fixed	3.63%	**2,065**	1,950
Fuxiang Investment Management Limited	Offshore USD bonds	Guaranteed (Note 2)	1 year	None	1,654	2018	Fixed	5.10%	**1,746**	-
Fuxiang Investment Management Limited	Medium term notes	Guaranteed (Note 2)	5 years	End of the third year	1,254	2017	Fixed	3.80%	**1,355**	1,253
Fuqing Investment Management Co.,Ltd.	Offshore RMB bonds	Guaranteed (Note 2)	3 years	None	1,000	2015	Fixed	4.85%	**-**	998
Ping An Real Estate	Corporate bonds	None	3 years	None	1,500	2018	Fixed	5.00%	**1,532**	-
Ping An Real Estate	Super short-term financing bills	None	270 days	None	9,000	2018	Fixed	3.75%-5.15%	**9,123**	-
Ping An Real Estate	Medium term notes	None	3 years	None	4,000	2018	Fixed	4.73%-5.08%	**4,017**	-
									556,875	451,283

Note 1:

The bonds are guaranteed by Ping An Overseas Holdings, which is the holding company of Value Success International Limited and Li Guan International Co., Ltd..

Note 2:

The bonds are guaranteed by Pingan Real Estate Capital Limited, which is a subsidiary of Ping An Real Estate.

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48. DEFERRED TAX ASSETS AND LIABILITIES

(in RMB million)	31 December 2018	31 December 2017
Deferred tax assets	**45,187**	40,141
Deferred tax liabilities	**(18,476)**	(25,891)
Net	**26,711**	14,250

The deferred tax assets are analysed as follows:

(in RMB million)	2018 As at 31 December 2017	Change in accounting policy	As at 1 January 2018	Charged to profit or loss	Charged to equity	Other changes	As at 31 December 2018	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	**1,015**	**21**	**1,036**	**(567)**	**-**	**(18)**	**451**	**(1,804)**
Fair value adjustments on available-for-sale investments	**660**	**(660)**	**-**	**-**	**-**	**-**	**-**	**-**
Fair value adjustments on financial instruments at fair value through other comprehensive income	**-**	**860**	**860**	**-**	**(191)**	**-**	**669**	**(2,676)**
Insurance contract liabilities	**11,653**	**(184)**	**11,469**	**(2,169)**	**(1,267)**	**-**	**8,033**	**(32,132)**
Impairment loss provisions	**26,203**	**310**	**26,513**	**4,667**	**(192)**	**-**	**30,988**	**(123,952)**
Others	**8,501**	**-**	**8,501**	**(795)**	**-**	**(296)**	**7,410**	**(29,640)**
	48,032	**347**	**48,379**	**1,136**	**(1,650)**	**(314)**	**47,551**	**(190,204)**

(in RMB million)	2017 As at 1 January	Charged to profit or loss	Charged to equity	Other changes	As at 31 December	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	825	190	–	–	1,015	(4,060)
Fair value adjustments on available-for-sale investments	90	–	570	–	660	(2,640)
Insurance contract liabilities	6,573	3,993	1,087	–	11,653	(46,612)
Impairment loss provisions	18,200	8,003	–	–	26,203	(104,812)
Others	7,671	830	–	–	8,501	(34,004)
	33,359	13,016	1,657	–	48,032	(192,128)

48. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The deferred tax liabilities are analysed as follows:

(in RMB million)	2018							
	As at 31 December 2017	Change in accounting policy	As at 1 January 2018	Charged to profit or loss	Charged to equity	Other changes	As at 31 December 2018	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	**(855)**	**(9,751)**	**(10,606)**	**6,738**	**-**	**-**	**(3,868)**	**15,472**
Fair value adjustments on available-for-sale investments	**(20,997)**	**20,997**	**-**	**-**	**-**	**-**	**-**	**-**
Fair value adjustments on financial instruments at fair value through other comprehensive income	**-**	**(9,865)**	**(9,865)**	**-**	**4,322**	**-**	**(5,543)**	**22,172**
Intangible assets-core deposits	**(2,542)**	**-**	**(2,542)**	**189**	**-**	**-**	**(2,353)**	**9,412**
Intangible assets evaluation premium from acquisition of Autohome Inc.	**(2,072)**	**-**	**(2,072)**	**30**	**-**	**-**	**(2,042)**	**8,168**
Assets evaluation premium from disposal of subsidiaries	**(3,615)**	**-**	**(3,615)**	**-**	**-**	**-**	**(3,615)**	**14,460**
Others	**(3,701)**	**-**	**(3,701)**	**7**	**-**	**275**	**(3,419)**	**13,676**
	(33,782)	**1,381**	**(32,401)**	**6,964**	**4,322**	**275**	**(20,840)**	**83,360**

(in RMB million)	2017					
	As at 1 January	Charged to profit or loss	Charged to equity	Other changes	As at 31 December	Temporary difference as at 31 December
Fair value adjustments on financial assets and liabilities carried at fair value through profit or loss	(197)	(658)	–	–	(855)	3,420
Fair value adjustments on available-for-sale investments	(7,687)	–	(13,310)	–	(20,997)	83,988
Intangible assets-core deposits	(2,731)	189	–	–	(2,542)	10,168
Intangible assets evaluation premium from acquisition of Autohome Inc.	(2,102)	30	–	–	(2,072)	8,288
Assets evaluation premium from disposal of subsidiaries	–	(3,615)	–	–	(3,615)	14,465
Others	(3,624)	(66)	–	(11)	(3,701)	14,799
	(16,341)	(4,120)	(13,310)	(11)	(33,782)	135,128

48. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2018, unrecognized tax losses of the Group were RMB7,573 million (31 December 2017: RMB5,119 million).

The following table shows unrecognized tax losses based on its expected expiry date:

(in RMB million)	31 December 2018	31 December 2017
2018	–	235
2019	157	163
2020	981	1,272
2021	2,007	2,251
2022	827	1,198
2023	3,601	–
	7,573	5,119

49. OTHER LIABILITIES

(in RMB million)	31 December 2018	31 December 2017
Other payables	134,656	188,510
Payable to holders of trust schemes and banking wealth management products	5,593	4,150
Salaries and welfare payable	35,999	35,606
Interest payable	–	30,696
Other tax payable	8,579	6,610
Contingency provision	1,175	607
Insurance guarantee fund	959	992
Provision payables	19,039	30,705
Accruals	6,990	6,110
Deferred income	1,941	6,449
Contract liabilities	5,697	–
Others	38,482	38,028
	259,110	348,463

50. FIDUCIARY ACTIVITIES

(in RMB million)	31 December 2018	31 December 2017
Assets under trust schemes	**534,124**	621,518
Assets under annuity investments and annuity schemes	**442,990**	380,005
Assets under asset management schemes	**915,566**	540,787
Entrusted loans of banking operations	**254,211**	408,582
Entrusted investments of banking operations	**537,781**	501,062
	2,684,672	2,451,954

The above table shows main fiduciary activities of the Group. Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets held for fiduciary activities together with related undertakings on return such assets to customers, are recorded off-balance sheet, as risks and gains of such assets are assumed by customers. All of above are off-balance sheet items.

51. RISK AND CAPITAL MANAGEMENT

(1) INSURANCE RISK

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

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

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

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

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

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

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

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' behaviour and decisions.

Concentration of insurance risks

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

The Group's concentration of insurance risk is reflected by its major lines of business as analysed by insurance contract liabilities in Note 45.

Assumptions and sensitivities

(a) Long term life insurance contracts

Assumptions

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

Sensitivities

The Group has measured the impact on long term life insurance contract liabilities using sensitivity analysis, of varying independently certain assumptions under reasonable and possible circumstances. The following changes in assumptions have been considered:

- discount rate/investment return assumption increased by 10 basis points;
- discount rate/investment return assumption decreased by 10 basis points;
- a 10% increase in mortality, morbidity, accident rates and etc. (a 10% increase in mortality rates of annuity policies before the payment period, a 10% decrease in the payment period);
- a 10% increase in policy lapse rates; and
- a 5% increase in maintenance expense rates.

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

Assumptions and sensitivities (continued)

(a) Long term life insurance contracts (continued)

Sensitivities (continued)

	31 December 2018				
(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**	**(6,446)**	**(6,446)**	**6,446**	**6,446**
Discount rate/investment return	**-10bps**	**6,622**	**6,622**	**(6,622)**	**(6,622)**
Mortality, morbidity, accident rates and etc.	**+10%**	**44,436**	**44,436**	**(44,436)**	**(44,436)**
Policy lapse rates	**+10%**	**13,870**	**13,870**	**(13,870)**	**(13,870)**
Maintenance expense rates	**+5%**	**3,066**	**3,066**	**(3,066)**	**(3,066)**

Note: For long term life and health insurance contracts where the future insurance benefits are not affected by investment return of the underlying asset portfolio, the amounts above represent the results of sensitivity analysis calculated by the discount rates when the benchmarking yield curve for the measurement of insurance contract liabilities increases or decreases 10bps, with consideration of the Cai Kuai [2017] No.637 issued by CIRC and other relevant regulations.

	31 December 2017				
(in RMB million)	Change in assumptions	Impact on gross policyholders' reserves Increase/(decrease)	Impact on net policyholders' reserves Increase/(decrease)	Impact on profit before tax Increase/(decrease)	Impact on equity before tax Increase/(decrease)
Discount rate/investment return	+10bps	(4,957)	(4,957)	4,957	4,957
Discount rate/investment return	-10bps	5,093	5,093	(5,093)	(5,093)
Mortality, morbidity, accident rates and etc.	+10%	32,477	32,477	(32,477)	(32,477)
Policy lapse rates	+10%	10,391	10,391	(10,391)	(10,391)
Maintenance expense rates	+5%	2,563	2,563	(2,563)	(2,563)

51. 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. Judgement 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)	2014	2015	2016	2017	**2018**	Total
Estimated cumulative claims paid:						
As at the end of current year	69,852	83,767	94,445	112,013	**134,483**	
One year later	69,292	81,490	95,508	109,867	**-**	
Two years later	67,587	80,012	89,642	–	**-**	
Three years later	66,866	75,772	–	–	**-**	
Four years later	64,473	–	–	–	**-**	
Estimated cumulative claims	64,473	75,772	89,642	109,867	**134,483**	474,237
Cumulative claims paid	(62,833)	(72,719)	(81,964)	(85,635)	**(87,426)**	(390,577)
Subtotal						83,660
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						5,781
Outstanding claim reserves						89,441

51. 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)	2014	2015	2016	2017	**2018**	Total
Estimated cumulative claims paid:						
As at the end of current year	59,864	72,724	85,558	104,195	**125,966**	
One year later	59,479	70,855	86,439	101,879	**-**	
Two years later	58,057	69,493	81,264	–	**-**	
Three years later	57,416	65,717	–	–	**-**	
Four years later	55,312	–	–	–	**-**	
Estimated cumulative claims	55,312	65,717	81,264	101,879	**125,966**	430,138
Cumulative claims paid	(53,863)	(63,159)	(74,469)	(80,108)	**(83,469)**	(355,068)
Subtotal						75,070
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						5,661
Outstanding claim reserves						80,731

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51. 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 gross claim reserves of short term life insurance by the accident year:

(in RMB million)	2014	2015	2016	2017	**2018**	Total
Estimated cumulative claims paid:						
As at the end of current year	6,732	8,415	11,458	13,341	**16,879**	
One year later	6,786	7,904	10,875	12,779	**-**	
Two years later	6,715	7,900	10,657	–	**-**	
Three years later	6,758	7,875	–	–	**-**	
Four years later	6,739	–	–	–	**-**	
Estimated cumulative claims	6,739	7,875	10,657	12,779	**16,879**	54,929
Cumulative claims paid	(6,763)	(7,831)	(10,541)	(12,378)	**(11,923)**	(49,436)
Subtotal						5,493
Prior year adjustments, unallocated loss adjustment expenses and risk margin						1,622
Outstanding claim reserves						7,115

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)	2014	2015	2016	2017	**2018**	Total
Estimated cumulative claims paid:						
As at the end of current year	6,367	8,175	11,033	12,779	**15,809**	
One year later	6,574	7,673	10,544	12,191	**-**	
Two years later	6,536	7,663	10,675	–	**-**	
Three years later	6,551	7,644	–	–	**-**	
Four years later	6,536	–	–	–	**-**	
Estimated cumulative claims	6,536	7,644	10,675	12,191	**15,809**	52,855
Cumulative claims paid	(6,536)	(7,644)	(10,197)	(11,823)	**(11,227)**	(47,427)
Subtotal						5,428
Prior year adjustments, unallocated loss adjustment expenses and risk margin						1,285
Outstanding claim reserves						6,713

51. 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)

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 2018				
(in RMB million)	Change in assumptions	Impact on gross claim reserves increase	Impact on net claim reserves increase	Impact on profit before tax decrease	Impact on equity before tax decrease
Average claim costs					
Property and casualty insurance	**+5%**	**4,472**	**4,037**	**(4,037)**	**(4,037)**
Short term life insurance	**+5%**	**356**	**336**	**(336)**	**(336)**

	31 December 2017				
(in RMB million)	Change in assumptions	Impact on gross claim reserves increase	Impact on net claim reserves increase	Impact on profit before tax decrease	Impact on equity before tax decrease
Average claim costs					
Property and casualty insurance	+5%	4,252	3,821	(3,821)	(3,821)
Short term life insurance	+5%	279	268	(268)	(268)

(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.

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK

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

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB and HKD/RMB exchange rates. The Group set limitation to its position of foreign currency, monitor the size of foreign currency position, and limit the foreign currency position within the threshold set by utilizing hedging strategy.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit and equity (due to changes in fair value of foreign currency denominated non-monetary assets and liabilities measured at fair value, as well as monetary assets and liabilities). The correlation of variables will have a significant effect on determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		31 December 2018		31 December 2017	
(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%	**368**	**1,253**	(1,282)	381
HKD	+5%	**871**	**1,058**	305	2,344
Other currencies	+5%	**429**	**445**	(5)	231
		1,668	**2,756**	(982)	2,956
USD	-5%	**(368)**	**(1,253)**	1,282	(381)
HKD	-5%	**(871)**	**(1,058)**	(305)	(2,344)
Other currencies	-5%	**(429)**	**(445)**	5	(231)
		(1,668)	**(2,756)**	982	(2,956)

51. 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 analysed as follows by currency:

	31 December 2018				
(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	367,140	80,142	5,516	4,726	457,524
Balances with the Central Bank and statutory deposits for insurance operations	277,838	7,588	533	-	285,959
Financial assets held under resold agreements	92,951	-	-	-	92,951
Policy Loans	111,219	-	-	-	111,219
Financial assets at fair value through profit or loss	702,919	91,480	18,976	11,564	824,939
Financial assets at amortized cost	2,046,742	25,447	2,091	871	2,075,151
Equity financial assets at fair value through other comprehensive income	215,145	-	7,494	-	222,639
Debt financial assets at fair value through other comprehensive income	298,713	11,864	7	317	310,901
Loans and advances to customers	1,799,339	103,086	8,459	18,958	1,929,842
Premium receivables	66,011	1,088	51	-	67,150
Accounts receivable	22,722	-	-	76	22,798
Reinsurers' share of insurance liabilities	15,145	1,104	422	-	16,671
Finance lease receivable	165,214	-	-	-	165,214
Other assets	73,478	4,715	266	53	78,512
	6,254,576	326,514	43,815	36,565	6,661,470
Liabilities					
Due to banks and other financial institutions	707,221	80,572	3,600	11,761	803,154
Financial liabilities held for trading	16,975	-	-	-	16,975
Assets sold under agreements to repurchase	181,235	7,793	-	-	189,028
Customer deposits and payables to brokerage customers	1,897,967	204,325	8,299	3,753	2,114,344
Accounts payable	9,778	1	-	-	9,779
Insurance payables	120,161	497	27	3	120,688
Insurance contract liabilities	2,208,831	2,217	823	16	2,211,887
Investment contract liabilities for policyholders	52,740	6	-	1	52,747
Policyholder dividend payable	52,568	21	-	2	52,591
Bonds payable	533,567	18,239	5,069	-	556,875
Other liabilities	132,627	2,578	350	5	135,560
	5,913,670	316,249	18,168	15,541	6,263,628
Net position of foreign currency		10,265	25,647	21,024	56,936
Notional amount of foreign exchange derivative financial instruments		14,788	(4,485)	(12,129)	(1,826)
		25,053	21,162	8,895	55,110
Off-balance sheet credit commitments	343,719	49,219	319	4,475	397,732

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51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (continued)

	31 December 2017				
(in RMB millions)	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	RMB equivalent total
Assets					
Cash and amounts due from banks and other financial institutions	399,670	68,704	10,831	4,686	483,891
Balances with the Central Bank and statutory deposits for insurance operations	311,187	6,409	640	–	318,236
Financial assets held under resold agreements	99,296	–	–	–	99,296
Policy loans	83,203	–	–	–	83,203
Fixed maturity investments	2,336,092	34,351	4,520	1,675	2,376,638
Equity investments	538,828	42,026	41,568	8,254	630,676
Loans and advances to customers	1,535,529	99,545	9,955	15,835	1,660,864
Premium receivables	44,776	874	44	–	45,694
Accounts receivable	72,061	–	–	–	72,061
Reinsurers' share of insurance liabilities	14,373	1,003	257	–	15,633
Finance lease receivable	112,028	–	–	–	112,028
Other assets	148,561	2,505	699	115	151,880
	5,695,604	255,417	68,514	30,565	6,050,100
Liabilities					
Due to banks and other financial institutions	676,008	93,289	1,054	10,179	780,530
Financial liabilities held for trading	14,056	4	–	–	14,060
Assets sold under agreements to repurchase	123,964	9,697	320	–	133,981
Customer deposits and payables to brokerage customers	1,760,813	173,434	14,048	4,400	1,952,695
Accounts payable	8,522	–	–	–	8,522
Insurance payables	113,613	469	23	3	114,108
Insurance contract liabilities	1,930,484	1,680	788	17	1,932,969
Investment contract liabilities for policyholders	50,301	7	–	1	50,309
Policyholder dividend payable	45,603	17	–	2	45,622
Bonds payable	437,033	11,715	2,535	–	451,283
Other liabilities	201,575	11,425	421	1,280	214,701
	5,361,972	301,737	19,189	15,882	5,698,780
Net position of foreign currency		(46,320)	49,325	14,683	17,688
Notional amount of foreign exchange derivative financial instruments		53,939	(2,444)	(10,070)	41,425
		7,619	46,881	4,613	59,113
Off-balance sheet credit commitments	308,826	42,808	1,626	697	353,957

51. 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 financial assets at fair value through other comprehensive income 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 2018**	31 December 2017
Listed stocks and security investment funds	**15,799**	9,455

The Group expects that current listed stocks and equity investments funds will not lose more than RMB15,799 million due to market price movements in a 10-trading-day holding period on 99% of occasions.

51. 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 bonds carried at fair value through profit or loss) and equity (fair value change on bonds carried at fair value through profit or loss and bonds carried at fair value through other comprehensive income).

		31 December 2018		31 December 2017	
(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	**-**	**-**	460	5,072
Bonds carried at fair value through profit or loss and available-for-sale	+50 basis points	**-**	**-**	(460)	(5,072)
Bonds carried at fair value through profit or loss and through other comprehensive income	-50 basis points	**1,739**	**8,356**	–	–
Bonds carried at fair value through profit or loss and through other comprehensive income	+50 basis points	**(1,739)**	**(8,356)**	–	–

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

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.

		31 December 2018		31 December 2017	
(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
Floating interest rate bonds	+50 basis points	**109**	**109**	140	140
Floating rate term deposits	+50 basis points	**18**	**18**	18	18
Loans and advances to customers	+50 basis points	**5,930**	**5,930**	5,148	5,148
Floating interest rate bonds	-50 basis points	**(109)**	**(109)**	(140)	(140)
Floating rate term deposits	-50 basis points	**(18)**	**(18)**	(18)	(18)
Loans and advances to customers	-50 basis points	**(5,930)**	**(5,930)**	(5,148)	(5,148)

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 2018**	31 December 2017
Fixed interest rate		
Less than 3 months (including 3 months)	**14,739**	15,213
3 months to 1 year (including 1 year)	**21,346**	9,770
1-2 years (including 2 years)	**34,745**	43,370
2-3 years (including 3 years)	**36,226**	40,537
3-4 years (including 4 years)	**25,074**	20,570
4-5 years (including 5 years)	**19,393**	27,890
More than 5 years	**19,116**	1,000
Floating interest rate	**3,499**	3,500
	174,138	161,850

51. 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 2018			
(in RMB million)	Financial assets at amoritized cost	Debt financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Fixed interest rate				
Less than 3 months (including 3 months)	**62,195**	**12,849**	**37,158**	**112,202**
3 months to 1 year (including 1 year)	**206,170**	**38,186**	**86,309**	**330,665**
1-2 years (including 2 years)	**193,139**	**17,424**	**50,202**	**260,765**
2-3 years (including 3 years)	**181,139**	**36,457**	**39,282**	**256,878**
3-4 years (including 4 years)	**165,306**	**30,194**	**28,484**	**223,984**
4-5 years (including 5 years)	**148,573**	**34,358**	**17,621**	**200,552**
More than 5 years	**969,830**	**137,179**	**80,714**	**1,187,723**
Floating interest rate	**115,665**	**25**	**57,488**	**173,178**
	2,042,017	**306,672**	**397,258**	**2,745,947**

	31 December 2017				
(in RMB million)	Loans and receivables	Held-to-maturity	Available-for-sale	Carried at fair value through profit or loss	Total
Fixed interest rate					
Less than 3 months (including 3 months)	100,201	27,846	21,249	26,704	176,000
3 months to 1 year (including 1 year)	163,168	84,695	36,103	1,731	285,697
1-2 years (including 2 years)	76,504	87,422	26,498	7,867	198,291
2-3 years (including 3 years)	121,890	99,040	23,551	8,881	253,362
3-4 years (including 4 years)	38,321	103,171	17,684	2,712	161,888
4-5 years (including 5 years)	74,132	110,383	26,831	2,786	214,132
More than 5 years	153,567	703,584	73,165	4,626	934,942
Floating interest rate	119,415	27,627	15,944	18,915	181,901
	847,198	1,243,768	241,025	74,222	2,406,213

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.

51. 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, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income, reinsurance arrangement with reinsurers, policy loans, margin financing and with the exposure arising from loan commitments and financial guarantee contracts, etc. The Group uses a variety of controls to identify, measure, monitor and report credit risk.

(a) Credit risk management

Credit risk of banking business

The banking business of the Group has formulated a set of credit management processes and internal control mechanisms, so as to carry out the whole process management of credit business. Credit management procedures for its corporate and retail loans comprise of credit origination, credit review, credit approval, disbursement, post credit monitoring and collection. In addition, the banking business of the Group has formulated procedure manuals for credit management, which clarifies the duties of each cycle in the credit management processes, effectively monitoring credit risk and enhancing credit compliance.

The banking business of the Group further enhances credit risk monitoring and early warning management mechanism to monitor the credit risks, respond to the changes in credit environment proactively, analyse the credit risk situations and trends regularly, take risks monitoring measures prospectively. The Group has established enhancement mechanism for problematic credit, aiming to accelerate the progress of handling problematic credit and preventing non-performing loans.

Credit risks arising from financial guarantees and loan commitments are similar to those of loans and advances. Therefore, financial guarantees and loan commitments are also subject to the same application, post crediting monitoring and collateral requirements as loan and advances business.

Credit risk of investment business

As to debt investments, the Group applies the credit ratings of the existing investments through internal credit rating policies and processes, with high credit quality counterparties selected and strict selection criteria set.

The Group’s debt investment mainly includes domestic government bonds, Central Bank bills, financial institution bonds, corporate bonds and debt investment schemes. The Group manages the credit risk for these investments mainly through controlling the investment scales, selecting counterparties within the financial institutions with appropriate credit quality prudently, balancing the credit risks and rate of return of investment and considering the internal and external credit rating information comprehensively.

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(a) Credit risk management (continued)

Credit risk of insurance business

The Group evaluated the credit rating of the reinsurance companies before signing the reinsurance contracts, and choose the reinsurance companies with higher credit quality to reduce the credit risk.

The limit of policy loans are based on the cash values of valid insurance policies, with appropriate discounts, and the validity periods of policy loans are within the validity periods of insurance policies. The credit risk associated with policy loans did not have material impact on the Group's consolidated financial statements as at 31 December 2018 and 31 December 2017.

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 PBC and the major commercial banks in the PRC held by the Group. The following analysis excludes balances of investment-linked contracts.

(in RMB million)	31 December 2018
PBC	**281,252**
Commercial banks	
Bank of China Limited	**31,461**
Industrial Bank Co.,Ltd.	**31,402**
China CITIC Bank Corporation Limited	**26,793**
Industrial and Commercial Bank of China Limited	**24,001**
Bank of Communications Co.,Ltd.	**19,973**
Other major banks and financial institutions	
Bank of Shanghai Co.,Ltd.	**17,729**
China Construction Bank Corporation	**17,044**
China Minsheng Banking Corp. Ltd.	**17,041**
Hengfeng Bank Co.,Ltd.	**15,997**
Agricultural Bank of China Co.,Ltd.	**15,931**
Others	**244,859**
	743,483

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(a) Credit risk management (continued)

Credit quality of amounts due from banks and other financial institutions (continued)

(in RMB million)	31 December 2017
PBC	305,986
Top five commercial banks	
Bank of China Limited	40,974
Bank of Communications Co., Ltd.	34,358
Industrial and Commercial Bank of China Limited	29,051
Industrial Bank Co., Ltd.	21,984
China Bohai Bank Co., Ltd.	20,432
Other major banks and financial institutions	
China Construction Bank Corporation	18,434
Bank of Shanghai Limited	17,839
China Zheshang Bank Co., Ltd.	16,579
Agricultural Bank of China Limited	16,343
China Minsheng Banking Corp. Ltd.	16,070
Others	264,077
	802,127

Aging analysis of financial assets

	31 December 2017						
		Past due but not impaired					
(in RMB million)	Not due and not impaired	Overdue Less than 30 days	Overdue 31 to 90 days	Overdue More than 90 days	Total past due but not impaired	Impaired	Total
Cash and amounts due from banks and other financial institutions – due from and placements with banks and other financial institutions	189,268	1,400	–	–	1,400	52	190,720
Assets purchased under reverse repurchase agreements	99,251	59	–	–	59	–	99,310
Loans and advances to customers	1,643,868	11,151	6,454	14,761	32,366	28,952	1,705,186
Including:							
Corporate customers	807,406	5,978	3,587	14,705	24,270	18,944	850,620
Individual customers	836,462	5,173	2,867	56	8,096	10,008	854,566
Premium receivables	42,674	11	19	5	35	4,888	47,597
Due from reinsurers	6,710	259	892	108	1,259	32	8,001
Finance lease receivable	112,028	–	–	–	–	1,682	113,710
Gross total	2,093,799	12,880	7,365	14,874	35,119	35,606	2,164,524

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss

From 1 January 2018, the Group formulates the credit losses of debt instruments carried at amortized cost and FVOCI, finance lease receivable, loan commitment and financial guarantee contracts using ECL models according to IFRS 9 requirements.

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below.

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of EAD, PD and LGD.

i) Exposure at Default (EAD): EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

ii) Probability of Default (PD): The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

iii) Loss given Default (LGD): LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the Lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

Judgement of significant increase in credit risk ('SICR')

Under IFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group considers various reasonable supporting information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the ECL staging for financial assets. Major factor being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

Judgement of significant increase in credit risk ('SICR') (continued)

The Group set quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly includes the PD changes of the debtors, changes of credit risk categories and other indicators of SICR, etc. In the judgement of whether the credit risk has SICR after initial recognition, the Group has not rebutted the 30 days past due as presumption of SICR.

The definition of credit-impaired assets

Under IFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets, while considering quantitative and qualitative indicators. When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

- The debtor has overdue more than 90 days after the contract payment date;
- Internal credit rating is default grade;
- The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender;
- The debtor has significant financial difficulties;
- The debtor is likely to go bankrupt or other financial restructuring;
- The active market for financial assets disappears

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable events.

Forward-looking information

The determinations of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macroeconomic variables associated with credit risk and expected credit losses for each portfolio. The Group has developed macroeconomic forward looking adjustment model by establishing a pool of macro-economic indicators, preparing data, filtering model factors and adjusting forward-looking elements, and the indicators include gross domestic product (GDP) year on year percentage change, customer price index (CPI) year on year percentage change, purchasing manager's index (PMI) and other macroeconomic variables. Through regression analysis, the relationship among these economic indicators in history with EAD, PD and LGD is determined, and the EAD, PD, LGD are determined through forecasting economic indicator. The forecasting methods and critical assumptions applied have no material change during the year ended 31 December 2018.

In 2018, the Group collected 10-year time series data of macroeconomic parameters from the China Macroeconomic Database published by Wind Info Technology Co., Ltd., and analyzed the inter-period relationship between economic parameters, and simulated randomization through the Monte Carlo method to formulate prediction function. Combined with the expert judgement, the Group established the values used for different scenarios. In addition to the base economic scenario, the Group also considers other possible scenario and relative weightings. The scenario is set, by analysing of each major product structure, to ensure non-linearity is considered. The Group regularly reassess the number of scenarios and their attributes. In 2018, the Group combined statistical analysis to determine the weights of different scenarios, and also considered the range of possible outcomes represented by each scenario, and determined the final macroeconomic assumptions and weights to measure the relevant expected credit loss.

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

Forward-looking information (continued)

The impact of these economic indicators on PD and LGD varies to different businesses. The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators with PD and LGD. The Group evaluates and forecasts these economic indicators at least annually, provides the best estimates for the future, and regularly evaluates the results.

In 2018, the Group considered different macroeconomic scenarios. The key macroeconomic assumptions used to estimate expected credit losses are listed below.

GDP – year on year percentage change	6.2%-6.6%
CPI – year on year percentage change	2.0%-3.0%
PMI	49.5%-51.1%
Broad measure of money supply (M2) – year on year percentage change	7.9%-9.7%

Similar to other economic forecasts, the estimates of economic indicators forecasting have high inherent uncertainties, actual results may have significant difference with estimates. The Group considered the estimates above represented the optimal estimation of possible outcomes.

Sensitivity analysis

Expected credit losses are sensitive to the parameters used in the model, the macroeconomic variables of the forward-looking forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Changes in these input parameters, assumptions, models, and judgments will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

The banking business of the Group assumed that if the weight of the upside scenario increased by 10% and the weight of the base scenario reduced by 10%, the Group's ECL impairment provision on 31 December, 2018 would be reduced by RMB571 million; if the weight of the downside scenario increased by 10% and the weight of the base scenarios reduced by 10%, the Group's ECL impairment provision would be increased by RMB814 million.

The following table shows the changes of ECL impairment provision and other liabilities related to ECL assuming the financial assets and loan commitment in stage 2 reclassified to stage 1 due to significant change in credit risk.

(in RMB million)	31 December 2018
The total amount of ECL impairment provision and other liabilities related to ECL under assumption of reclassification of financial assets and loan commitment from stage 2 to stage 1	**67,177**
ECL impairment provision and other liabilities related to ECL recognized in the consolidated balance sheet	**75,168**
Difference-amount	**(7,991)**
Difference-percentage	**-11%**

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

Credit exposure

Without considering the impact of collateral and other credit enhancements, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements. The Group also assumes credit risk due to credit commitments and financial guarantee contracts. The details are disclosed in Note 59. (3).

Please refer to Note 25. (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. Policies are established regarding to the selection of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for policy loans, collaterals are cash value of policies;
- for reverse repurchase transactions, collaterals are quoted securities;
- for commercial loans, collaterals are real estate properties, inventories, equity investments and trade receivables, etc.;
- for retail loans to individuals, collaterals are residential properties mortgages.

Management monitors the market value of the collateral, and requires additional collateral when needed according to contracts, when assessing the adequacy of impairment.

It is the Group's policy to dispose collateral orderly. The proceeds are used to repay all or part of the outstanding balance. Generally, the Group would not use the collateralised assets for business purpose.

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 2018	31 December 2017
Loans and advances to customers	**23,039**	26,672

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51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

The following table presents the credit risk exposure of the financial assets under the scope of expected credit loss. Without considering guarantee or any other credit enhancement measures, for on-balance sheet assets, the maximum credit risk exposure is presented as the net carrying amount of the financial assets:

(in RMB million)	31 December 2018				31 December 2017
Net carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	**Maximum credit risk exposure**	Maximum credit risk exposure
Cash and amounts due from banks and other financial institutions	**457,524**	**-**	**-**	**457,524**	483,891
Balances with the Central Bank and statutory deposits for insurance operations	**285,959**	**-**	**-**	**285,959**	318,236
Debt financial assets at fair value through other comprehensive income	**310,017**	**43**	**841**	**310,901**	–
Financial assets at amortized cost	**2,061,651**	**5,524**	**7,976**	**2,075,151**	–
Loans and advances to customers	**1,862,894**	**37,254**	**29,694**	**1,929,842**	1,660,864
Accounts receivable	**21,980**	**620**	**198**	**22,798**	72,061
Finance lease receivable	**161,723**	**3,080**	**411**	**165,214**	112,028
Financial assets held under resold agreements	**92,543**	**94**	**314**	**92,951**	99,296
Fixed maturity investments (excluding measured as FVPL)	**-**	**-**	**-**	**-**	2,312,837
Other assets	**76,754**	**-**	**-**	**76,754**	143,891
Subtotal	**5,331,045**	**46,615**	**39,434**	**5,417,094**	5,203,104
Off-balance sheet	**391,548**	**4,751**	**733**	**397,032**	354,755
Total	**5,722,593**	**51,366**	**40,167**	**5,814,126**	5,557,859

The Group closely monitors collateral of credit-impaired financial assets.

As at 31 December 2018, the fair value of collateral of credit-impaired loans and advances to customers is RMB38,007 million. The fair value of collateral of credit-impaired financial assets at amortized cost is RMB13,935 million.

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

The following tables explain the changes in the gross carrying amount and loss allowance of the main financial assets between the beginning and the end of the annual period due to these factors:

Gross carrying amount (in RMB million)	Stage	1 January 2018	Net increase/ (decrease) (Note 1)	Stages transfers: Transfer between Stage 1 and Stage 2	Stages transfers: Transfer between Stage 1 and Stage 3	Stages transfers: Transfer between Stage 2 and Stage 3	Write-offs	31 December 2018
Loans and advances to customers	Stage 1	1,563,237	383,823	(65,775)	(1,277)	–	–	1,880,008
	Stage 2	44,635	(20,413)	65,775	–	(44,812)	–	45,185
	Stage 3	71,579	(13,182)	–	1,277	44,812	(45,804)	58,682
	Subtotal	1,679,451	350,228	–	–	–	(45,804)	1,983,875
Financial assets at amortized cost	Stage 1	1,931,311	139,002	(3,091)	–	–	–	2,067,222
	Stage 2	13,419	(3,733)	3,091	–	(6,906)	–	5,871
	Stage 3	11,666	(3,209)	–	–	6,906	–	15,363
	Subtotal	1,956,396	132,060	–	–	–	–	2,088,456
Debt financial assets at fair value through other comprehensive income	Stage 1	220,085	90,816	(556)	(328)	–	–	310,017
	Stage 2	–	–	556	–	(513)	–	43
	Stage 3	–	–	–	328	513	–	841
	Subtotal	220,085	90,816	–	–	–	–	310,901

Note 1: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

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51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

Impairment provision (in RMB million)	Stage	1 January 2018	Net increase/ (decrease) (Note 1)	Charge/ (recover) for the year (Note 2)	Stages transfers: Transfer between Stage 1 and Stage 2	Stages transfers: Transfer between Stage 1 and Stage 3	Stages transfers: Transfer between Stage 2 and Stage 3	Write-offs	31 December 2018
Loans and advances to customers	Stage 1	11,941	9,592	957	(5,175)	(49)	–	–	17,266
	Stage 2	3,447	(889)	9,600	5,175	–	(9,402)	–	7,931
	Stage 3	32,375	(5,263)	38,231	–	49	9,402	(45,804)	28,990
	Subtotal	47,763	3,440	48,788	–	–	–	(45,804)	54,187
Financial assets at amortized cost	Stage 1	3,740	3,759	(482)	(1,446)	–	–	–	5,571
	Stage 2	702	(80)	24	1,446	–	(1,745)	–	347
	Stage 3	3,980	(454)	2,116	–	–	1,745	–	7,387
	Subtotal	8,422	3,225	1,658	–	–	–	–	13,305
Debt financial assets at fair value through other comprehensive income	Stage 1	530	158	24	(43)	(14)	–	–	655
	Stage 2	–	–	–	43	–	(42)	–	1
	Stage 3	–	–	468	–	14	42	–	524
	Subtotal	530	158	492	–	–	–	–	1,180

Note 1: Changes in current year due to purchase, purchased credit-impaired or derecognition except write-offs.

Note 2: Changes in PDs, EADs, and LGDs in the current year, arising from regular refreshing of inputs to models and stages transfers.

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

The Group internally grades the financial instruments based on the credit quality and risk characteristics. The credit rating of the financial instruments could further be classified as "low risk", "medium risk", "high risk" and "default" according to the internal rating scale. "Low risk" means that the asset quality is good, there is sufficient evidence to show that the asset is not expected to have default, or there is no reason to suspect that the asset had incurred default. "Medium risk" means that the asset quality is acceptable or there are factors revealing potential negative impact on the asset quality, but there is no sufficient reason to suspect that the asset had incurred default. "High risk" means that there is factors revealing significant adverse impact on the asset quality, but there is no event indicating incurred default; The criteria of "default" are consistent with those of "credit-impaired".

The following table contains an analysis of the credit risk grading of loans and advances to customers and financial assets at amortized cost. The carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

Loans and advances to customers:

	31 December 2018				
	ECL staging				
(in RMB million)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
Credit grade					
Low risk	**1,016,991**	**148**	**-**	**-**	**1,017,139**
Medium risk	**849,814**	**12,203**	**-**	**-**	**862,017**
High risk	**13,203**	**32,834**	**-**	**-**	**46,037**
Default	**-**	**-**	**58,682**	**-**	**58,682**
Gross carrying amount	**1,880,008**	**45,185**	**58,682**	**-**	**1,983,875**
Loss allowance	**(17,114)**	**(7,931)**	**(28,988)**	**-**	**(54,033)**
Carrying amount	**1,862,894**	**37,254**	**29,694**	**-**	**1,929,842**

FINANCIAL STATEMENTS

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

(b) Expected credit loss (continued)

Financial assets at amortized cost:

	31 December 2018				
	ECL staging				
(in RMB million)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
Credit grade					
Low risk	**1,912,560**	**1,098**	**-**	**-**	**1,913,658**
Medium risk	**145,506**	**2,926**	**-**	**-**	**148,432**
High risk	**9,156**	**1,847**	**-**	**-**	**11,003**
Default	**-**	**-**	**15,363**	**-**	**15,363**
Gross carrying amount	**2,067,222**	**5,871**	**15,363**	**-**	**2,088,456**
Loss allowance	**(5,571)**	**(347)**	**(7,387)**	**-**	**(13,305)**
Carrying amount	**2,061,651**	**5,524**	**7,976**	**-**	**2,075,151**

(4) LIQUIDITY RISK

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

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

The banking business of the Group is exposed to potential liquidity risk. The Group utilizes multiple regulatory methods, establish comprehensive liquidity risk management framework, effectively recognize, measure, monitor and control liquidity risk, maintain sufficient liquidity level to satisfy various funds requirement and to face adverse market status. In case of monitoring liquidity risks effectively, the Group pays attentions to the funds resources and diversified utilization, keep relatively high liquidity assets consistently. The Group monitors the sourcing and usage of funds, deposit to loan ratio, and quick ratio on a daily basis. Moreover, when adopting various benchmarks for management of liquidity risk management measurement benchmarks, the Group compares the expected results against the ones derived from stress tests, critically assesses the potential impact to the future liquidity risk, and formulates remedial actions according to specific situations. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, and maintaining stable deposits, etc.

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

The table below summarizes the remaining contractual maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Group (excluding balances of investment-linked contracts) based on undiscounted contractual cash flows/expected cash flows.

	31 December 2018						
(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	138,242	99,348	89,601	135,813	19,299	-	482,303
Balances with the Central Bank and statutory deposits for insurance operations	24,947	836	5,462	7,405	-	248,567	287,217
Financial assets at fair value through profit or loss	60,158	39,097	100,932	199,434	152,196	350,102	901,919
Debt financial assets at fair value through other comprehensive income	480	15,258	48,256	151,191	178,945	-	394,130
Equity financial assets at fair value through other comprehensive income	-	-	-	-	-	222,639	222,639
Financial assets at amortized cost	11,170	83,377	334,406	939,296	1,682,740	-	3,050,989
Loans and advances to customers	29,496	579,429	617,167	589,400	424,717	-	2,240,209
Premium receivables	22,440	20,887	13,447	10,344	32	-	67,150
Accounts receivable	2,689	6,729	7,423	6,551	-	-	23,392
Finance lease receivable	-	15,116	39,773	105,906	6,989	-	167,784
Policy Loans	1,834	54,547	55,285	-	-	-	111,666
Financial assets held under resold agreements	1,820	85,867	5,505	410	-	-	93,602
Other assets	53,405	17,972	16,234	14,191	847	-	102,649
	346,681	1,018,463	1,333,491	2,159,941	2,465,765	821,308	8,145,649
Due to banks and other financial institutions	143,922	231,511	341,198	101,944	7,608	-	826,183
Financial liabilities at fair value through profit or loss	7	17,193	1,580	861	-	-	19,641
Assets sold under agreements to repurchase	-	189,108	-	-	-	-	189,108
Customer deposits and payables to brokerage customers	792,706	491,195	533,807	341,253	2,208	-	2,161,169
Accounts payable	810	2,185	6,784	-	-	-	9,779
Insurance payables	65,829	4,015	3,044	573	-	-	73,461
Insurance contract liability	-	(2,197)	343	(33,974)	5,988,623	-	5,952,795
Insurance and Investment contract liabilities for policyholders	-	1,604	5,671	17,789	31,018	-	56,082
Policyholder dividend payable	52,591	-	-	-	-	-	52,591
Bonds payable	-	66,809	323,186	160,876	35,714	-	586,585
Other liabilities	109,669	32,468	31,203	28,188	3,221	-	204,749
	1,165,534	1,033,891	1,246,816	617,510	6,068,392	-	10,132,143
Derivative cash flows							
Derivative financial instruments settled on a net basis	-	257	897	(449)	(35)	15	685
Derivative financial instruments settled on a gross basis							
- Cash inflow	32,581	488,019	388,765	11,330	-	-	920,695
- Cash outflow	(34,161)	(487,530)	(388,821)	(11,214)	-	-	(921,726)
	(1,580)	489	(56)	116	-	-	(1,031)

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

	31 December 2017						
(in RMB million)	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Cash and amounts due from banks and other financial institutions	119,818	138,314	101,731	148,707	2,024	–	510,594
Balances with the Central Bank and statutory deposits for insurance operations	34,862	141	1,888	11,812	121	271,259	320,083
Fixed maturity investments	41,554	292,432	428,625	1,202,731	1,539,172	–	3,504,514
Equity investments	12,317	12,785	15,548	33,307	25,389	546,944	646,290
Loans and advances to customers	50,194	432,182	517,173	564,950	356,122	–	1,920,621
Premium receivables	4,043	15,912	12,371	13,314	54	–	45,694
Accounts receivable	1,683	7,956	51,641	12,760	–	–	74,040
Finance lease receivable	–	5,481	29,624	74,753	2,170	–	112,028
Other assets	28,464	35,743	16,967	28,391	571	–	110,136
	292,935	940,946	1,175,568	2,090,725	1,925,623	818,203	7,244,000
Due to banks and other financial institutions	140,112	222,766	340,249	84,563	8,526	–	796,216
Assets sold under agreements to repurchase	–	134,154	–	–	–	–	134,154
Other financial liabilities held for trading	4,255	4,329	5,049	568	–	–	14,201
Customer deposits and payables to brokerage customers	780,767	424,848	432,426	375,752	2,957	–	2,016,750
Accounts payable	24	2,826	5,672	–	–	–	8,522
Insurance payables	60,478	2,256	1,665	15	–	–	64,414
Insurance contract liabilities	–	23,790	9,125	2,257	5,158,102	–	5,193,274
Investment contract liabilities for policyholders	–	1,044	4,158	14,987	32,168	–	52,357
Policyholder dividend payable	45,622	–	–	–	–	–	45,622
Bonds payable	–	184,488	131,112	131,071	40,914	–	487,585
Other liabilities	26,894	70,251	51,142	112,552	9,493	–	270,332
	1,058,152	1,070,752	980,598	721,765	5,252,160	–	9,083,427
Derivative cash flows							
Derivative financial instruments settled on a net basis	–	(2,493)	(1,400)	395	(17)	21	(3,494)
Derivative financial instruments settled on a gross basis							
– Cash inflow	29,939	256,252	284,253	4,501	–	–	574,945
– Cash outflow	(33,627)	(262,994)	(291,364)	(5,560)	–	–	(593,545)
	(3,688)	(6,742)	(7,111)	(1,059)	–	–	(18,600)

The table below summarizes the remaining contractual maturity profile of the Group:

(in RMB million)	**Less than 1 months**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Undated**	**Total**
31 December 2018							
Credit commitments	**59,113**	**95,850**	**215,584**	**96,713**	**121,003**	**–**	**588,263**
31 December 2017							
Credit commitments	62,590	106,045	166,735	63,871	95,052	–	494,293

51. 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 38.

(5) MISMATCHING RISK OF ASSETS AND LIABILITIES

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

(6) OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, employees and systems or from uncontrollable external events. Operational risk in this context includes legal risk, but does not include strategic risk and reputational risk. The Group is exposed to many types of operational risks in the conduct of its business. The Group manages operational risk by establishing and continuously improving risk management framework, formalizing policies and standards, using management tools and reporting mechanism, strengthening communication and enhancing training to staff members.

(7) CAPITAL MANAGEMENT

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

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

The Group has formally implemented China Risk Oriented Solvency System issued by the CIRC 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 2018, the Group was compliant with the relevant regulatory capital requirements.

51. 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 2018		
	The Group	Ping An Life	Ping An Property & Casualty
Core capital	**1,258,768**	**741,727**	**77,057**
Regulatory capital held	**1,290,268**	**764,727**	**85,557**
Minimum regulatory capital	**596,238**	**349,513**	**38,236**
Core Solvency margin ratio	**211.1%**	**212.2%**	**201.5%**
Comprehensive solvency margin ratio	**216.4%**	**218.8%**	**223.8%**

	31 December 2017		
	The Group	Ping An Life	Ping An Property & Casualty
Core capital	1,115,365	680,450	70,095
Regulatory capital held	1,146,865	703,450	78,595
Minimum regulatory capital	533,775	300,453	36,141
Core Solvency margin ratio	209.0%	226.5%	194.0%
Comprehensive solvency margin ratio	214.9%	234.1%	217.5%

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 2018	31 December 2017
Core Tier 1 capital adequacy ratio	**8.54%**	8.28%
Tier 1 capital adequacy ratio	**9.39%**	9.18%
Capital adequacy ratio	**11.50%**	11.20%

51. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(8) THE GROUP'S MAXIMUM EXPOSURE TO STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for customers, to provide finance to public and private sector infrastructure projects, and to generate fees from managing assets on behalf of third-party investors. These structured entities are financed through the issue of notes or units to investors. Refer to Note 3.(6) for the Group's consolidation consideration related to structured entities.

The following table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of direct investments made by the Group.

The size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

	Unconsolidated structured entities			
31 December 2018 (in RMB million)	**Size**	**Carrying amount**	**The Group's maximum exposure**	**Interest held by the Group**
Securitization	**89,581**	**5,183**	**5,183**	Investment income and service fee
Assets management products managed by affiliated entities	**1,686,384**	**236,694**	**236,694**	Investment income and service fee
Assets management products managed by third parties	**Note 1**	**443,679**	**443,679**	Investment income
Wealth management products managed by affiliated entities	**537,781**	**6,156**	**6,156**	Investment income and service fee
Wealth management products managed by third parties	**Note 1**	**14,837**	**14,837**	Investment income

	Unconsolidated structured entities			
31 December 2017 (in RMB million)	Size	Carrying amount	The Group's maximum exposure	Interest held by the Group
Securitization	59,223	2,426	2,426	Investment income and service fee
Assets management products managed by affiliated entities	1,337,658	175,338	175,338	Investment income and service fee
Assets management products managed by third parties	Note 1	476,103	476,103	Investment income
Wealth management products managed by affiliated entities	508,770	3,030	3,030	Investment income and service fee
Wealth management products managed by third parties	Note 1	26,545	26,545	Investment income

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 wealth management investments under financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost and beneficial right under trust schemes under financial assets held under resold agreements.

52. 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.

(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 2018	31 December 2017	31 December 2018	31 December 2017
Financial assets				
Financial assets at fair value through profit or loss	**824,939**	141,250	**824,939**	141,250
Debt financial assets at fair value through other comprehensive income	**310,901**	–	**310,901**	–
Equity financial assets at fair value through other comprehensive income	**222,639**	–	**222,639**	–
Financial assets at amortized cost	**2,075,151**	–	**2,097,405**	–
Available-for-sale	**–**	775,098	**–**	775,098
Derivative financial assets	**21,911**	16,192	**21,911**	16,192
Held-to-maturity	**–**	1,243,768	**–**	1,206,471
Loans and receivables	**–**	847,198	**–**	851,510
Cash and amounts due from banks and other financial institutions	**457,524**	483,891	**457,524**	483,891
Balances with the Central Bank and statutory deposits for insurance operations	**285,959**	318,236	**285,959**	318,236
Loans and advances to customers	**1,929,842**	1,660,864	**1,929,842**	1,661,301
Financial assets held under resold agreements	**92,951**	99,296	**92,951**	99,296
Accounts receivable	**22,798**	72,061	**22,798**	72,061
Finance lease receivable	**165,214**	112,028	**165,214**	112,028
Other assets	**69,829**	143,891	**69,829**	143,891

52. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

(in RMB million)	Carrying values		Fair values	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
Financial liabilities				
Derivative financial liabilities	**22,247**	17,950	**22,247**	17,950
Financial liabilities at fair value through profit or loss	**16,975**	14,060	**16,975**	14,060
Due to banks and other financial institutions	**803,154**	780,530	**803,154**	780,530
Assets sold under agreements to repurchase	**189,028**	133,981	**189,028**	133,981
Customer deposits and payables to brokerage customers	**2,114,344**	1,952,695	**2,114,344**	1,952,695
Accounts payable	**9,779**	8,522	**9,779**	8,522
Bonds payable	**556,875**	451,283	**555,701**	450,142
Other liabilities	**183,097**	271,673	**183,097**	271,673

The assets and liabilities of the investment-linked business are not included in the above financial assets and liabilities.

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements, i.e., financial assets at amortized costs 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, adjustment are also made to reflect the subsequent changes in the market rate after initial recognition.

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 PBC. Thus, the carrying amounts approximate to their fair values.

52. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

(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:

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 main 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: either directly (such as price) or indirectly (such as calculated based on price) other than quoted prices included within Level 1 that are observable for the asset or liability;

Level 3: inputs which are based on parameters other than observable market data (unobservable inputs).

The level of fair value measurement is determined by the lowest level input that is significant to the entire measurement. As such, the significance of a particular input should be considered from an overall perspective in the fair value measurement.

Valuation methods for Level 2 and Level 3 financial instruments

For Level 2 financial instruments, valuations are generally using observable market inputs, or recent quoted market prices. The valuation 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 public 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 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.

52. 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 2018			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Financial assets at fair value through profit or loss				
Bonds	18,343	151,024	-	169,367
Funds	131,861	68,764	128	200,753
Stocks	79,294	10,346	-	89,640
Wealth management investments and other investments	4	280,037	85,138	365,179
	229,502	510,171	85,266	824,939
Derivative financial assets				
Interest rate swaps	-	12,013	-	12,013
Currency forwards and swaps	-	7,622	-	7,622
Others	-	2,276	-	2,276
	-	21,911	-	21,911
Debt financial assets at fair value through other comprehensive income				
Bonds	35,381	223,933	-	259,314
Wealth management investments and other investments	-	34,836	16,751	51,587
	35,381	258,769	16,751	310,901
Equity financial assets at fair value through other comprehensive income				
Stocks	154,235	-	-	154,235
Preferred shares	-	66,682	-	66,682
Unlisted equity investments	-	-	1,722	1,722
	154,235	66,682	1,722	222,639
Placements with banks and other financial institutions measured at fair value through other comprehensive income	-	3,756	-	3,756
Loans and advances to customers measured at fair value through other comprehensive income	-	-	61,687	61,687
Total financial assets	419,118	861,289	165,426	1,445,833
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	-	12,147	-	12,147
Currency forwards and swaps	-	6,898	-	6,898
Others	-	3,202	-	3,202
	-	22,247	-	22,247
Financial liabilities at fair value through profit or loss	8,477	7,532	966	16,975
Total financial liabilities	8,477	29,779	966	39,222

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52. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

	31 December 2017			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Carried at fair value through profit or loss				
Bonds	4,140	59,661	–	63,801
Security investment funds	21,528	10,993	970	33,491
Equity securities	16,697	281	–	16,978
Other equity investments	–	19,832	7,148	26,980
	42,365	90,767	8,118	141,250
Derivative financial assets				
Interest rate swaps	–	225	–	225
Currency forwards and swaps	–	14,107	–	14,107
Others	–	1,860	–	1,860
	–	16,192	–	16,192
Available-for-sale financial assets				
Bonds	42,676	179,155	40	221,871
Security investment funds	51,555	5,380	–	56,935
Equity securities	254,328	5,610	–	259,938
Other equity investments	–	64,969	171,259	236,228
	348,559	255,114	171,299	774,972
Total financial assets	390,924	362,073	179,417	932,414
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	–	100	–	100
Currency forwards and swaps	–	15,848	–	15,848
Others	–	2,002	–	2,002
	–	17,950	–	17,950
Other financial liabilities held for trading	9,076	4,370	614	14,060
Total financial liabilities	9,076	22,320	614	32,010

52. 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 2018			
(in RMB million)	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets				
Financial assets at amortized cost	**40,053**	**1,963,798**	**93,554**	**2,097,405**
Total	**40,053**	**1,963,798**	**93,554**	**2,097,405**
Financial liabilities				
Bonds payable	**66,202**	**489,499**	**-**	**555,701**
Total	**66,202**	**489,499**	**-**	**555,701**

	31 December 2017			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Held-to-maturity				
Bonds	48,656	1,157,439	376	1,206,471
Total	48,656	1,157,439	376	1,206,471
Financial liabilities				
Bonds payable	68,972	381,170	–	450,142
Total	68,972	381,170	–	450,142

Financial assets and liabilities for which fair value approximates carry value are not included in the above disclosure.

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

	Carried at fair value through profit or loss	
(in RMB million)	**2018**	2017
At 31 December 2017/2016	**8,118**	4,721
Change in accounting policy	**81,853**	–
At 1 January 2018/2017	**89,971**	4,721
Additions	**97,487**	2,756
Disposals	**(112,161)**	(775)
Transfers into Level 3	**40**	–
Total gains in income	**9,929**	1,416
At 31 December 2018/2017	**85,266**	8,118

52. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

(in RMB million)	Available-for-sale financial assets 2017
At 1 January	119,147
Additions	100,232
Disposals	(61,072)
Transfers into Level 3	14,096
Transfers out of Level 3	(3,302)
Total gains in income	30
Total gains in other comprehensive income	2,168
At 31 December	171,299

(in RMB million)	Debt financial assets at fair value through other comprehensive income 2018
At 1 January	**11,226**
Disposals	**(1,000)**
Issue	**153,923**
Settlement	**(148,319)**
Total gains in income	**921**
At 31 December	**16,751**

(in RMB million)	Equity financial assets at fair value through other comprehensive income 2018
At 1 January	**1,025**
Additions	**697**
At 31 December	**1,722**

(in RMB million)	Loans and advances to customers at fair value through other comprehensive income 2018
At 1 January	**24,428**
Additions	**3,414,352**
Disposals	**(3,376,952)**
Total gains in income	**(141)**
At 31 December	**61,687**

52. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The gains or losses of level 3 financial instruments included in the statement of income for the year are presented as follows:

(in RMB million)	2018 Realized gains	2018 Unrealized gains	2018 Total
Financial assets at fair value through profit or loss	**326**	**9,603**	**9,929**
Debt financial assets at fair value through other comprehensive income	**921**	**-**	**921**
Loans and advances to customers at fair value through other comprehensive income	**(141)**	**-**	**(141)**
	1,106	**9,603**	**10,709**

(in RMB million)	2017 Realized gains	2017 Unrealized gains	2017 Total
Carried at fair value through profit or loss	1	1,415	1,416
Available-for-sale	30	–	30
	31	1,415	1,446

Transfers

During the year 2018, there were no significant transfers between Level 1 and Level 2 fair value measurements.

Part of the financial instruments transfer into Level 3 in the year 2018 and 2017 because of the change of the valuation inputs.

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53. 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 above mentioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	31 December 2018		31 December 2017	
(in RMB million)	**Carrying amount assets**	**Carrying amount associated liabilities**	Carrying amount assets	Carrying amount associated liabilities
Repurchase transactions	**1,836**	**1,836**	4,299	4,299
Assets securitization	**2,961**	**2,961**	2,112	2,112

54. CASH AND CASH EQUIVALENTS

(in RMB million)	**31 December 2018**	31 December 2017
Cash and amounts due from banks and other financial institutions		
Cash on hand	**5,019**	4,228
Term deposits	**6,800**	7,773
Due from banks and other financial institutions	**112,574**	127,569
Placements with banks and other financial institutions	**53,667**	30,003
Balances with the Central Bank	**41,899**	32,898
Bonds	**2,534**	13,185
Financial assets held under resold agreements	**85,531**	93,008
Total	**308,024**	308,664

The carrying amounts disclosed above approximate their fair values at year end.

55. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(1) RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES:

(in RMB million)	2018	2017
Profit before tax	**163,151**	134,740
Adjustments for:		
Depreciation	**6,284**	5,618
Amortization of intangible assets	**2,898**	2,394
Losses on disposal of investment properties, property and equipment, intangible assets and settled assets	**38**	1
Investment income	**(195,233)**	(192,757)
Fair value losses/(gains) on investments at fair value through profit or loss	**28,284**	(3,271)
Fair value losses on available-for-sale equity investments (transfer from equity)	**-**	716
Interest expenses on non-banking operations	**18,227**	11,167
Foreign exchange losses	**946**	128
Provision for doubtful debts and others, net	**-**	581
Loan loss provisions, net of reversals	**-**	40,814
Others impairment loss on other assets	**1,709**	–
Net impairment loss of financial assets	**52,105**	–
Operating profit before working capital changes	**78,409**	131
Changes in operating assets and liabilities:		
Decrease/(Increase) in balances with the Central Bank	**41,589**	(18,299)
Decrease/(Increase) in amounts due from banks and other financial institutions	**57,442**	(41,146)
Increase in premium receivables	**(21,456)**	(10,369)
Decrease/(Increase) in accounts receivable	**49,779**	(49,709)
(Increase)/Decrease in inventories	**(255)**	523
Increase in reinsurers' share of insurance liabilities	**(651)**	(364)
Increase in loans and advances to customers	**(302,291)**	(206,451)
(Increase)/Decrease in assets purchased under reverse repurchase agreements of the banking and securities business	**(1,221)**	677
Decrease/(Increase) in other assets	**16,012**	(78,685)
(Decrease)/Increase in amounts due to banks and other financial institutions	**(26,107)**	124,423
Increase in customer deposits and payables to brokerage customers	**138,240**	62,110
Increase in insurance payables	**6,580**	721
Increase in insurance contract liabilities	**213,435**	234,521
Increase in investment contract liabilities for policyholders	**74,448**	76,289
Increase in policyholder dividend payable	**6,969**	6,406
(Decrease)/Increase in assets sold under agreements to repurchase of the banking and securities business	**(7,940)**	7,787
(Decrease)/Increase in other liabilities	**(68,564)**	49,604
Cash generated from operations	**254,418**	158,169
Income tax paid	**(48,158)**	(36,886)
Net cash flows from operating activities	**206,260**	121,283

55. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(2) NET DEBT RECONCILIATION:

This section sets out an analysis of net debt and movements in net debt of current year.

	Short term borrowings	Long term borrowings	Bonds payable	Total
Balance as at 1 January 2018	**90,310**	**109,165**	**451,283**	**650,758**
Cash flows	**(38,238)**	**(27,987)**	**106,899**	**40,674**
Foreign exchange adjustments	**544**	**1,154**	**518**	**2,215**
Other non-cash movements	**–**	**–**	**(6,939)**	**(6,939)**
Balance as at 31 December 2018	**52,616**	**82,331**	**551,761**	**686,708**

56. 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)	2018	2017
Salaries and other short term employee benefits after tax	**76**	73
Individual income tax	**49**	49

The estimated amount of total compensation has been provided in the Group's 2018 financial statements. The total compensation for certain key management personnel has not yet been finalized in accordance with relevant policies. The remaining compensation will be disclosed in a separate announcement when approved.

Part of compensation of key management personnel is subject to deferred payment requirement for a period of 3 years in accordance with the 'Guidance of insurance company's compensation management' issued by the CIRC. Unpaid balances subject to deferred payment requirement were included in the total compensation payable to the key management personnel.

(2) COMPENSATION OF KEY MANAGEMENT PERSONNEL OTHER THAN DIRECTORS AND SUPERVISORS IS AS FOLLOWS:

(in RMB million)	2018	2017
Salaries and other short term employee benefits after tax	**34**	32
Individual income tax	**24**	23

The long-term benefits attributed to year 2015 for key management personnel other than directors and supervisors were paid in 2018 as the required payment conditions had been fulfilled. The amount paid after tax was RMB483.7 thousand and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 21 August 2018.

The long-term benefits attributed to year 2014 for key management personnel other than directors and supervisors were paid in 2017 as the required payment conditions had been fulfilled. The amount paid after tax was RMB2,447.5 thousand and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 17 August 2017.

56. 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 2018:

	2018									
(in RMB thousand)	Fees	Salaries	Discretionary bonuses(ii)	Housing allowance	Other employee benefits	Employer's contribution to a retirement benefit scheme	Remunerations received or receivable in respect of accepting office as director	Emoluments received or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total	Individual income tax
Directors										
MA Mingzhe (iii)	-	2,923	2,221	2	44	-	-	-	5,190	3,667
SUN Jianyi	-	2,186	1,940	2	44	-	-	-	4,172	2,875
LEE Yuansiong (iv)	-	4,319	4,003	-	42	37	-	-	8,401	6,178
REN Huichuan	-	2,208	1,940	28	64	69	-	-	4,309	2,852
YAO Jason Bo	-	3,335	3,040	-	42	37	-	-	6,454	4,625
CAI Fangfang	-	2,207	1,940	26	64	59	-	-	4,296	2,853
LIN Lijun (v)	-	186	62	3	5	9	-	-	265	72
Soopakij CHEARAVANONT	518	-	-	-	-	-	-	-	518	132
YANG Xiaoping	510	-	-	-	-	-	-	-	510	130
LIU Chong	518	-	-	-	-	-	-	-	518	132
Wang Yongjian (vi)	236	-	-	-	-	-	-	-	236	63
XIONG Peijin (vii)	205	-	-	-	-	-	-	-	205	52
YIP Dicky Peter	518	-	-	-	-	-	-	-	518	132
WONG Oscar Sai Hung	526	-	-	-	-	-	-	-	526	134
SUN Dongdong	526	-	-	-	-	-	-	-	526	134
GE Ming	526	-	-	-	-	-	-	-	526	134
OUYANG Hui	526	-	-	-	-	-	-	-	526	134
Stephen Thomas Meldrum (viii)	214	-	-	-	-	-	-	-	214	42
Subtotal	4,823	17,364	15,146	61	305	211	-	-	37,910	24,341
Supervisors										
PAN Zhongwu	-	643	376	27	26	68	-	-	1,140	322
WANG Zhiliang	-	942	565	17	35	78	-	-	1,637	775
GU Liji	518	-	-	-	-	-	-	-	518	132
ZHANG Wangjin	510	-	-	-	-	-	-	-	510	130
HUANG Baokui	510	-	-	-	-	-	-	-	510	130
Subtotal	1,538	1,585	941	44	61	146	-	-	4,315	1,489
Total	6,361	18,949	16,087	105	366	357	-	-	42,225	25,830

56. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2017:

	2017									
(in RMB thousand)	Fees	Salaries	Discretionary bonuses(ii)	Housing allowance	Other employee benefits	Employer's contribution to a retirement benefit scheme	Remunerations received or receivable in respect of accepting office as director	Emoluments received or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total	Individual income tax
Directors										
MA Mingzhe (iii)	–	2,817	2,258	2	7	–	–	–	5,084	3,806
SUN Jianyi	–	2,102	1,939	2	6	–	–	–	4,049	2,959
LEE Yuansiong	–	3,772	3,589	–	3	33	–	–	7,397	5,640
REN Huichuan	–	2,119	1,829	32	23	65	–	–	4,068	2,853
YAO Jason Bo	–	3,222	3,039	–	3	33	–	–	6,297	4,740
CAI Fangfang	–	2,118	1,939	30	24	58	–	–	4,169	2,944
LIN Lijun	–	487	181	32	23	55	–	–	778	187
Soopakij CHEARAVANONT	495	–	–	–	–	–	–	–	495	125
YANG Xiaoping	518	–	–	–	–	–	–	–	518	132
LIU Chong	518	–	–	–	–	–	–	–	518	132
XIONG Peijin	503	–	–	–	–	–	–	–	503	127
YIP Dicky Peter	518	–	–	–	–	–	–	–	518	132
WONG Oscar Sai Hung	518	–	–	–	–	–	–	–	518	132
SUN Dongdong	518	–	–	–	–	–	–	–	518	132
GE Ming	518	–	–	–	–	–	–	–	518	132
OUYANG Hui (ix)	208	–	–	–	–	–	–	–	208	53
Stephen Thomas Meldrum	518	–	–	–	–	–	–	–	518	132
WOO Ka Biu Jackson (ix)	311	–	–	–	–	–	–	–	311	79
Subtotal	5,143	16,637	14,774	98	89	244	–	–	36,985	24,437
Supervisors										
PAN Zhongwu	–	597	370	32	24	62	–	–	1,085	332
GAO Peng (x)	–	488	397	18	13	38	–	–	954	496
WANG Zhiliang (x)	–	321	263	7	13	30	–	–	634	155
GU Liji	518	–	–	–	–	–	–	–	518	132
ZHANG Wangjin	480	–	–	–	–	–	–	–	480	120
HUANG Baokui	518	–	–	–	–	–	–	–	518	132
Subtotal	1,516	1,406	1,030	57	50	130	–	–	4,189	1,367
Total	6,659	18,043	15,804	155	139	374	–	–	41,174	25,804

56. 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 2018, the vesting condition of the shares purchased during the year 2015, 2016 and 2017 for attribution part of year 2018 was achieved. As at 27 April 2018, the shares of MA Mingzhe, SUN Jianyi, LEE Yuansiong, REN Huichuan, YAO Jason Bo, CAI Fangfang, LIN Lijun, WANG Zhiliang and PAN Zhongwu were allocated to personal accounts at respective employee's request and the closing price was RMB60.89 per share and the vested shares net of tax are summarised as follows:

Name	Shares
MA Mingzhe	226,589
SUN Jianyi	266,074
LEE Yuansiong	101,314
REN Huichuan	226,589
YAO Jason Bo	115,511
CAI Fangfang	51,179
LIN Lijun	1,757
WANG Zhiliang	11,969
PAN Zhongwu	6,842

(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 2015 for LEE Yuansiong were paid in 2018 as the required payment conditions had been fulfilled. The amount after tax paid to LEE Yuansiong were RMB605.0 thousand respectively and was disclosed in the Announcement regarding the Resolutions of the Board of Directors of the Company dated 21 August 2018.

(v) LIN Lijun resigned as Independent Non-executive Director of the Company on 23 May 2018.

(vi) Wang Yongjian was appointed as Non-executive Director of the Company on 13 July 2018.

(vii) XIONG Peijin resigned as Non-executive Director of the Company on 23 May 2018.

(viii) Stephen Thomas Meldrum resigned as Independent Non-executive Director of the Company on 23 May 2018.

(ix) WOO Ka Biu Jackson resigned as Independent Non-executive Director of the Company on 6 August 2017, took over by OUYANG Hui on the same day.

(x) GAO Peng resigned as Employee Representative Supervisor on 6 August 2017, took over by WANG Zhiliang on the same day.

57. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group were not included in the key management members (2017: 3) whose emoluments were reflected in the analysis presented in Note 56.

Details of emoluments of the remaining highest paid individuals are as follows:

(in RMB million)	2018	2017
Salaries and other short term employee benefits after tax	**90**	35

The number of non-key management personnel whose emoluments after tax fell within the following bands is as follows:

	2018	2017
RMB7,000,001 – RMB10,000,000	**1**	–
RMB10,000,001 – RMB13,000,000	**1**	1
RMB13,000,001 – RMB16,000,000	**-**	–
RMB16,000,001 – RMB19,000,000	**-**	–
RMB19,000,001 – RMB22,000,000	**2**	1
RMB22,000,001 – RMB25,000,000	**-**	–
RMB25,000,001 – RMB28,000,000	**1**	–

Under PRC tax regulations, individual income tax is calculated at progressive rates with a cap of 45%. The effective income tax rates of the five highest paid individuals in Mainland China of the Group were approximately 41.67%-42.97%(2017: 30.04%-43.45%) for 2018 and the average effective tax rate was approximately 41.90% (2017: 39.70%).

58. SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) THE COMPANY'S RELATED PARTIES WHERE SIGNIFICANT INFLUENCE EXISTS INCLUDING CERTAIN SHAREHOLDERS ARE SET OUT BELOW:

Name of related parties	Relationship with the Company
Charoen Pokphand Group Co., Ltd. ('CP Group Ltd.')	Parent of shareholders
Shenzhen Investment Holdings Co. Ltd.	Shareholder

As at 31 December 2018, CP Group Ltd. indirectly held 9.19% equity interests in the Company and is the largest shareholder of the Company.

58. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

(in RMB million)	2018	2017
CP Group Ltd.		
Premiums income from	**24**	4
Claims expenses to	**1**	1
Rental income from	**25**	25
Goods purchased from	**39**	32
Lufax		
Interest income from	**48**	39
Interest expenses to	**211**	490
Other revenues from	**2,467**	2,246
Other expenses to	**746**	898
Ping An Good Doctor		
Interest expenses to	**106**	–
Other revenues from	**133**	–
Other expenses to	**1,285**	–
Ping An Healthcare Technology		
Interest expenses to	**49**	–
Other revenues from	**81**	–
Other expenses to	**490**	–
OneConnect		
Interest revenue from	**128**	–
Interest expenses to	**1**	–
Other revenues from	**322**	–
Other expenses to	**655**	–

In 2016, in addition to transactions and balances stated above, the Group transferred 100% share holding of Gem Alliance Limited to Lufax, which issued convertible bonds amounting to US$1,953.8 million to the Group as the consideration. As at 31 December 2018, the Group still held these convertible bonds.

58. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

(in RMB million)	31 December 2018	31 December 2017
CP Group Ltd.		
Customer deposits and payables to brokerage customers	**1**	2
Lufax		
Customer deposits and payables to brokerage customers	**17,501**	18,789
Loans and advances to customers	**19**	1,720
Accounts payables and other payables	**4,104**	15,786
Accounts receivables and other receivables	**6,539**	11,022
Ping An Good Doctor		
Customer deposits and payables to brokerage customers	**3,468**	–
Accounts payables and other payables	**441**	–
Accounts receivables and other receivables	**42**	–
Ping An Healthcare Technology		
Customer deposits and payables to brokerage customers	**452**	–
Accounts payables and other payables	**317**	–
Accounts receivables and other receivables	**9**	–
OneConnect		
Customer deposits and payables to brokerage customers	**41**	–
Loans and advances to customers	**3,046**	–
Accounts payables and other payables	**267**	–
Accounts receivables and other receivables	**336**	–

FINANCIAL STATEMENTS

59. COMMITMENTS

(1) CAPITAL COMMITMENTS

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

(in RMB million)	31 December 2018	31 December 2017
Contracted, but not provided for	**3,304**	5,922
Authorized, but not contracted for	**3,593**	3,545
	6,897	9,467

(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 2018	31 December 2017
Within 1 year	**6,124**	6,902
1 to 5 years	**12,278**	13,996
More than 5 years	**1,037**	1,359
	19,439	22,257

(3) CREDIT COMMITMENTS

(in RMB million)	31 December 2018	31 December 2017
Bank acceptances	**251,154**	248,155
Guarantees issued	**62,821**	50,039
Letters of credit issued	**83,757**	55,763
Subtotal	**397,732**	353,957
Unused limit of credit cards and loan commitments	**190,531**	140,336
Total	**588,263**	494,293
Credit risk weighted amounts of credit commitments	**194,921**	176,352

Credit commitments disclosed in the table above do not include the financial guarantees accounted for as insurance contracts by the Group.

59. COMMITMENTS (CONTINUED)

(4) INVESTMENT COMMITMENTS

The Group's investment commitments to jointly controlled entities are as follows:

	31 December 2018	31 December 2017
Contracted but not provided for	**34,429**	27,682

(5) 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 2018	31 December 2017
Within 1 year	**2,778**	2,196
1 to 5 years	**5,614**	5,092
More than 5 years	**2,274**	4,784
	10,666	12,072

60. 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.

60. EMPLOYEE BENEFITS (CONTINUED)

(3) MEDICAL BENEFITS

The Group makes monthly contributions for medical benefits to the local authorities in accordance with relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

(4) SHARE PURCHASE SCHEME

The Group has adopted an employee share purchase scheme for the key employees of the Company and its subsidiaries. Refer to Note 36 for more details.

61. CONTINGENT LIABILITIES

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

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

62. EVENTS AFTER THE REPORTING PERIOD

DESCRIPTION OF PROFIT DISTRIBUTION

On 12 March 2019, the Board of Directors of the Company approved the Resolution of the Profit Distribution Plan for 2018, and declared a final cash dividend of 2018 in the amount of RMB1.10 per share as disclosed in Note 16.

Except for the item listed above, the Group does not have significant events after the reporting period need to disclose.

63. COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform to the current year's presentation.

64. BALANCE SHEET AND RESERVE MOVEMENT OF THE HOLDING COMPANY

(1) BALANCE SHEET OF THE HOLDING COMPANY:

(in RMB million)	31 December 2018	31 December 2017
Assets		
Cash and amounts due from banks and other financial institutions	**9,536**	21,539
Financial assets held under resold agreements	**9,396**	–
Financial assets at fair value through profit or loss	**14,351**	–
Financial assets at amortized cost	**2,143**	–
Debt financial assets at fair value through other comprehensive income	**7,088**	–
Fixed maturity investments	**–**	13,842
Equity investments	**–**	3,001
Investments in subsidiaries and associates	**199,543**	191,041
Property and equipment	**75**	73
Other assets	**2,436**	4,469
Total assets	**244,568**	233,965
Equity and liabilities		
Equity		
Share capital	**18,280**	18,280
Reserves	**143,821**	143,623
Retained profits	**72,250**	59,072
Total equity	**234,351**	220,975
Liabilities		
Due to banks and other financial institutions	**9,119**	11,800
Income tax payable	**25**	25
Other liabilities	**1,073**	1,165
Total liabilities	**10,217**	12,990
Total equity and liabilities	**244,568**	233,965

The balance sheet of the Company was approved by the Board of Directors on 12 March 2019 and was signed on its behalf.

MA Mingzhe	SUN Jianyi	YAO Jason Bo
Director	Director	Director

64. BALANCE SHEET AND RESERVE MOVEMENT OF THE HOLDING COMPANY(CONTINUED)

(2) RESERVE MOVEMENT OF THE HOLDING COMPANY:

(in RMB million)	Share premium	Financial assets at FVOCI reserves	Others	Surplus reserve fund	General reserve	Retained profits	Total
As at 31 December 2017	**128,737**	**76**	**2,251**	**12,164**	**395**	**59,072**	**202,695**
Change in accounting policy	**–**	**(48)**	**–**	**–**	**–**	**46**	**(2)**
As at 1 January 2018	**128,737**	**28**	**2,251**	**12,164**	**395**	**59,118**	**202,693**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**46,402**	**46,402**
Other comprehensive income	**–**	**150**	**–**	**–**	**–**	**–**	**150**
Dividend declared	**–**	**–**	**–**	**–**	**–**	**(33,270)**	**(33,270)**
Share purchase scheme	**–**	**–**	**442**	**–**	**–**	**–**	**442**
Others	**–**	**–**	**(346)**	**–**	**–**	**–**	**(346)**
As at 31 December 2018	**128,737**	**178**	**2,347**	**12,164**	**395**	**72,250**	**216,071**

(in RMB million)	Share premium	Available-for-sale investment reserve	Others	Surplus reserve fund	General reserve	Retained profits	Total
As at 1 January 2017	128,737	248	1,121	11,366	395	49,826	191,693
Profit for the year	–	–	–	–	–	29,238	29,238
Other comprehensive income	–	(172)	–	–	–	–	(172)
Dividend declared	–	–	–	–	–	(19,194)	(19,194)
Appropriations to surplus reserves	–	–	–	798	–	(798)	–
Share purchase scheme	–	–	135	–	–	–	135
Other capital reserve pick-up from associates and jointly controlled entities	–	–	1,145	–	–	–	1,145
Others	–	–	(150)	–	–	–	(150)
As at 31 December 2017	128,737	76	2,251	12,164	395	59,072	202,695

64. BALANCE SHEET AND RESERVE MOVEMENT OF THE HOLDING COMPANY (CONTINUED)

(2) RESERVE MOVEMENT OF THE HOLDING COMPANY (CONTINUED):

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.

Honors and Awards

In 2018, Ping An maintained its leading brand value, received wide recognition and praise, and won various honors and awards from domestic and foreign rating agencies and media in respect of comprehensive strength, corporate governance, and corporate social responsibility.

CORPORATE STRENGTH

- Fortune
  Ranked No. 29 on the Fortune Global 500 list, and No. 5 among the global financial services companies

- Fortune China
  Ranked No.4 on the Fortune China 500 list, and maintained the first place among Chinese insurers and among mixed-ownership companies

- Forbes
  Ranked No.10 on the Forbes Global 2000 list and No.1 among global insurance conglomerates, and again topped the list of Chinese insurers

- Institutional Investor (US)
  Most Honored Company in Asia

CORPORATE GOVERNANCE

- Institutional Investor (US)
  Best IR Team
  Best Investor Day
  Best Corporate Governance
  Best IR Professionals
  Best ESG/SRI Metrics
  Best CEO – MA Mingzhe
  Best CFO – YAO Jason Bo

- The Chamber of Hong Kong Listed Companies
  Hong Kong Corporate Governance Excellence Awards 2018

- Corporate Governance Asia Magazine
  Best Investor Relations Company
  Asia's Best CEO – MA Mingzhe

CORPORATE SOCIAL RESPONSIBILITY

- People's Daily
  A Recommended Case of Targeted Poverty Alleviation

- World Economic and Environmental Conference
  The International Carbon-Value Award 2018 – The Green Responsibility Award

- The Economic Observer
  The Most Respected Enterprise in China for 17 consecutive years

- Southern Weekly
  The Annual Responsibility & Contribution Award

BRAND

- Millward Brown & WPP
  Ranked No. 43 on the BrandZ™ Top 100 Most Valuable Global Brands list, again No. 1 among global insurance brands, and No. 3 among global financial brands on the list
  Ranked No. 8 on the BrandZ™ Top 100 Most Valuable Chinese Brands list, again the highest-ranking Chinese insurance brand on the list, and No. 2 among Chinese financial institutions on the list

- Brand Finance
  Ranked No. 1 on the Brand Finance Insurance 100 2018 list

- Interbrand
  Ranked No. 6 on the Best China Brands 2018 list

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 New Capital	Shenzhen Ping An New Capital Investment Co., Ltd., a subsidiary of Ping An Trust
Ping An Securities	Ping An Securities Co., Ltd., a subsidiary of Ping An Trust
Ping An Asset Management	Ping An Asset Management Co., Ltd., a subsidiary of the Company
Ping An Bank	Ping An Bank Co., Ltd., a subsidiary of the Company
SDB, Original SDB, Shenzhen Development Bank	Original Shenzhen Development Bank Co., Ltd., an associate of the Company since May 2010, became a subsidiary of the Company in July 2011. On July 27, 2012, its name was changed to "Ping An Bank Co., Ltd."
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 Futures	Ping An Futures Co., Ltd., a subsidiary of Ping An Securities
Ping An Caizhi	Ping An Caizhi Investment Management Co., Ltd., a subsidiary of Ping An Securities
Ping An Pioneer Capital	Ping An Pioneer Capital Co., Ltd., a subsidiary of Ping An Securities
Ping An Securities (Hong Kong)	Ping An of China Securities (Hong Kong) Co., Ltd., a subsidiary of Ping An Securities

Definitions

Ping An Technology	Ping An Technology (Shenzhen) Co., Ltd., a subsidiary of the Company
Ping An Financial Services	Shenzhen Ping An Financial Services Co., Ltd., a subsidiary of Ping An Financial Technology
Lufax Holding	Lufax Holding Co., Ltd., an associate of the Company
Lufax	Shanghai Lujiazui International Financial Asset Exchange Co., Ltd., a subsidiary of Lufax Holding
Puhui Business	The general name of companies under Lufax Holding engaging in businesses including financing guarantee, commercial factoring, and small lending
CQFAE	Chongqing Financial Assets Exchange Co., Ltd., a subsidiary of Lufax Holding
QEX	Shenzhen Qianhai Financial Assets Exchange Co., Ltd., a subsidiary of Lufax Holding
E-wallet	Ping An E-wallet Electronic Commerce Co., Ltd., a subsidiary of Ping An Financial Technology
Ping An Good Doctor	Ping An Healthcare and Technology Company Limited, an associate of the Company
Wanjia Healthcare	Ping An Wanjia Healthcare Investment Management Co., Ltd., a subsidiary of Ping An Good Doctor
OneConnect	OneConnect Financial Technology Co., Ltd., an associate of the Company
Ping An HealthKonnect	Ping An Medical and Healthcare Management Co., Ltd., an associate of the Company
Qianhai Credit Centre	Shenzhen Qianhai Credit Centre Co., Ltd., a subsidiary of Ping An Financial Technology
Autohome	Autohome Inc., a subsidiary of Ping An Financial Technology
Shanghai Jahwa	Shanghai Jahwa United Co., Ltd., a subsidiary of Ping An Life
Ping An Urban-Tech	Ping An Urban Construction Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Financial Technology
Ping An Real Estate	Ping An Real Estate Co., Ltd., a subsidiary of the Company
CP Group Ltd.	Charoen Pokphand Group Co., Ltd., the flagship company of CP Group

RMB	Chinese Renminbi unless otherwise specified
CAS	The Accounting Standards for Business Enterprises and the other relevant regulations issued by the Ministry of Finance of the People's Republic of China
No.2 Interpretation	The No.2 Interpretation of Accounting Standards for Business Enterprises (Cai Kuai [2008] No.11) issued by the Ministry of Finance
IFRS	International Financial Reporting Standards issued by the International Accounting Standards Board
Written Premium	All premiums received from the policies underwritten by the Company, which are prior to the significant insurance risk testing and separating of hybrid risk contracts
CSRC	China Securities Regulatory Commission
Former CIRC	The former China Insurance Regulatory Commission
Former CBRC	The former China Banking Regulatory Commission
CBIRC	China Banking and Insurance Regulatory Commission
Ministry of Finance	Ministry of Finance of the People's Republic of China
PBC	The People's Bank of China
HKEX	The Stock Exchange of Hong Kong Limited
SSE	The Shanghai Stock Exchange
HKEX Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SSE Listing Rules	The Rules Governing the Listing of Stocks on Shanghai Stock Exchange
Corporate Governance Code	The Corporate Governance Code as contained in Appendix 14 to the HKEX Listing Rules (formerly known as the Code on Corporate Governance Practices)
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	The Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the HKEX Listing Rules
Articles of Association	The Articles of Association of Ping An Insurance (Group) Company of China, Ltd.

Corporate Information

REGISTERED NAMES

Full name of the Company (Chinese/English)

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

Short name of the Company (Chinese/English)

中國平安
Ping An of China

LEGAL REPRESENTATIVE

MA Mingzhe

TYPE OF SECURITY AND LISTING PLACE

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

STOCK SHORT NAME AND CODE

A share	中國平安	601318
H share	Ping An of China	2318

AUTHORIZED REPRESENTATIVES

SUN Jianyi
YAO Jun

SECRETARY OF THE BOARD OF DIRECTORS

SHENG Ruisheng

COMPANY SECRETARY

YAO Jun

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

47th, 48th, 109th, 110th, 111th and 112th Floors,
Ping An Finance Center,
No. 5033 Yitian Road,
Futian District,
Shenzhen

PLACE OF BUSINESS

47th, 48th, 109th, 110th, 111th and 112th Floors,
Ping An Finance Center,
No. 5033 Yitian Road,
Futian District,
Shenzhen

POSTAL CODE

518033

COMPANY WEBSITE

www.pingan.cn

DESIGNATED MEDIA FOR INFORMATION DISCLOSURE OF A SHARE

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

WEBSITES FOR THE PUBLICATION OF THE REGULAR REPORTS

www.sse.com.cn
www.hkexnews.hk

LOCATION OF REGULAR REPORTS AVAILABLE FOR INSPECTION

Board Office of the Company

CONSULTING ACTUARIES

PricewaterhouseCoopers Consultants (Shenzhen) Limited

AUDITORS AND PLACES OF BUSINESS

Domestic Auditor

PricewaterhouseCoopers Zhong Tian LLP
11/F, PricewaterhouseCoopers Center,
2 Link Square, 202 Hu Bin Road,
Huangpu District, Shanghai, PRC

Name of Certified Public Accountants

YEUNG SHEUNG YUEN
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, 15 Queen's Road,
Central, Hong Kong

H SHARE REGISTRAR

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

AMERICAN DEPOSITARY SHARES REGISTRAR

The Bank of New York Mellon

In 2019, Ping An will forge ahead while remaining true to our original aspiration. Under the strategy of empowering financial services with technologies, empowering ecosystems with technologies, and empowering financial services with ecosystems, we will create greater value with expertise in five ecosystems, namely financial services, health care, real estate services, auto services, and smart city services. The traditional Chinese painting, reproduced with 3D lines, integrates a smart city with the beauty of nature to illustrate our philosophy of empowering the future with "finance + technology."

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