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PING AN

Insurance · Banking · Investment

中国平安保险(集团)股份有限公司

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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2318)

ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2012

CHAIRMAN'S STATEMENT

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

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

- **The overall performance of the Company remained sound.** As at June 30, 2012, total assets of the Group amounted to RMB2,644,999 million, representing an increase of 15.7% as compared with the beginning of 2012. Equity attributable to shareholders of the parent company amounted to RMB146,762 million, representing an increase of 12.1% as compared with the beginning of 2012. Net profit attributable to shareholders of the parent company for the first half of the year was RMB13,959 million, representing an increase of 9.4% as compared with the same period of last year.
- **The insurance business maintained stable and healthy growth.** The Group's life insurance business continued to develop in a steady manner with written premiums amounting to RMB114,837 million. Written premiums from the more profitable individual life insurance business amounted to RMB102,367 million, representing an increase of 7.9% as compared with the same period of last year. The number of sales agents of individual life insurance business was nearly 494 thousand, representing an increase of 1.4% as compared with the end of 2011. Ping An Life is committed to establishing its e-sales platform and improving

its customer service standards and differentiated competitiveness through the innovation of e-sales methods. As at June 30, 2012, more than 95% life insurance agents used the Mobile Integrated Terminal (MIT) system, and the total number of customers insured through MIT exceeded 5 million. Leveraging its increasingly professional operation and advanced service standards, Ping An Property & Casualty achieved stable business growth and recorded premium income of RMB48,750 million in the first half of the year, representing an increase of 19.7% as compared with the same period of last year; its market share was 17.4%, maintaining its second-largest position in the market. Of this, premium income from cross-selling and telephone marketing increased by 31.7%, with contribution of these channels to the business increasing to 41.9%. Meanwhile, the quality of its business remained sound with a combined ratio that stood at 93.1%. Our annuity business also achieved healthy and rapid growth, with three major performance indicators – annuity payments received, assets entrusted, and assets under investment management – all maintaining leading positions in the annuity industry. In May 2012, Ping An Health successfully launched the “Hiking the World – Vitality” health promotion program, which will give Ping An Health a unique competitive edge in the industry.

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

the “Ping An-UOB Strategic and Pioneer Hybrid Fund”. The separately managed account business introduced two products, enriching the product line of our investment business. Our investment management business actively explored new business opportunities and launched three HKEx-listed ETF funds in Hong Kong for overseas investors, further strengthening the influence of Ping An’s investment brands in foreign markets.

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

- Ranked 242nd in the Fortune 500, rising by 86 places in the ranking from 2011 and maintaining top ranking among mainland Chinese companies in the non-SOE category.
- Included in the Forbes Global 2000 for the eighth time, advancing 47 places from 2011 in the ranking to 100th overall; ranked 8th among mainland Chinese companies. In the global diversified insurance company category, Ping An ranked No.6 and was the only Chinese company on the list.
- Ranked 78th in the Top 100 Most Valuable Global Brands released in 2012 by Millward Brown, an authoritative research company under WPP, the world’s leading brand communications services group, advancing by five places in the ranking in respect of brand value and maintaining the second position in the global insurance industry category.
- Named “Best Managed Insurer in Asia” by renowned financial magazine Euromoney in its “2012 Best Managed Companies” ranking. This is the fourth consecutive year in which Ping An has won this title; Ping An was also the only insurance company in Asia on the list.
- Winner of “Corporate Governance Asia Recognition Awards” for the sixth consecutive year, as named by Corporate Governance Asia, a leading corporate governance magazine in Asia.
- Winner of “The Most Respected Companies of China”, jointly awarded by the Economic Observer and the Management Case Center of Peking University (MCCP). Ping An is one of the only two companies to have received the prestigious award 11 years in a row since it was launched.

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

In the second half of the year, the Company will continue to adhere to its established strategies and overall planning, actively respond to the changing market environment, and promote the healthy and balanced growth of its three key pillars of business. We will further strengthen the management of each business unit to achieve value-added, sustainable and above-market growth, and further enhance our core competitiveness. Meanwhile, we will proceed with our banking integration to consolidate our strengths, practise the best banking strategy and continue to enhance our cross-selling management platform, so as to expedite our back-office consolidation and strengthen the

Group’s synergies. Further, we will closely monitor and actively study the latest advances in financial technology, explore innovative growth models of technology coupled with traditional businesses and improve service quality to deliver the best customer experience.

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

KEY FINANCIAL AND OPERATION INFORMATION

Overview

In the first half of 2012, facing the complex economic situation and market environment, Ping An adhered to its prudent operational strategy, carried through the philosophy of “Expertise Creates Value”, and took active steps to respond to market changes and challenges. Consequently, the Group’s three key pillars of businesses, namely insurance, banking and investment, all achieved healthy and steady growth. Our individual life insurance business and the number of insurance agents continued to grow at a steady pace, while the scale of our property and casualty insurance business gained healthy growth with sound quality of business. Ping An’s annuity business also maintained its industry lead. Substantial progress was made in the integration of SDB and the Original Ping An Bank. Following the deregistration of the Original Ping An Bank on June 12, 2012 and SDB’s name change to “Ping An Bank Co., Ltd.” on July 27, 2012, the two banks officially became one legal entity, which will give greater impetus to our integrated financial strategy. Our banking business maintained growth, contributing profit of RMB3,467 million to the Group. The cumulative number of the bank’s credit cards in circulation reached 9,890 thousand. The personal wealth management business of Ping An Trust grew at a stable pace while the investment banking business of Ping An Securities held a leading position in the market. Ping An-UOB Fund successfully launched its third fund and two separately managed account programs, while our investment management business successfully launched three HKEx-listed ETF funds, strengthening the influence of Ping An’s investment brand in the overseas market.

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

Consolidated results

For the six months ended June 30 (in RMB million)	2012	2011
Total income	179,003	133,810
Total expenses	(158,482)	(117,544)
Profit before tax	20,521	16,266
Net profit	17,527	12,998
Net profit attributable to shareholders of the parent company	13,959	12,757

Net profit by business segment

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

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

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

Investment portfolio of insurance funds

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

The following table sets out the investment income of the Group's insurance funds:

For the six months ended June 30 (in RMB million)	2012	2011
Net investment income ⁽¹⁾	20,944	16,225
Net realized and unrealized gains ⁽²⁾	(3,212)	551
Impairment losses	(3,912)	(942)
Others	82	2
Total investment income	13,902	15,836
Net investment yield (%) ⁽³⁾	4.5	4.3
Total investment yield (%) ⁽³⁾	3.7	4.2

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

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

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

Net investment income increased by 29.1% to RMB20,944 million in the first half of 2012 from RMB16,225 million in the same period 2011. This was primarily due to the increase of interest income from fixed maturity investments as a result of the increase in scale of investment assets, as well as the increase in dividend income from equity investments as compared with the same period last year. Net investment yield increased to 4.5% in the first half of 2012 from 4.3% in the same period 2011, mainly due to higher interest rates of newly-added fixed maturity investments and the above mentioned increase in dividend income from equity investments.

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

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

In the first half of 2012, the global economy was on a rough ride to recovery, with the European sovereign debt crisis still unresolved and domestic interest rates on a gradual decline. Against this backdrop, the focus in macroeconomic policy shifted from “price control” to “stabilizing growth”. The A-share stock market showed a significant rebound in the first quarter, but later retreated on the back of the European sovereign debt crisis, lowered expectation for economic growth and corporate profitability and related factors. The Hong Kong stock market underwent major corrections while the bond market was buoyed by bullish sentiments. The Company has closely monitored changes in macroeconomic conditions to better manage market risks, steadily increasing high-interest fixed income investments in its portfolio, optimizing its equity structure, and enhancing its investment returns.

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

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

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

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

General and administrative expenses

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

Income tax

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

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

Insurance Business

Life insurance business

The following tables set forth certain financial and operating data for our life insurance business:

For the six months ended June 30 (in RMB million)	2012	2011
Written premiums⁽¹⁾		
Individual life	102,367	94,860
Including: New business	23,291	29,855
Renewal business	79,076	65,005
Bancassurance	7,598	13,459
Group insurance	4,872	4,311
	<hr/>	<hr/>
Total written premiums	114,837	112,630
	<hr/> <hr/>	<hr/> <hr/>
Premium income⁽²⁾		
Individual life	67,535	61,554
Including: New business	18,826	19,664
Renewal business	48,709	41,890
Bancassurance	7,566	10,362
Group insurance	3,797	3,242
	<hr/>	<hr/>
Total premium income	78,898	75,158
	<hr/> <hr/>	<hr/> <hr/>

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

Of the total premium income generated by all life insurance companies in the PRC, our life insurance business captured a market share of 13.8%, as calculated in accordance with the PRC insurance industry data published by the CIRC. In terms of premium income, Ping An Life is the second largest life insurance company in China.

	June 30, 2012	December 31, 2011
Number of customers (in thousands)		
Individual	51,888	49,784
Corporate	831	795
	<hr/>	<hr/>
Total	52,719	50,579
	<hr/> <hr/>	<hr/> <hr/>
Persistency ratio (%)		
13-month	93.7	94.2
25-month	91.6	89.5
	<hr/> <hr/>	<hr/> <hr/>
Agent productivity		
First-year written premiums (per agent per month in RMB)	7,316	7,527
New individual life insurance policies (per agent per month)	1.1	1.1
	<hr/> <hr/>	<hr/> <hr/>
Distribution network		
Number of individual life sales agents	493,589	486,911
Number of group sales representatives	3,152	3,016
Bancassurance outlets	62,061	62,022
	<hr/> <hr/>	<hr/> <hr/>
<i>Property and casualty insurance business</i>		
The following tables set forth certain financial and operating data for our property and casualty insurance business:		
For the six months ended June 30 (in RMB million)	2012	2011
Premium income		
Automobile insurance	36,660	30,792
Non-automobile insurance	10,993	8,979
Accident and health insurance	1,261	1,151
	<hr/>	<hr/>
Total premium income	48,914	40,922
	<hr/> <hr/>	<hr/> <hr/>
	June 30, 2012	December 31, 2011
Market share of premium income (%)⁽¹⁾		
– Ping An Property & Casualty	17.4	17.4
	<hr/> <hr/>	<hr/> <hr/>

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

For the six months ended June 30	2012	2011
Combined ratio (%)		
Expense ratio	34.6	34.7
Loss ratio	58.5	58.2
	<hr/>	<hr/>
Combined ratio	93.1	92.9
	<hr/> <hr/>	<hr/> <hr/>
	June 30,	December 31,
	2012	2011
Number of customers (in thousands)		
Individual	20,243	18,894
Corporate	1,595	1,892
	<hr/>	<hr/>
Total	21,838	20,786
	<hr/> <hr/>	<hr/> <hr/>
Distribution network		
Number of direct sales representatives	7,469	7,444
Number of insurance agents	27,914	26,067
	<hr/> <hr/>	<hr/> <hr/>

Banking Business

Since July 2011, the financial statements of SDB were incorporated into that of the Group. In this announcement, the results of operation for our banking business for the first half of 2012 included that of SDB. While in the same period of 2011, the Group recognized the investment income of SDB as an associate on a pro rata basis to shareholdingship based on the equity method.

The following tables set forth certain financial and operating data for our banking business:

For the six months ended June 30 (in RMB million)	2012	2011
Interest income	37,371	6,331
Interest expenses	(21,085)	(3,023)
	<hr/>	<hr/>
Net interest income	16,286	3,308
	<hr/> <hr/>	<hr/> <hr/>
Net interest spread(%) ⁽¹⁾	2.22	2.28
Net interest margin(%) ⁽²⁾	2.42	2.44
	<hr/> <hr/>	<hr/> <hr/>

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

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

The following tables set forth loan mix and loan quality for our banking business:

(in RMB million)	June 30, 2012	December 31, 2011
Corporate loans	485,228	430,702
Retail loans	167,049	165,227
Accounts receivable on credit cards	30,629	24,713
	<u>682,906</u>	<u>620,642</u>
	June 30, 2012	December 31, 2011
Pass	673,011	612,937
Special mention	4,924	4,410
Sub-standard	3,388	1,744
Doubtful	824	893
Loss	759	658
	<u>682,906</u>	<u>620,642</u>
Total loans	682,906	620,642
Total non-performing loans	4,971	3,295
Non-performing loan ratio	0.73%	0.53%
Impairment provision balance	11,830	10,566
Provision coverage ratio	237.96%	320.66%

Investment Business

The following tables set forth certain financial data for our investment business:

For the six months ended June 30 (in RMB million)	2012	2011
<i>Securities business</i>		
Operating income	1,724	1,779
Net profit	663	715
	<u>663</u>	<u>715</u>
<i>Trust business⁽¹⁾</i>		
Operating income	982	877
Net profit	409	343
	<u>409</u>	<u>343</u>

(1) The figures for our trust business are presented at company level, where interests in subsidiaries are measured at cost.

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

Interim Consolidated Income Statement

For the six months ended June 30, 2012

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

Interim Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2012

For the six months ended 30 June (in RMB million)	Note	2012 (Unaudited)	2011 (Unaudited)
Profit for the period		<u>17,527</u>	<u>12,998</u>
Other comprehensive income			
Available-for-sale financial assets		8,318	(6,002)
Shadow accounting adjustments		(2,398)	1,326
Exchange differences on translation of foreign operations		111	51
Share of other comprehensive income of associates and jointly controlled entities		3	(42)
Income tax relating to components of other comprehensive income		<u>(1,451)</u>	<u>1,122</u>
Other comprehensive income for the period, net of tax	10	<u>4,583</u>	<u>(3,545)</u>
Total comprehensive income for the period		<u><u>22,110</u></u>	<u><u>9,453</u></u>
Attributable to:			
– Owners of the parent		18,328	9,228
– Non-controlling interests		<u>3,782</u>	<u>225</u>
		<u><u>22,110</u></u>	<u><u>9,453</u></u>

Interim Consolidated Statement of Financial Position
As at June 30, 2012

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

Interim Consolidated Statement of Changes in Equity

For the six months ended June 30, 2012

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

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

Supplementary Information

1. *Corporate information*

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

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

2. *Changes in accounting policies and estimates*

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2011.

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011, except for the adoption of new standards and interpretations as of 1 January 2012, noted below:

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

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

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

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

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

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

Changes in accounting estimates

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

3. Changes in major subsidiaries, associates and jointly controlled entities

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

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

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

(in RMB million)	Fair value ^(Note 1)	Book value
Total identifiable assets	9,065	3,457
Total identifiable liabilities	2,236	1,253
	<u>6,829</u>	<u>2,204</u>
Less: Non-controlling interests	(4,222)	
Fair value of net assets acquired attributable to Shanghai Pingpu	2,607	
Goodwill arising on acquisition	<u>2,502</u>	
Acquisition cost	<u><u>5,109</u></u>	

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

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

4. Segment reporting

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

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

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

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

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

5. *Gross written premiums and policy fees*

For the six months ended 30 June (in RMB million)	2012 (Unaudited)	2011 (Unaudited)
Gross written premiums, policy fees and premium deposits	163,751	153,552
Less: Premium deposits of policies without significant insurance risk transfer	(1,625)	(1,527)
Premium deposits unbundled from universal life and investment-linked products	(34,314)	(35,945)
	<hr/>	<hr/>
Gross written premiums and policy fees	127,812	116,080
	<hr/> <hr/>	<hr/> <hr/>
Long term life business gross written premiums and policy fees	74,182	73,854
Short term life business gross written premiums	4,716	1,304
Property and casualty business gross written premiums	48,914	40,922
	<hr/>	<hr/>
Gross written premiums and policy fees	127,812	116,080
	<hr/> <hr/>	<hr/> <hr/>

6. *Net interest income from banking operations*

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

7. *Investment income*

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

(1) Net investment income

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

(2) **Realized gains/(losses)**

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

(3) **Unrealized gains/(losses)**

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

(4) **Impairment losses**

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

8. *Profit before tax*

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

For the six months ended 30 June (in RMB million)	2012 (Unaudited)	2011 (Unaudited)
Employee costs	12,853	7,791
Interest expenses on investment contract reserves	404	374
Provision for insurance guarantee fund	594	522
Regulatory charges	139	166
Depreciation of investment properties	238	154
Depreciation of property and equipment	1,035	603
Amortization of intangible assets	814	332
Rental expenses	1,571	1,008
Advertising expenses	1,995	1,212
Traveling expenses	348	332
Office miscellaneous expenses	524	423
Other taxes	143	99
Postage and telecommunication expenses	613	477
Vehicle and vessel fuel expenses	292	226
Losses/(gains) on disposal of investment properties, property and equipment, and intangible assets	8	(18)
Provision/(reversal of provision) for doubtful debts, net	15	(74)
Provision for loans, net	1,536	261

9. *Income tax*

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

10. Other comprehensive income

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

11. Earnings per share

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

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

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

12. Dividends

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

13. *Contingent liabilities*

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

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

14. *Events after the reporting period*

- (1) SDB, a subsidiary of the Group, has completed the merger with its subsidiary, Ping An Bank, in June 2012. Subsequently, SDB was renamed as Ping An Bank Co., Ltd. on 27 July 2012.
- (2) On 23 August 2012, the directors proposed to distribute an interim dividend of RMB1,187 million as stated in Note 12.

EMBEDDED VALUE

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

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

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

On December 22, 2009, the Ministry of Finance issued the "Regulations regarding the Accounting Treatment of Insurance Contracts" (Cai Kuai 【2009】 No.15), regulating the measurement of the premiums income and the reserves on accounting terms, and requiring insurance companies to adopt such regulations since the preparation of their 2009 annual financial statements. On January 25, 2010, CIRC promulgated the "Rules on the Preparation of Insurance Company Solvency Reports-Q&A No.9: Connection between Rules on the Preparation of Solvency Reports and No.2 Interpretation of Accounting Standards for Business Enterprises" (Bao Jian Fa 【2010】 No.7), pursuant to which, admitted principles for insurance contract liabilities in solvency reports still follow the statutory assessment standards set up by CIRC, while admitted principles for non-insurance contract liabilities in solvency reports should apply to accounting standards. The future

profit involved in the calculation of embedded value shall be the distributable profit when solvency requirements are satisfied. Therefore, during the preparation of 2012 interim embedded value report, relevant contract liabilities of life insurance business were measured according to the assessment standards of the liabilities pursuant to the solvency regulations, and the income tax was also based on the results before adoption of the “Regulations regarding the Accounting Treatment of Insurance Contracts”.

Components of Economic Value

(in RMB million)	June 30, 2012	December 31, 2011
	Earned rate/	Earned rate/
Risk discount rate	11.0%	11.0%
Adjusted net asset value	152,826	139,446
Including: Adjusted net asset value of life insurance business	50,019	48,219
Value of in-force insurance business written prior to June 1999	(8,251)	(8,549)
Value of in-force insurance business written since June 1999	137,977	126,099
Cost of holding the required solvency margin	(23,547)	(21,369)
	<hr/>	<hr/>
Embedded value	259,005	235,627
Including: Embedded value of life insurance business	156,198	144,400
	<hr/> <hr/>	<hr/> <hr/>
(in RMB million)	June 30, 2012	December 31, 2011
Risk discount rate	11.0%	11.0%
Value of one year's new business	18,200	19,339
Cost of holding the required solvency margin	(2,238)	(2,518)
	<hr/>	<hr/>
Value of one year's new business after cost of solvency	15,962	16,822
Value of first half year's new business after cost of solvency	9,160	10,019
	<hr/> <hr/>	<hr/> <hr/>

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

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

OTHER INFORMATION

Purchase, Sale, or Redemption of Listed Shares

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

Audit and Risk Management Committee

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

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

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

The Audit and Risk Management Committee has reviewed, together with the management, the accounting principles and practices adopted by the Company and discussed the internal controls and financial reporting matters including a review of the interim accounts of the Company for the six months ended June 30, 2012.

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

Compliance with the Corporate Governance Code and the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) of the Listing Rules

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the former Corporate Governance Code for any part of the period from January 1, 2012 to March 31, 2012 and the applicable Code Provisions set out in the revised Corporate Governance Code for any part of the period from April 1, 2012 to June 30, 2012 save as disclosed below:

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

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

Further details of the Company’s arrangements and reasons for the Company’s intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company were set out under the paragraph headed “Our Compliance with the Code On Corporate Governance Practices and the Model Code for Securities Transactions by Directors and Supervisors of the Company” in the Corporate Governance Report on page 117 of the Company’s 2011 annual report of H shares.

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

On May 28, 2004, the Company adopted the Code of Conduct, which was amended on August 17, 2011, regarding securities transactions by Directors and Supervisors of the Company (“Code of Conduct”) on terms no less exacting than the required standard set out in the Model Code. Specific enquiry has been made to all Directors and Supervisors of the Company who have confirmed that they complied with the required standard set out in the Model Code and the Code of Conduct for the period from January 1, 2012 to June 30, 2012.

Interim Dividend and Closure of Register

The Board of Directors declared that an interim dividend of RMB0.15 (tax inclusive, equivalent to HK\$0.1834) per share for the six months ended June 30, 2012 totalling RMB1,187,421,313.80, will be paid to shareholders of the Company, based on the total 7,916,142,092 shares. Holders of H shares whose names are on the Company's register of members of H shares on September 14, 2012 (the "Record Date") will be entitled to receive the interim dividend. The registration date and arrangements in relation to the rights of holders of A shares to receive the interim dividend for the six months ended June 30, 2012 will be separately announced on the website of Shanghai Stock Exchange.

According to the Articles of Association of the Company, dividends will be denominated and declared in Renminbi. Dividends on A shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong dollars. The relevant exchange rate is the average middle exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of the interim dividends (RMB0.817834 equivalent to HK\$1.00).

In order to determine the list of holders of H shares who are entitled to receive the interim dividend for the six months ended June 30, 2012, the Company's register of members of H shares will be closed from Friday, September 7, 2012 to Friday, September 14, 2012, both days inclusive. In order to qualify for the interim dividend, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on Thursday, September 6, 2012. The address of the transfer office of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The Company has appointed Bank of China (Hong Kong) Trustees Limited as the receiving agent in Hong Kong (the "Receiving Agent") and will pay to the Receiving Agent the interim dividend declared for payment to holders of H shares. The interim dividend will be paid by the Receiving Agent and relevant cheques will be despatched on or before October 12, 2012 to holders of H shares whose names appear on the register of members of the Company on the Record Date by ordinary post at their own risk.

Income Tax Withholding

Enterprise income tax withholding of overseas non-resident enterprises

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

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

All investors are requested to read this announcement carefully. Should you wish to change your shareholder status, please consult your agent or trust institution over the relevant procedure. The Company will withhold the enterprise income tax for the non-resident enterprise shareholders as required by law on the basis of the Company's register of members of H shares on the Record Date. The Company assumes no liability and will not deal with any dispute over enterprise income tax withholding triggered by failure to submit proof materials within the stipulated time frame.

Individual income tax withholding of overseas individual shareholders

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

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

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

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

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

Publication of Interim Results Announcement on the Websites of the Stock Exchange and The Company

The interim results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.pingan.com>) respectively.

By order of the Board of Directors
Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC, August 23, 2012

As at the date of this announcement, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi, Ren Huichuan, Ku Man and Yao Jason Bo; the Non-executive Directors are Fan Mingchun, Lin Lijun, Wong Tung Shun Peter, Ng Sing Yip, Li Zhe, Guo Limin and Cheng Siu Hong; the Independent Non-executive Directors are Zhang Hongyi, Chen Su, Xia Liping, Tang Yunwei, Lee Carmelo Ka Sze, Woo Ka Biu Jackson and Stephen Thomas Meldrum.

DEFINITION

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

Ping An, Company, the Company, Group, the Group, Ping An Group	Ping An Insurance (Group) Company of China, Ltd.
Ping An Life	Ping An Life Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Property & Casualty	Ping An Property & Casualty Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Health	Ping An Health Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Annuity	Ping An Annuity Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Trust	China Ping An Trust Co., Ltd., a subsidiary of the Company
Ping An Securities	Ping An Securities Company, Ltd., a subsidiary of Ping An Trust
SDB, Shenzhen Development Bank	Shenzhen Development Bank Co., Ltd., an associate of the Company since May 2010, became a subsidiary of the Company in July 2011. On July 27, 2012, its name was changed to “Ping An Bank Co., Ltd.”
Original Ping An Bank	The original Ping An Bank Co., Ltd., became a subsidiary of SDB in July 2011, before that, it was a subsidiary of the Company. It was deregistered on June 12, 2012 due to absorption merger by SDB
Ping An Bank, New Ping An Bank	Ping An Bank Co., Ltd., a subsidiary of the Company, formerly named as Shenzhen Development Bank Co., Ltd., which changed its name on July 27, 2012
Ping An-UOB Fund	Ping An-UOB Fund Management Company Limited, a subsidiary of Ping An Trust
CBRC	China Banking Regulatory Commission
CIRC	China Insurance Regulatory Commission
HKEx, Stock Exchange	The Stock Exchange of Hong Kong Limited