

**PING AN**

Insurance · Banking · Investment



Interim Report 2016

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### Cautionary Statements Regarding Forward-Looking Statements

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

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

# Introduction

**Ping An is dedicated to becoming a world-leading personal financial services provider.** Backed by “Integrated Finance + Internet” and “Internet + Integrated Finance” structure, local expertise, best practices in corporate governance with international standards, we provide insurance, banking, asset management and internet finance products and services to nearly 120 million customers and 300 million internet users.

- Net profit attributable to shareholders of the parent company reached RMB40,776 million in the first half of 2016, up by 17.7% over the same period last year.
- Total assets of the Group exceeded RMB5.22 trillion on strengthening overall competitiveness.
- Core finance businesses of Ping An had an overall individual customer base of nearly 120 million, up by 9.9% over the beginning of the year. The number of online clients reached 68.81 million, which accounted for 57.7% of total individual online clients. The number of our internet users was about 298 million, up by 23.3% over the beginning of the year, of which the user base of the mobile internet service business reached 182 million, up by 70.2% over the beginning of the year.
- Written premium of life insurance business reached RMB218,192 million, value of new business continued to grow. Automobile insurance premium income of Ping An property & casualty increased by 14.1% compared with the same period last year; business quality of property and casualty insurance business remained sound. The annuity business of Ping An Annuity maintained its leading position in the industry.
- Ping An Bank maintained steady growth in its business and its operating efficiency continued to improved.
- Ping An Trust strengthened its risk management system and proactively improved its business structure with continuous growth for its third-party business. Ping An Securities developed its differentiation advantages, outperforming the industry. The business of Ping An Asset Management grew steadily with sound performance for its third-party asset management business.
- Following its strategic goal, Lufax Holding continued to develop and formed its strategic layout with three business divisions including Lufax, QEX and Puhui Financial. Ping An Doctor completed its USD500 million Series A financing, and its valuation reached USD3 billion.

## Total Assets (in RMB million)



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



## Total Liabilities (in RMB million)



## Total Income (in RMB million)



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



## Basic Earnings per Share (in RMB)



# Corporate Information

## REGISTERED NAMES

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

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

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

中國平安  
Ping An of China

## LEGAL REPRESENTATIVE

MA Mingzhe

## TYPE OF SECURITY AND LISTING PLACE

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

## SECURITY NAME AND STOCK CODE

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

## AUTHORIZED REPRESENTATIVES

SUN Jianyi  
YAO Jun

## SECRETARY OF THE BOARD OF DIRECTORS

JIN Shaoliang

## COMPANY SECRETARY

YAO Jun

## REPRESENTATIVE OF SECURITIES AFFAIRS

LIU Cheng

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## POSTAL CODE

518048

## COMPANY WEBSITE

www.pingan.com

## 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

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### Name of Certified Public Accountants

Charles CHOW  
Kevin Chen HUANG

### International Auditor

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## H SHARE REGISTRAR

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## AMERICAN DEPOSITARY SHARES REGISTRAR

The Bank of New York Mellon

# Financial Highlights

(in RMB million)	For the six months ended June 30, 2016/ As at June 30, 2016	For the six months ended June 30, 2015/ As at December 31, 2015
<b>GROUP</b>		
Total income	407,828	376,299
Net profit	46,308	39,911
Net profit attributable to shareholders of the parent company	40,776	34,649
Basic earnings per share (in RMB)	2.28	1.90
Total assets	5,219,782	4,765,159
Total liabilities	4,757,190	4,351,588
Total equity	462,592	413,571
Equity attributable to shareholders of the parent company	363,948	334,248
Investment portfolio of insurance funds	1,825,901	1,731,619
Net investment yield of insurance funds (%)	5.7	5.1
Total investment yield of insurance funds (%)	4.4	7.7
Embedded value	614,537	552,853
Group comprehensive solvency margin ratio (%)	210.4	204.9
<b>INSURANCE BUSINESS</b>		
<b>Life Insurance Business</b>		
Written premiums	218,192	172,745
Premium income	172,898	130,691
Net profit	16,224	15,490
Net investment yield (%)	5.7	5.1
Total investment yield (%)	4.3	7.9
Embedded value	354,524	326,814
Comprehensive solvency margin ratio - Ping An Life (%)	221.3	219.7
<b>Property and Casualty Insurance Business</b>		
Premium income	83,975	81,584
Net profit	6,741	8,730
Net investment yield (%)	5.8	5.9
Total investment yield (%)	4.9	7.2
Combined ratio (%)	95.3	93.6
Comprehensive solvency margin ratio - Ping An Property & Casualty (%)	289.0	269.5
<b>BANKING BUSINESS<sup>(1)</sup></b>		
Net interest income	36,196	31,118
Net profit	12,292	11,585
Net interest spread (%)	2.67	2.57
Net interest margin (%)	2.79	2.71
Cost/income ratio (%)	28.80	32.22
Total deposits	1,898,348	1,733,921
Loans and advances	1,358,021	1,216,138
Capital adequacy ratio (%)	11.82	10.94
Non-performing loan ratio (%)	1.56	1.45
Provision coverage ratio (%)	160.82	165.86
Loan loss provision ratio (%)	2.51	2.41
<b>ASSET MANAGEMENT BUSINESS</b>		
<b>Trust Business<sup>(2)</sup></b>		
Total income	2,573	3,236
Net profit	898	977
Assets held in trust	643,766	558,435
<b>Securities Business</b>		
Total income	4,297	5,189
Net profit	1,219	1,606

(1) The figures of banking business came from Ping An Bank's interim reports of 2016.

(2) Trust business includes Ping An Trust and its subsidiaries which carry on the trust business.

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

# Chairman's Statement

In the first half of 2016, China's economy remained stable on the whole with the steady implementation of various reforms. From a business perspective, this year is filled with challenges and opportunities, as well as pressure and momentum. Ping An proactively adapted to the "New Normal" of China's economic development, kept to the maxim of "Thrive in Competition and Advance through Innovation", and focused on our goal of becoming a "World-leading Personal Financial Services Provider" by strengthening our product innovation, business structure and business model innovation, as well as continuously enhancing the customer experience. After six months of efforts, we saw steady growth in our individual customer base and the gradual emergence of customer value. Our core finance business maintained stable and healthy growth, and our internet finance business expanded in terms of the user base and its level of activity and value.



## Business Highlights

In the first half of 2016, China's economy adjusted to the "new normal" against a backdrop of slowing global economic recovery. As impacted by ongoing interest rate decline, capital market downturn, discount rate change for insurance contract liabilities, etc., the profit growth of parts of our core financial businesses were weighed down temporarily. However, our core financial businesses still maintained solid momentum in terms of business development. Meanwhile, after several years of operation and development, our internet finance business yielded encouraging results, evidenced by the beginning of its profit contributions to the Group. The Company saw its overall business growth in a steady manner, which fully attested to the advantages of its "Integrated Finance + Internet" and "Internet + Integrated Finance" strategies. In the first half of 2016, net profit attributable to shareholders of the parent company was RMB40,776 million, up by 17.7% over the same period the previous year. As at June 30, 2016, equity attributable to shareholders of the parent company was RMB363,948 million, up by 8.9% over the beginning of the year; total assets was about RMB5.22 trillion, up by 9.5% over the beginning of the year.

Looking back to the first half of the year, Ping An remained focusing on individual customers by offering them "Multiple Services and Products". As at June 30, 2016, Ping An's total base of individual customers reached 119 million, up by 9.9% over the beginning of the year; new customers in the first half of the year reached 17.73 million, up by 37.1% over the same period in 2015. We vigorously promoted our customers to migrate to online platform, total online customers reached 68.81 million, accounted for 57.7% of total individual customers. We provided diversified internet services to keep improving the activeness of the internet users, our annual active user base reached 206 million. Meanwhile, the user base adopting mobile devices for our financial and lifestyle services also ramped up. Our accumulative user base on mobile services reached 182 million, up by 70.2% over the beginning of the year. Our achievements were made on the back of the upgrade of services on the online platforms of our core finance companies, which met customers' diverse demands online. On the other hand, the Company benefited from the continuous implementation of internet finance strategies, developing unique and competitive business models to provide various financial and daily-life services covering "Health, Food, Housing, Transportation, and Entertainment", which generated strong momentum in drawing new internet users to experience the services from Ping An.

**Life insurance continued to record a rise in new business value; number of individual life insurance sales agents exceeded 1 million. Property and casualty insurance business maintained high business quality. Ping An Annuity continued to lead the industry.**

- Life insurance business recorded RMB16,224 million in net profit in the first half of 2016, up by 4.7% over the same period last year. New business value was RMB24,017 million, rose by 42.7% over the same period last year, and written premiums reached RMB218,192 million, up by 26.3%. Our multiple channels such as individual sales agents, bancassurance outlets, telemarketing and internet marketing developed well and achieved steady growth in value and scale. The number of life insurance sales agents



## Insurance Business

- Written premiums of life insurance business: RMB218,192 million, an increase of 26.3%; Written premiums of individual life new business: RMB76,211 million, an increase of 40.5%.
- Value of new business of life insurance business: RMB24,017 million, an increase of 42.7%.
- Number of individual life insurance sales agents: nearly 1.05 million, an increase of 20.2%; First-year written premiums per agent per month: RMB10,522, an increase of 4.9%.
- Written premiums of telemarketing sales for Ping An Life: RMB7,983 million, an increase of 31.0%.
- Premium income of property and casualty business: RMB83,975 million, an increase of 2.9%; of which premium income of automobile insurance: RMB70,695 million, an increase of 14.1%.
- Combined ratio of property and casualty business: 95.3%.
- Corporate annuity entrusted: RMB139,363 million; Assets under investment management: RMB140,296 million.
- Total investments of insurance funds: RMB1,825,901 million; Total investment income: RMB38,028 million.

- On June 2016, the number of Ping An Life Jin Guan Jia App exceeded 53 million. The "New Life Movement", which is a scheme initiated by Jin Guan Jia App has been operated for one year. Under the scheme, more than 1,900 walking and running activities were organized. As at June 30, 2016, the number of Ping An Life agents reached 1.05 million, up by 20.2% from the beginning of the year. Agents provided convenient and timely services of insurance and healthcare management to valued clients through Jin Guan Jia App.
- On January 7, 2016, the Ping An Group First Car Owner Eco-system Summit was held by Ping An Property & Casualty Insurance (Ping An P&C) with the scheme of "Mobile and Internet Lifestyle Around Cars", which is the first festival customized for car owners initiated by Ping An P&C. With Ping An Group's strategic guidance of "Integrated Finance+" and "Internet+", Ping An P&C will create the 3.0 era with the spirits of open-minded, collaborated and sharing through the method of technology and internet.
- On May 2016, the "2016 China Annuity Investment Forum" was jointly held by Annuity Insurance Committee of Insurance Association of China, China Economic Information Service of Xinhua News, China Financial Information Center of Xinhua News and Ping An Annuity in Beijing. Given the favorable governmental policies, there are bright prospects for annuity industry in China.



## Banking Business

- Total deposits: RMB1,898,348 million, an increase of 9.5%; Total loans and advances: RMB1,358,021 million, an increase of 11.7%.
- Cost-to-income ratio: 28.80%, down by 3.42 percentage points.
- Loan loss provision ratio: 2.51%, up by 0.10 percentage points; Non-performing loan ratio: 1.56%; Provision coverage ratio: 160.82%.
- Capital adequacy ratio: 11.82%; Tier-1 capital adequacy ratio: 9.55%.



## Asset Management Business

- Net profit of trust business: RMB898 million, a decrease of 8.1%.
- Net fees and commission income of trust business: RMB1,687 million, an increase of 20.8%.
- Net profit of Ping An Securities: RMB1,219 million.
- For Ping An Securities, the number of bonds underwritten as lead underwriter was 60 and the number of new customers of brokerage business reached 2,606.3 thousand.
- For Ping An Asset Management, assets under management reached RMB2.08 trillion, up by 6.0% over the beginning of 2016; the third-party assets under management reached RMB276,038 million, an increase of 12.3%.

exceeded 1 million with an increasing level of productivity. The telemarketing business sustained its rapid growth, maintaining its leadership in market share. Internet marketing created an O2O business operating model and achieved robust business growth. As at June 30, 2016, "Jin Guan Jia" APP of Ping An Life had over 53 million users, with a monthly activity rate of 31%.

- Our property and casualty insurance business continued to surpass its peers in terms of business quality, with a combined ratio of 95.3% in the first half of 2016. The auto insurance business recorded RMB70,695 million in premium income, up by 14.1% over the same period last year. Ping An Property & Casualty significantly improved its customer experience in claim settlement using mobile internet technology, saving on average 2.7 days per claim for customers, with a positive feedback rate of 99%. The "Ping An Auto Owner" APP pools the most extensive quality services resources to offer one-stop car-related consumption services to more than 4 million car owners.
- As at June 30, 2016, assets entrusted and assets under investment management of Ping An Annuity stood at RMB139,363 million and RMB140,296 million respectively, maintaining its leading position among annuity insurance companies of China. Its short-term group insurance business grew to RMB9,476 million, up by 25.1% over the same period last year, with a steadily rising market share.

### Banking business maintained stable growth with increasing operating efficiency.

In the first half of 2016, Ping An Bank recorded RMB12,292 million in net profit, up by 6.1% over the same period in 2015. Its business scale grew steadily as its total loans and advances grew by 11.7% and its deposits grew by 9.5% over the beginning of 2016. The Bank's operating efficiency improved as its cost-to-income ratio fell 3.42 percentage points over the same period last year. It strengthened risk management for new loans and enhanced the disposal of non-performing loans, with a non-performing loan ratio of 1.56% and a provision coverage ratio of 160.82%. It further boosted its retail business with assets under management for retail customers achieving RMB720 billion, up by 8.5% from the beginning of 2016. The number of retail customers reached 35.43 million, up by 11.6% from the beginning of 2016. Ping An Bank issued 4.51 million new credit cards, up by 66.1% over the same period the previous year, and the number of customers in force reached 20.29 million, up by 15.8% from the beginning of the year. Total transaction volume was nearly RMB529.1 billion, up by 47.8% over the same period last year. Credit card loans reached RMB163.0 billion, up by 10.3% over the beginning of the year. Total users of "Orange Bank" was nearly 7.74 million, up by 52.7% from the beginning of 2016. Ping An Bank completed the private placement of preferred shares and tier-2 capital bonds in the first half of 2016 to support its business development.

**Ping An Trust strengthened its risk management system and proactively improved its business structure with continuous growth for its third-party business. Ping An Securities differentiated itself through its competitive advantages and outperformed the industry. Ping An Asset Management achieved stable and healthy growth, with outstanding performance in its third-party asset management business.**



4. On May 4, 2016, the Credit Card Centre of Ping An Bank held the new product launch conference for the Ping An UNI Credit Card. The new credit card is customized for the youth under the Ping An 3.0 Era and will provide special functions and customized experience including customized card appearance, customized benefits, customized installments and customized control.
5. In the first half of 2016, Ping An Securities APP has been updated for multiple times and growing to be an "one-stop wealth management platform". Ping An Securities is dedicated to serving investors with fresh outlook.
6. In April 2016, the Ping An Trust Merger & Acquisition Summit was held in Beijing by Ping An Trust. Ping An Trust also launched the institutional business platform "M&A Win+" which is the first of its kind in China and targeting the M&A business in the capital market.

# Chairman's Statement



7. As at March 4, 2016, the number of registered member of Lufax exceeded the barrier of 20 million, which positions LUFAX in the first-tier in the market. Although the competition in the internet finance market is intensive nowadays, LUFAX's strategy of transforming to platform presents its competitive edge.
8. On May 19, 2016, the Application Ping An Doctor announced the completion of the A round of fund raising on the amount of USD500 million and it was valued at USD3 billion. The above fund raising activity made two records, the globally largest single round of fund raising and the highest valuation in A round of fund raising in internet healthcare start-ups.

- Amid the current economic situations, Ping An Trust has comprehensively enhanced risk management, proactively improved its business structure, and boosted its strategic presence in third-party businesses such as retail business. In the first half of 2016, the trust business realized RMB1,687 million in net fees and commission income, up by 20.8% over the same period last year, beating most peers; the trust business realized RMB898 million in net profit, down by 8.1% over the same period last year due to lower investment income.
- Ping An Securities continued its strategic transformation and differentiated itself through its competitive advantages. Despite sharp falls in the market, Ping An Securities recorded RMB1,219 million in net profit in the first half of 2016, outperforming its peers. The rankings of its key business indicators rose steadily. The internet brokerage continued to acquire large numbers of new customers through online channels, as the market share of new customers increased to 24.74%, up by 11.8 percentage points from the end of 2015. Its market ranking in terms of its existing customer base rapidly rose to 4th from 8th. The Company ranked 4th in the investment banking industry by the number of bond underwritten as leading underwriter, while assets under management increased to RMB330,050 million, up 39.3% from the beginning of 2016.
- Ping An Asset Management maintained steady business growth with excellent performance for its third-party business. In the first half of 2016, Ping An Asset Management recorded RMB1,047 million in net profit, up by 27.7% over the same period last year. As at June 30, 2016, its assets under management reached RMB2.08 trillion, including RMB276,038 million in third-party assets under management, up by 12.3% from the beginning of 2016. Its income from third-party asset management in the first half of 2016 was RMB1,052 million, up by 31.3% over the same period last year.

**Our internet finance companies made significant inroads in their business development against their defined strategic targets, highly valued by the market. Adhering to the needs of customers, we upgraded our products and services harnessing internet technologies to offer users instant and convenient financial and daily-life service experiences.**

- Lufax Holding formed its strategic layout with three business divisions including Lufax, Qianhai Exchange and Puhui Financial. Lufax is committed to meeting individual customers' investment demands via an online platform, Qianhai Exchange focuses on institutional business and cross-border business, while Puhui Financial is committed to meeting financing demands of individual consumption and micro-businesses. As at the end of June, 2016, Lufax's registered user base rose to 23.42 million. Total transaction volume in the first half of 2016 reached RMB3,201.9 billion. Since its establishment, Puhui Financial has granted nearly RMB159.5 billion in loans and 2 million borrowers, maintaining its industry-leading position. Lufax Holding completed its Series B financing in January 2016, after which its overall valuation rose to about USD18.5 billion.
- Ping An Doctor is Ping An Group's online medical service portal. As at June 30, 2016, Ping An Doctor had offered health



## Internet Finance Business

- The number of registered users of Lufax Holding was 23.42 million, up by 27.9% over the beginning of 2016. The number of active investors reached 5.87 million, up by 61.7% over the beginning of 2016.
- The transaction volume of Lufax Holding in the first half of 2016 reached RMB3.2 trillion, increased by 5 times over the same period last year. In the first half of 2016, the new loans granted by Puhui Financial reached RMB60.5 billion, up by 328% compared with the same period last year.
- Ping An Doctor provided 89 million users with health management services, with daily peak consultation quantity surpassing 250 thousand.
- The payment and loyalty point transaction volume of E-wallet exceeded RMB1.3 trillion, up by 207.0% compared with the same period last year. About RMB5,375 million worth of loyalty points were granted, up by 249.1% compared with the same period last year.
- The number of registered users on the One Account Management Services platform reached nearly 140 million, up by 30% compared with the year beginning. The number of monthly active users exceeded 20 million, up by 146% compared with the same period last year.

management services to 89 million users, with daily peak consultation quantity surpassing 250 thousand. According to the research from TalkingData, "Ping An Doctor" APP has been the No.1 mobile medical apps in terms of user coverage ratio since April 2015. In April 2016, Ping An Doctor completed its USD500 million Series A financing, and its valuation reached USD3 billion.

- Ping An Pay merged with Wanlitong to create the "Ping An E-wallet" brand and offer users one-stop services combining "cards, loyalty points, benefits, and payments" in shopping, wealth management, and lifestyle scenarios. As at June 30, 2016, the registered E-wallet user base had risen to 48.74 million, and the payment and loyalty point transaction volume in the first half of the year reached RMB1,313.7 billion.



- One Account Management Services platform focuses on asset management with nearly 140 million registered users. Through Magic Gate, users can switch among various apps offered by Ping An and about 170 million users have enjoyed one-stop financial and lifestyle services. As at June 30, 2016, the One Account Management Services platform has cooperated with 155 banks and 1,300 non-bank financial institutions and quasi-financial institutions.

#### Prospects

Looking ahead to the second half of 2016, the continued improvements in the economic environment and financial and internet regulations are providing stronger support for sustainable market growth, and for the integration of traditional industries and the internet. Financial innovations will spur this, value creation and service upgrading will be crucial to boosting business competition. On the other hand, global economic recovery still weak with complex economic condition in China, market competition is more intensifying with high pressure of economic downturn. Ping An will proactively tackle challenges and seize opportunities brought about by changes in the external environment, uphold its initial vision and live up to investor expectations, continue to implement the strategies for the Ping An 3.0 Era, build "Open Platforms + Open Marketplace", promote the sustainable development of various businesses, and continue to create value for investors and the community.

Finally, on behalf of the Board of Directors and Executive Committee of Group, I would like to extend our sincere gratitude to our customers, investors, partners and friends from all walks of life, as well as to our colleagues who have worked wholeheartedly to fulfill our strategic goals and ambitions.

*Chairman and Chief Executive Officer*

Shenzhen, China  
August 17, 2016

# Management Discussion and Analysis

## Overview

- Net profit attributable to shareholders of the parent company for the first half of 2016 reached RMB40,776 million, up by 17.7% compared to the same period last year.
- Insurance business recorded stable growth and kept sound business quality. Banking business steadily developed and operational efficiency increased constantly. Trust business continued to improve its comprehensive risk management framework and promoted steady development of its business. Securities business developed its differentiation advantages, outperforming the industry. Ping An Asset Management recorded sound performance in its third-party asset management business.
- Internet finance business adhered to the established strategic targets, constantly pursued profound development and improved its products and services, comprehensively enhancing user base, activity and value.

With diversified distribution channels and the aligned brand, we offer a variety of financial products and services to our customers through the three core financial business pillars of insurance, banking and asset management incorporating Ping An Life, Ping An Property & Casualty, Ping An Annuity, Ping An Health, Ping An Bank, Ping An Trust, Ping An Securities, Ping An Asset Management and Ping An Asset Management (Hong Kong) as well as the internet finance operations represented by Lufax Holding, Ping An Pay and Wanlitong, PA Haofang, Ping An Health Cloud and One Account Management Service.

In the first half of 2016, faced with the complicated economic situation and market environment, Ping An maintained sound operation. Aiming to become a world-leading personal financial services provider, the Company focused on industries of “big financial assets” and “big health care” and achieved maturing co-development of “Integrated Finance + Internet” and “Internet + Integrated Finance”. It stepped up efforts to develop the open internet finance service platform with focuses on the operation of individual users and customers. The Company actively drove the migration and conversion of users and customers and provided customers with “multiple services and multiple products”. As at June 30, 2016, Ping An’s total base of individual customers was nearly 120 million, up by 9.9% over the beginning of the year, and the number of internet users was around 298 million, among which 182 million were APP users, up by 23.3% and 70.2% over the beginning of the year, respectively.

In terms of our core finance businesses, life insurance business grew steadily and soundly, with value of new business increased continuously, and the written premiums was RMB218,192 million; the number of sales agents of individual life insurance business recorded more than 1 million; the premiums income of property and casualty insurance business was RMB83,975 million, and the quality remained sound with a combined ratio at 95.3%; annuity business maintained market leadership. The banking business grew steadily, with operational efficiency increased constantly, and its retail business made further efforts to set a strong foundation for development, while the assets of retail customers under management was RMB720 billion. Ping An Trust strengthened its risk management system and proactively improved its business structure with continuous growth for its third-party business. Ping An Securities developed its differentiation advantages, outperforming the industry under the significant downturn of the market. The internet finance business adhered to the established strategic targets, focused on users’ demands for “health, food, housing, transportation and entertainment” and constantly pursued profound development and improved its products and services.

In the first half of 2016, net profit attributable to shareholders of the parent company was RMB40,776 million, representing a growth of 17.7% compared with the same period last year. As at June 30, 2016, equity attributable to shareholders of the parent company stood at RMB363,948 million while total assets of the Company was about RMB5.22 trillion, representing increases of 8.9% and 9.5%, respectively, compared with the end of 2015.

## CONSOLIDATED RESULTS

For the six months ended June 30 (in RMB million)	2016	2015
Total income	<b>407,828</b>	376,299
Including: Premium income	<b>256,873</b>	212,275
Total expenses	<b>(351,766)</b>	(316,756)
Profit before tax	<b>56,062</b>	59,543
Net profit	<b>46,308</b>	39,911
Net profit attributable to shareholders of the parent company	<b>40,776</b>	34,649

## PROFIT CONTRIBUTION BY BUSINESS LINE

For the six months ended June 30 (in RMB million)	2016	2015
Insurance businesses		
Life insurance	<b>16,004</b>	15,408
Property and casualty insurance	<b>6,709</b>	8,687
Banking business	<b>6,999</b>	6,618
Asset management businesses		
Securities	<b>1,178</b>	1,428
Trust	<b>897</b>	976
Other asset management businesses <sup>(2)</sup>	<b>1,847</b>	2,141
Internet finance businesses and others <sup>(3)</sup>	<b>7,142</b>	(609)
Net profit attributable to shareholders of the parent company	<b>40,776</b>	34,649

- (1) Profit contributed by each business line has been calculated with the share percentage held by the parent company.
- (2) Other asset management businesses include Ping An-UOB Fund, Ping An Financial Leasing, Ping An Asset Management and those which carry on the businesses of investment and asset management.
- (3) Internet finance businesses include companies which carry on the business of internet finance, and others are mainly offsets.

In the first half of 2016, China's economy adjusted to the "new normal" against a backdrop of slowing global economic recovery. As impacted by ongoing interest rate decline, capital market downturn, discount rate change for insurance contract liabilities, etc., the profit growth of part of our core financial businesses were weighed down temporarily. However, our core financial businesses still maintained solid momentum in terms of business development. Meanwhile, after several years of operation and development, our internet finance business yielded encouraging results, evidenced by the beginning of its profit contributions to the Group. The Company saw its overall business growth in a steady manner, which fully attested to the advantages of its "Integrated Finance + Internet" and "Internet + Integrated Finance" strategies.

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

# Management Discussion and Analysis

## Users, Customers and Migration

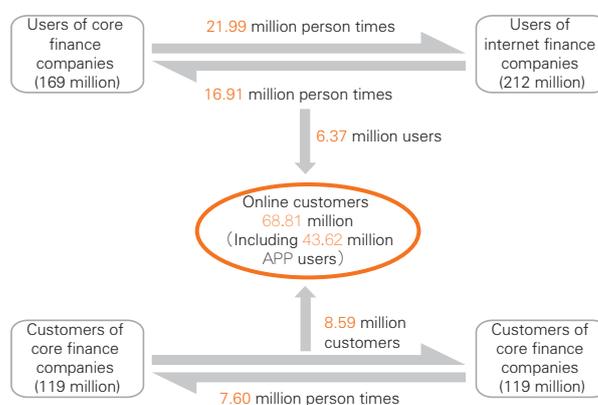
- Ping An had nearly 298 million online users and about 182 million APP users.
- Ping An had nearly 120 million individual customers; its customers base expanded by 17.73 million in the first half of 2016, of which online clients and APP clients reached 68.81 million and 43.62 million respectively.
- Ping An promoted the conversion of interest users to customer significantly. In the first half of the year, 6.37 million new customers were converted from interest users, accounting for 35.9% of total new customers.

With continuous improvement of Ping An's internet finance service platform, the traditional operating model of "product before service" has been gradually replaced by the innovative and customer-oriented operating model featuring "service, multiple services and multiple products". The Company continued to enhance customer experience and promote migration of users and customers. The Company achieved significant results in the past year. Ping An ushered in an Era of 3.0 in 2016. It stepped up efforts to develop the opened internet finance service platform with focuses on the operation of individual users and customers. The Company actively drove the migration and conversion of users and customers and provided customers with "multiple services and multiple products".

The core finance companies constantly improved service levels of their online platforms so as to meet diversified online requirements of customers and enhance customer stickiness. At the same time, Ping An has constantly diversified daily-life service scenarios centered around users' demands for "health, food, housing, transportation and entertainment". By combining finance with the internet service, internet finance companies successfully created unique business models full of competitiveness, attracted more users to get to know Ping An's core finance business and finally converted them to Ping An's customers. As a result, they will realize the target of "one customer, one account, multiple services, and multiple products". As at June 30,

2016, the number of the individual customers totalled about 120 million, up by 9.9% over the beginning of the year; the internet users totalled around 298 million, among which 182 million were APP users, up by 23.3% and 70.2% over the beginning of the year, respectively.

### PING AN'S MODELS OF USER AND CUSTOMER MIGRATION



**Users:** They refer to internet users registered with the internet service platforms (including websites and APPs) of Ping An Group's core finance companies and internet finance companies.

**Customers:** They refer to individuals that held valid financial products of Ping An Group's core finance companies.

**Online customers:** They refer to Ping An Group's customers having an account with its internet service platforms.

**Products:** They refer to personal financial products being sold by Ping An Group's core finance companies.

**Services:** They refer to financial services and services concerning "health, food, housing, transportation and entertainment" provided by Ping An Group's core finance companies and internet finance companies.

Ping An has both vertical and horizontal migration of users and customers. Through vertical migration, customers of core finance companies become internet users, and internet users become customers of core finance companies. For the data of vertical migration, please see Tables 4-5 below. Horizontal migration consists of user migration between the internet service platforms of core finance companies and internet finance companies, and customer migration among core finance companies. Tables 6, 7 and 8 below show the data of horizontal migration.

### INTERNET USER SCALE

Ping An's internet finance businesses have constantly diversified daily-life service scenarios, centering around customer demands for "health, food, housing, transportation and entertainment". Ping An's core finance businesses have proactively promoted innovation of business models, constantly improved online platforms, and embedded finance in online daily-life services. In the first half of 2016, Ping An's internet business continued to develop, and its online user base expanded rapidly. As at June 30, 2016, Ping An's online user base had grown to nearly 298 million users, up by 23.3% compared with the beginning of 2016; the user base of internet finance

companies had grown to 212 million. The number of online users hold financial products from Ping An's core finance companies including Ping An Life, Ping An Property & Casualty, and Ping An Bank, reached 68.81 million, up by 20.5% over the beginning of the year.

As the mobile internet develops, Ping An constantly boosts business on mobile devices. As at June 30, 2016, Ping An APP users reached about 182 million, accounted for 61.3% of total internet users, while total APP users of internet finance companies was about 133 million.

### User Scale (Table 1)

#### Internet User Scale

<b>(in ten thousand)</b>	<b>June 30, 2016</b>	December 31, 2015
The Group	<b>29,774</b>	24,157
Internet finance companies	<b>21,209</b>	18,258
Core finance companies	<b>16,899</b>	13,217

#### APP User Scale

<b>(in ten thousand)</b>	<b>June 30, 2016</b>	December 31, 2015
The Group	<b>18,240</b>	10,719
Internet finance companies	<b>13,262</b>	7,168
Core finance companies	<b>7,961</b>	5,224

Note: Overall internet users and APP users of the Group include users of internet finance companies and core finance companies, with the elimination of repeated users.

# Management Discussion and Analysis

## Users, Customers and Migration

### INDIVIDUAL CUSTOMER BASE

Ping An takes advantage of internet technologies like big data, cloud computing and facial identification to intensively screen customers' needs and improve customer experience. As at June 30, 2016, individual customers holding products of core finance companies amounted to nearly 120 million, up by 9.9% over the beginning of the year, among which 43.62 million were APP users. 17.73 million were new customers in the first half of 2016, up by 37.1% over the same period last year.

### Individual Customer Base (in ten thousand) (Table 2)

For the six months ended June 30	2016	2015
Customers at the beginning of the reporting period	<b>10,858</b>	8,935
New customers in the reporting period <sup>(1)</sup>	<b>1,773</b>	1,293
Including: Ping An Life	<b>349</b>	273
Ping An Property & Casualty	<b>953</b>	830
Retail Banking Business	<b>401</b>	293
Credit Card Business	<b>376</b>	228
Other Businesses	<b>517</b>	262
Customers at the end of the reporting period <sup>(2)</sup>	<b>11,931</b>	9,658

- (1) Customers who purchased multiple financial products are counted more than once. The figures do not add up to the total due to the elimination of repeated customers.
- (2) The number of customers at the end of the reporting period is not equal to the sum of the number of customers at the beginning of the reporting period and new customers in reporting period, due to customer loss.
- (3) The number of customers of insurance companies is counted based on the number of valid policy holders.

### Individual Customer Structure (in ten thousand) (Table 3)

	Number of customers as at June 30 2016	Customers who held other core finance companies' products		Customers who are also internet users		Customers who are also APP users	
		Number	Proportion (%)	Number	Proportion (%)	Number	Proportion (%)
Ping An Life	<b>4,360</b>	1,389	31.9	2,778	63.7	1,888	43.3
Ping An Property & Casualty	<b>4,035</b>	1,066	26.4	2,271	56.3	1,076	26.7
Retail Banking Business	<b>3,509</b>	1,481	42.2	2,169	61.8	1,650	47.0
Credit Card Business	<b>2,086</b>	1,383	66.3	1,741	83.5	1,247	59.8
Other Businesses	<b>1,300</b>	513	39.4	830	63.8	797	61.3
Total	<b>11,931</b>	2,473	20.7	6,881	57.7	4,362	36.6

- (1) Customers who purchased multiple financial products are counted more than once. The figures do not add up to the total due to the elimination of repeated customers.
- (2) The number of customers of insurance companies was counted based on the number of valid policy holders.

## CONVERSION OF INTERNET USERS AND CUSTOMERS

In the first half of the year, Ping An continuously promoted the conversion of internet users and customers. An increasing number of internet users became new customers of core finance companies through purchasing financial products. In the first half of 2016, 6.37 million new customers were converted from internet users of the Group, accounting for 35.9% of total new customers. At the same time, 8.59 million customers of core finance companies became online customers through registration of accounts of internet service platforms, accounting for 15.3% of total new internet users in the first half of 2016.

### Internet users that became new customers of core finance companies (in ten thousand) (Table 4)

Source of users	Terminal						Total
	Ping An Life	Ping An Property & Casualty	Retail Banking Business	Credit Card Business	Ping An Securities	Other core finance companies	
Lufax	4	6	13	6	11	8	40
E-wallet	3	5	4	5	3	4	21
One Account Management Services	11	21	14	20	9	7	72
Other internet finance companies	14	14	15	19	13	9	75
Core finance companies	108	136	41	66	83	46	429
Total	140	182	87	116	119	74	637

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

### Customers of core finance companies that became new internet users (in ten thousand) (Table 5)

Source of users	Terminal					Total
	Lufax	E-wallet	One Account Management Services	Other internet finance companies	Core finance companies	
Ping An Life	15	55	108	188	260	366
Ping An Property & Casualty	7	21	53	59	150	189
Retail Banking Business	9	16	39	42	68	103
Credit Card Business	3	41	57	42	60	119
Ping An Securities	3	5	66	11	5	73
Other core finance companies	3	1	4	3	3	9
Total	40	139	327	345	546	859

(1) As users who registered in multiple internet service platforms are counted more than once. The figures do not add up to the total due to the elimination of repeated users.

# Management Discussion and Analysis

## Users, Customers and Migration

### MIGRATION OF INTERNET USERS

Driven by the model of “Internet + Integrated Finance”, Ping An were dedicated to optimizing its internet service platform. It strove to promote the migration of internet users for better internet user stickiness. It enabled more internet users to enjoy one-stop services in a rich financial and daily living environment. Steady progress has been made in the migration of internet users in the first half of 2016. The following table sets out the migration of internet users among core finance companies and internet finance companies in the first half of 2016.

#### Migration person-times of internet users from internet finance companies to core finance companies (in ten thousand) (Table 6)

Migration Source	Migration Terminal							Total
	Ping An Life	Ping An Property & Casualty	Ping An Annuity	Ping An Bank	Ping An Securities	Ping An Trust	Other core finance companies	
Lufax	42	26	5	20	13	11	33	150
E-wallet	51	28	10	18	9	9	85	210
One Account Management Services	338	129	53	49	33	30	230	862
Other internet finance companies	196	78	19	36	19	48	73	469
Total	627	261	87	123	74	98	421	1,691

#### Migration person-times of internet users from core finance companies to internet finance companies (in ten thousand) (Table 7)

Migration Source	Migration Terminal				Total
	Lufax	E-wallet	One Account Management Services	Other internet finance companies	
Ping An Life	56	141	204	513	914
Ping An Property & Casualty	54	99	272	534	959
Ping An Annuity	1	5	9	16	31
Ping An Bank	6	6	9	24	45
Ping An Securities	7	12	76	33	128
Ping An Trust	3	3	9	16	31
Other core finance companies	13	12	33	33	91
Total	140	278	612	1,169	2,199

- (1) Migration refers to an online user of a company's internet platform becoming an online user of another company's internet platform through registration.
- (2) Migration person-times refers to the times of migration; for example, one user's migration to two platforms is counted as two person-times.
- (3) Other internet finance companies refer to PA Haofang, Ping An Health Cloud, etc.; other core finance companies refer to Ping An Direct, etc.
- (4) Internet users of core finance businesses refer to users of online service platforms of Ping An Life, Ping An Property & Casualty, Ping An Bank, and Ping An Securities, etc., as well as users of these companies' mobile APPs.

## CUSTOMERS MIGRATION

Ping An continued to innovate and provide various integrated financial products and services to meet diversified customer needs and promote customer migration among its core finance companies. In the first half of 2016, the number of migration person times of customers was 7.60 million, and 43.0% of new customers of subsidiaries of the Group were from customer migration.

### Customer migration person-times among core finance businesses (in ten thousand) (Table 8)

Migration Source	Migration Terminal					Total
	Ping An Life	Ping An Property & Casualty	Retail Banking Business	Credit Card Business	Other Businesses	
Ping An Life	-	122	68	68	97	355
Ping An Property & Casualty	36	-	28	38	18	120
Retail Banking Business	32	61	-	36	29	158
Credit Card Business	13	27	49	-	7	96
Other Businesses	6	10	8	5	2	31
<b>Total</b>	<b>87</b>	<b>220</b>	<b>153</b>	<b>147</b>	<b>153</b>	<b>760</b>

(1) Customer migration refers to that the client of one company buys the financial product of another company and becomes the client of this company. It is counted by the number of migration person times of customer.

(2) Other Businesses include Ping An Securities, Ping An Trust and other subsidiaries which carry on core finance business.

Through promoting the migration of customers, the Company screened big data for potential needs of customers, and its cross-selling continued to improve. In the first half of 2016, cross-selling of insurance business has produced remarkable results. New premiums of Ping An Property & Casualty, Ping An Annuity and Ping An Health amounted to approximately RMB17 billion, which were captured from sales agents of individual life insurance. The following table sets out the Company's cross-selling performance of personal integrated finance in the first half of 2016.

### New business acquired via cross-selling (Table 9)

For the six months ended June 30 (in RMB million)	2016		2015	
	Amount	Business contribution percentage (%)	Amount	Business contribution percentage (%)
<b>Ping An Property &amp; Casualty</b>				
Premium income	<b>13,899</b>	<b>16.6</b>	12,177	15.0
<b>Short-term group insurance business of Ping An Annuity</b>				
Premium income	<b>3,029</b>	<b>41.2</b>	2,545	41.2
<b>Ping An Health</b>				
Premium income	<b>43</b>	<b>13.7</b>	35	15.0

Going forward, Ping An will continue to adhere to the operating models of "Integrated Finance + Internet" and "Internet + Integrated Finance" with focus on customers. It will enhance the operation of users and customers, improve product and service experience and promote the migration of internet users and customers. It will set out to create an opened internet finance service platform and realize the target of "one customer, one account, multiple services, and multiple products".

# Management Discussion and Analysis

## Insurance Business

- Scale of individual life insurance business and value of new business of life insurance business grew steadily. The number of life insurance sales agents exceeded one million, with a steady increase in agent productivity.
- For property and casualty insurance business, business quality and profitability remained sound; auto insurance premium income increased by 14.1% as compared with the same period last year.
- Assets entrusted and assets under investment management of Ping An Annuity totalled nearly RMB280 billion. Each business maintained industry-leading positions.

### LIFE INSURANCE BUSINESS

#### Business Overview

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

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

For the six months ended June 30 (in RMB million)	2016	2015
<b>Written premiums<sup>(1)</sup></b>		
Ping An Life	<b>208,481</b>	164,909
Ping An Annuity	<b>9,367</b>	7,548
Ping An Health	<b>344</b>	288
Total written premiums	<b>218,192</b>	172,745
<b>Premium income<sup>(2)</sup></b>		
Ping An Life	<b>163,347</b>	123,056
Ping An Annuity	<b>9,237</b>	7,400
Ping An Health	<b>314</b>	235
Total premium income	<b>172,898</b>	130,691

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

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

In the first half of 2016, the Central Government stuck to its doctrine of "Growth through Stability" adapted to the new normal of economic growth and strengthened supply-side structural reform. As a result, progress has been achieved and stability ensured in macro economy, accompanied by increasing standard of living for people. The life insurance industry maintained a good momentum, with rapid growth in total premiums. Based on principles of risk prevention and compliance, the Company steadily developed its individual life business with high profitability, diversified its product lines and optimized its product structure to meet customer needs. It insisted on improving channel development for better performance. As a result, it achieved steady and valuable business growth and its market competitiveness continuously increased. In the first half of 2016, life insurance's value of new business reached RMB24,017 million, increased by 42.7% over the same period last year, and the profit margin of new business was 28.6%, increased by 0.2 percentage points.

### Ping An Life

With a national service network comprising 42 branches (including seven telephone sales centers) and over 3,000 business outlets, Ping An Life offers life insurance products to individual customers and corporate clients. As at June 30, 2016, Ping An Life had a registered capital of RMB33.8 billion, net assets of RMB107,113 million.

The premium income and the market share of Ping An Life are as follows. In terms of premium income, Ping An Life is the second largest life insurance company in China.

	For the six months ended June 30	
	2016	2015
Premium income (in RMB million)	<b>163,347</b>	123,056
Market share (%)	<b>11.5</b>	13.0

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

### Summary of operating data

	June 30, 2016	December 31, 2015
<b>Number of customers (in thousands)</b>		
Individual	<b>72,795</b>	68,647
Including: policy holders	<b>43,596</b>	41,233
Corporate	<b>1,542</b>	1,288
Total	<b>74,337</b>	69,935
<b>Distribution network</b>		
Number of individual life insurance sales agents	<b>1,045,813</b>	869,895
Number of group insurance sales representatives	<b>4,578</b>	4,380
Bancassurance outlets	<b>66,801</b>	70,258

	For the six months ended June 30	
	2016	2015
<b>Agent productivity</b>		
First-year written premiums per agent per month (in RMB)	<b>10,522</b>	10,026
New individual life insurance policies per agent per month	<b>1.3</b>	1.2
<b>Persistency ratio (%)</b>		
13-month	<b>93.1</b>	92.2
25-month	<b>88.1</b>	88.1

# Management Discussion and Analysis

## Insurance Business

In the first half of 2016, Ping An Life realized net profit of RMB16,760 million, up by 7.8% over the same period last year; written premiums of Ping An Life reached RMB208,481 million, up by 26.4% over the same period last year. Written premiums of individual life insurance business was RMB207,498 million, up by 26.4%, of which the written premiums of new business realized RMB76,193 million, up by 40.5% over the same period last year. Below is the details of written premiums and premium income of Ping An Life:

For the six months ended June 30 (in RMB million)	Written premiums		Premium income	
	2016	2015	2016	2015
<b>Individual business</b>				
<b>New business</b>				
Agent channel	<b>62,560</b>	45,910	<b>55,072</b>	38,502
Including: regular premiums	<b>58,167</b>	43,894	<b>52,795</b>	36,905
Bancassurance channel	<b>9,566</b>	6,046	<b>9,310</b>	6,057
Including: regular premiums	<b>1,898</b>	791	<b>1,894</b>	782
Telemarketing, internet and others	<b>4,067</b>	2,268	<b>4,045</b>	2,268
Including: regular premiums	<b>4,043</b>	2,267	<b>4,043</b>	2,267
<b>New business in total</b>	<b>76,193</b>	54,224	<b>68,427</b>	46,827
<b>Renewal business</b>				
Agent channel	<b>123,169</b>	103,075	<b>86,784</b>	69,345
Bancassurance channel	<b>2,827</b>	2,991	<b>2,779</b>	2,949
Telemarketing, internet and others	<b>5,309</b>	3,840	<b>5,309</b>	3,840
<b>Renewal business in total</b>	<b>131,305</b>	109,906	<b>94,872</b>	76,134
<b>Individual business in total</b>	<b>207,498</b>	164,130	<b>163,299</b>	122,961
<b>Group Business</b>	<b>983</b>	779	<b>48</b>	95
<b>Total</b>	<b>208,481</b>	164,909	<b>163,347</b>	123,056

(1) As per the types of policyholders, the company has re-categorized the life insurance business into individual business and group business.

Our life insurance products are primarily distributed through a network that includes a sales force of about 1.05 million individual life insurance sales agents, 4,578 group insurance sales representatives, 22 thousand telemarketing sales and over 66 thousand commercial bank outlets that have made bancassurance arrangements with Ping An Life.

Ping An Life placed value-focused operations at the core of its business. In particular, it focused on teamwork as the foundation, benevolence as the root, and customer experience and innovation as the driving forces. We promoted the synergistic development of multiple channels such as individual sales agents, bancassurance outlets, telemarketing and internet marketing, striving to achieve the sustainable, healthy and stable development of the business's embedded value and scale. The individual life insurance business constantly increased the number of agents and strengthened its agencies' team management, resulting in the improvement of team quality as well as a stable increase in the productivity and income. As at the end of June 2016, the number of life insurance sales agents rose by 20.2% from the beginning of the year to 1.05 million; first-year written premiums per agent per month rose to RMB10,522 in the first half of the year, up by 4.9% over the same period last year, with the number of new individual life insurance policies per agent per month rising to 1.3. The income of agent reached RMB6,333 per agent per month, rose by 10.1% over the same period last year. The bancassurance business enhanced the internal and external channel cooperation and optimized the business structure to make breakthroughs in business

of high-value regular premium; regular written premiums of new business grew by 139.9% over the same period last year to RMB1,898 million. Further, building on the balanced development of existing channels, Ping An Life strove to develop new channels such as telemarketing and internet marketing. Written premiums of telemarketing sales reached RMB7,983 million in the first half of 2016, up by 31.0% over the same period last year. It continued to maintain a high growth rate and gradually raised its market share, which enabled Ping An Life to maintain the first position in the telemarket. Leveraging on "Jin Guan Jia APP" (former "Ping An Life APP") and internet resources of the Group, the internet marketing developed its differentiated advantages with a focus on O2O product operating model. Its written premiums reached RMB1,393 million in the first half of 2016.

Ping An Life insisted the balanced development of traditional life insurance, participating insurance and universal life insurance, taking development of protective insurance products as one of the important strategies. It made more efforts in operations of the protective insurance market. In the first half of the year, Ping An Life launched "Children Ping An Fu", a children protection product, to explore and deeply operate the children market and furtherly satisfy demands for healthcare insurance from various customers. Meanwhile, based on the O2O product pattern, Ping An Life built and diversified its online product catalog to meet customers' fragmented and personalized insurance needs. Against the low interest rate environment, Ping An Life attached great attention to interest rate risks and strictly controlled product pricing risks through various measures such as product optimization and innovation.

# Management Discussion and Analysis

## Insurance Business

Ping An Life focused on customers and deep operation by using internet technology innovation to provide an online service platform with “Jin Guan Jia APP” as the core to enhance the “simple, convenient, friendly and safe” customer experience. In the first half of 2016, the brand new version “Jin Guan Jia APP” was launched with functions including healthy eco-circle and life companion. By insisting on providing diversified online scenarios, they drove more interactions between customers and agents. Since its launching in 2014, “Jin Guan Jia APP” had built up a registered user base of over 53 million with a monthly activity rate of 31%. As the first company to launch its health management platform in the industry, Ping An Life advocated the concept of sports and provided comprehensive health management services for customers. There was already over 10 million users of the healthy eco-circle. Customers can enjoy legal advice and studying abroad service or track express delivery and check violations with the help of Life Companion, enjoying a comprehensive life service. As at June 30, 2016, Ping An Life had approximately 72.8 million individual customers and 1.54 million corporate customers. For the individual life insurance customers, it managed to maintain the 13-month and 25-month persistency ratio at a high level of 93.1% and 88.1%, respectively.

With its efficient operating service platform, Ping An Life strove to understand customers’ needs and provided accurate services to customers, and actively honored its service commitment. It took advantage of technology and innovation to improve service operation, strengthen risk controls and gradually enhance customer NPS. In the first half of 2016, 1.15 million claims were settled and approximately

RMB7.5 billion claims were given to 1.10 million customers. It created a brand new “Internet + Claim” model, since introducing to customers in May, exceeding 120 thousand clients enjoy rapid online claim service experience that is convenient, safe and secure. Leveraging new technologies and service models like smart robots, remote auditing and video calling, Ping An Life has been making efforts to develop a 7\*24 online service platform that is APP-oriented, convenient and efficient, meeting all policy service needs of customers. For the counter channel, Ping An Life has built 24 third-generation “Smart Stores”, and more than 580 thousand customers enjoyed the “No Waiting” appointment service which was easy and efficient, and the customer satisfaction reached 95%. For value-added services, Ping An Life upgraded comprehensive health management services with “family doctor” as the core, and has provided services to over 9.5 million customers in the first half of the year. Ping An Life also innovated life companion service. It cooperated with leading service providers of education and tourism, introducing services and products with favorable price and quality assurance. More than 2 million customers had access to the services and products, which meeting needs for diversified and customized services of customers.

### **Ping An Annuity**

Ping An Annuity was set up in 2004 and is the first professional annuity company in China. Its business scope includes pension insurance, health insurance, accident insurance, annuity, asset management products for pension and entrusted pension management, with business outlets throughout the country. Ping An Annuity had a registered capital of RMB4,860 million.

Ping An Annuity strives to become the leading pension asset management company and leading social benefits services provider in China. It is shifting from solely operating the annuity business to annuity based asset management businesses, and switching from traditional corporate group insurance business to medical health insurance business, mainly government health insurance. Ping An Annuity is also undergoing an operational shift, extending its focus on group customers, comprising mainly corporate clients, to corporates, governments and their individual customers.

In the first half of 2016, Ping An Annuity recorded a net profit of RMB733 million. Short-term insurance and long-term insurance business scale reached RMB9,476 million and RMB3,794 million, respectively, with market shares maintaining the leading position in the industry. Corporate annuity entrusted payments reached RMB15,663 million, corporate annuity invested payments reached RMB16,968 million, and other entrusted management business payments amounted to RMB158,176

million. As at June 30, 2016, the assets under management of Ping An Annuity amounted to RMB383,804 million in total; of which corporate annuity entrusted assets, corporate annuity assets under investment management and other entrusted management business assets were RMB139,363 million, RMB140,296 million and RMB104,145 million, respectively, reinforcing the Company's leading position among professional annuity companies in China.

### **Ping An Health**

In the first half of 2016, Ping An Health achieved sound business growth with an increase of 33.5% in premium income over the same period last year. While maintaining a leading position in the high-end and mid-end medical market, Ping An Health endeavoured to promote product and service innovation and launched Ping An Ejiabao – a family health insurance plan suitable for the internet marketing, which was very popular in the market. Ping An Health will further make attempts at managed medical care and new medical insurance business, striving to become China's leading managed medi-care insurance company.

# Management Discussion and Analysis

## Insurance Business

### Financial Analysis

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

### Results of operation

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

	2016	2015
Written premiums	<b>218,192</b>	172,745
Less: Written premiums on products not passing significant insurance risk testing	<b>(1,688)</b>	(1,480)
Less: Premium deposits for universal life products and investment linked products	<b>(43,606)</b>	(40,574)
Premium income	<b>172,898</b>	130,691
Net earned premiums	<b>169,224</b>	127,632
Investment income	<b>32,666</b>	70,801
Other income	<b>8,499</b>	4,422
Total income	<b>210,389</b>	202,855
Claims and policyholders' benefits	<b>(136,468)</b>	(134,981)
Commission expenses of insurance operations	<b>(28,557)</b>	(18,377)
Foreign currency exchange gains or losses	<b>(23)</b>	(109)
General and administrative expenses	<b>(18,673)</b>	(15,557)
Finance cost	<b>(1,165)</b>	(864)
Other expenses	<b>(7,129)</b>	(5,159)
Total expenses	<b>(192,015)</b>	(175,047)
Income tax	<b>(2,150)</b>	(12,318)
Net profit	<b>16,224</b>	15,490

Affected by the combined effect of the decrease of investment income, changes in assumptions of the yield curve for the measurement of insurance contract liabilities and the change of deferred tax assets, net profit of life insurance business in the first half of 2016 grew by 4.7% over the same period last year.

### Written premiums and premium income

The following is the breakdown of written premiums and premium income for our life insurance business according to the types of policyholders:

For the six months ended June 30 (in RMB million)	Written premiums		Premium income	
	2016	2015	2016	2015
<b>Individual business</b>				
New business	<b>76,211</b>	54,246	<b>68,445</b>	46,850
Renewal business	<b>131,326</b>	109,919	<b>94,893</b>	76,146
Individual business in total	<b>207,537</b>	164,165	<b>163,338</b>	122,996
<b>Group business</b>				
New business	<b>10,639</b>	8,559	<b>9,551</b>	7,687
Renewal business	<b>16</b>	21	<b>9</b>	8
Group business in total	<b>10,655</b>	8,580	<b>9,560</b>	7,695
Total	<b>218,192</b>	172,745	<b>172,898</b>	130,691

(1) As per the types of policyholders, the company has re-categorized the life insurance business into individual business and group business, updating last year's figures accordingly.

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

For the six months ended June 30 (in RMB million)	2016	2015
Participating	<b>97,129</b>	80,909
Universal life	<b>51,151</b>	46,753
Traditional life	<b>23,463</b>	17,820
Long-term health	<b>20,832</b>	13,903
Accident and short-term health	<b>14,689</b>	10,771
Annuity	<b>9,835</b>	1,094
Investment-linked	<b>1,093</b>	1,495
Total written premiums for life insurance business	<b>218,192</b>	172,745

### Written premiums by product type

(%)  
2016 (2015)



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

For the six months ended June 30 (in RMB million)	2016	2015
Participating	<b>29,953</b>	23,351
Long-term health	<b>12,704</b>	8,418
Traditional life	<b>11,782</b>	10,679
Universal life	<b>9,704</b>	9,071
Annuity	<b>8,723</b>	209
Accident and short-term health	<b>3,310</b>	2,346
Investment-linked	<b>35</b>	172
Total written premiums for new business of individual life insurance business	<b>76,211</b>	54,246

### Written premiums for new business of individual life insurance business by product type

(%)  
2016 (2015)



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

For the six months ended June 30 (in RMB million)	2016	2015
Guangdong	<b>37,726</b>	29,077
Shandong	<b>13,117</b>	10,184
Beijing	<b>12,862</b>	11,185
Jiangsu	<b>12,605</b>	10,036
Liaoning	<b>12,394</b>	10,065
Subtotal	<b>88,704</b>	70,547
Total written premiums	<b>218,192</b>	172,745

### Written premiums by region

(%)  
2016 (2015)



# Management Discussion and Analysis

## Insurance Business

### Total investment income

For the six months ended June 30 (in RMB million)	2016	2015
Net investment income <sup>(1)</sup>	<b>52,919</b>	34,780
Net realized and unrealized gains <sup>(2)</sup>	<b>(19,714)</b>	37,900
Impairment losses	<b>(440)</b>	(2,094)
<b>Total investment income</b>	<b>32,765</b>	70,586
Net investment yield (%) <sup>(3)</sup>	<b>5.7</b>	5.1
Total investment yield (%) <sup>(3)</sup>	<b>4.3</b>	7.9

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

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

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

In the first half of 2016, net investment income for our life insurance business increased by 52.2% mainly due to the growth of the interest income from fixed maturity investments and dividend income from equity investment. Net investment yield was 5.7%, increased by 0.6 percentage points. The main reason was that the Company optimized the asset allocation, dynamically adjusted the allocation of equity assets with high dividend yield.

Influenced by domestic capital market continuous depression, net realized investment income such as capital gains of stocks and funds decreased significantly. In the first half of 2016, total investment income for life insurance business decreased by 53.6%, and total investment yield was 4.3%, down by 3.6 percentage points over the same period last year.

### Claims and policyholders' benefits

For the six months ended June 30 (in RMB million)	2016	2015
Surrenders	<b>10,075</b>	11,173
Claims	<b>10,095</b>	7,550
Annuities	<b>2,724</b>	2,728
Maturities and survival benefits	<b>14,342</b>	10,836
Policyholder dividends	<b>7,071</b>	4,776
Interest credited to policyholder contract deposits	<b>6,530</b>	14,004
Net increase in policyholders' reserves	<b>85,631</b>	83,914
<b>Total claims and policyholders' benefits</b>	<b>136,468</b>	134,981

In the first half of 2016, payments for claims increased by 33.7% over the same period in 2015. This was primarily due to the continuous growth in our accident and health insurance business.

In the first half of 2016, payments for policyholder dividends increased by 48.1% over the same period in 2015. This was primarily attributable to the growth of the scale of participating insurance and the higher dividend yield of participating insurance policies compared with the same period last year.

In the first half of 2016, payments for interest credited to policyholder contract deposits decreased by 53.4% over the same period in 2015. This was primarily due to the decrease in interest payments of universal life accounts resulting from the reduction of investment income.

### Commission expenses of insurance operations

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

	2016	2015
Health insurance	<b>7,876</b>	4,508
Accident insurance	<b>2,703</b>	1,772
Life insurance and others	<b>17,978</b>	12,097
Total commission expenses of insurance operations	<b>28,557</b>	18,377

In the first half of 2016, commission expenses of insurance operations (primarily paid to the sales agents) increased by 55.4% over the same period in 2015. This was primarily attributable to the increase in insurance business.

### General and administrative expenses

In the first half of 2016, general and administrative expenses increased by 20.0% over the same period last year, which was mainly because of insurance business growth and the increase of operating costs, such as labour costs and office expenses.

### Financial costs

In the first half of 2016, financial costs increased by 34.8% over the same period last year, which was primarily attributable to the increase of interest expense due to the issuance of bonds.

### Income tax

Income tax decreased significantly, primarily due to the factors including the decrease in the taxable profits during the reporting period and the change of deferred tax assets in the same period last year.

## PROPERTY AND CASUALTY INSURANCE BUSINESS

### Business Overview

The Company conducts property and casualty insurance business mainly through Ping An Property & Casualty, while Ping An Hong Kong also offers this insurance service in the Hong Kong market. As at June 30, 2016, Ping An Property & Casualty had a registered capital of RMB21 billion. Ping An Property & Casualty laid a strong foundation for its steady and sustainable development by enhancing its operational and management capabilities, as well as service levels.

In the first half of 2016, there was a slowdown in the growth of the property and casualty insurance industry. Automobile insurance is still the mainstay of the property and casualty insurance business. The new “Ten National Rules”, “One Belt, One Road” strategy as well as other favourable policies created favourable external conditions to boost rapid growth of the industry. Reforms for commercial automobile insurance rates and official implementation of C-ROSS drove the industry to actively improve risk pricing capacity, adjust product structure and optimize asset allocation.

Ping An Property & Casualty has long adopted the customer-centric approach by taking customer experience as the cornerstone of operation. Taking a bold approach towards innovation and reform, it endeavours to build its brand as the “customer’s first choice for best experience” by offering a full range of personalized insurance products and services to customers. Ping An Property & Casualty continued to regard risk filtering as the foundation of its operations, enhanced its capabilities in risk filtering, optimized its cost structure and improved its resources utilization efficiency. As its business grew steadily, it also gained a strong market reputation by providing customers with quality services, and raised its level of service for six consecutive years. Through establishing smart platform of loss assessment, it introduced a series of innovative products including “pocket claim” and “Xiao An Guidance. By fully implementing the “online+offline” claim service model, it offered customers the most convenient, transparent, dedicated and secure claim service.

# Management Discussion and Analysis

## Insurance Business

In accordance with the Group's strategic guidance of "integrated finance +" and "internet +", Ping An Property & Casualty is going to embrace the 3.0 Era featuring openness, cooperation and sharing on the basis of technology and internet. In the first half of 2016, Ping An Property & Casualty has been exploring and planning its internet insurance business. Total users of "Ping An Auto Owner" APP reached 4 million. For cases which are unilateral accidents with small-amount car losses only, "Ping An Auto Owner" APP provides full-process, self-help "pocket" claim settlement services with minimal contact for customers, and pools the most extensive quality services resources to offer car owners one-stop car-related consumption services, covering car insurance, car services and car life. Ping An Property & Casualty will shift from internal resource integration to expansion of "internet + automobile living" across the whole industry. It will cooperate with internal and external partners and take advantage of new technologies, for the purpose of creating a more powerful and open platform for the internet automobile living.

In the first half of 2016, the premium income of Ping An Property & Casualty was RMB83,785 million, up by 2.9% over the same period last year, among which premium income from cross-selling, telemarketing and internet marketing reached RMB40,120 million, up by 13.3% over the same period last year, with the percentage of contribution via this channel increased to 47.9%. Premium income from car dealers reached RMB18,387 million, up by 17.3% over the same period last year. According to China's insurance industry statistics published by the CIRC, the premium income of Ping An Property & Casualty accounted for approximately 18.1% of total premium income for Chinese property and casualty insurance companies. Ping An Property & Casualty is the second-largest property insurance company in China in terms of premium income.

### Market share

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

For the six months ended June 30	2016	2015
Premium income (in RMB million)	<b>83,785</b>	81,443
Market share (%) <sup>(1)</sup>	<b>18.1</b>	19.1

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

### Combined ratio

In the first half of 2016, the property and casualty insurance market in China maintained its good order while competition intensified. Ping An Property & Casualty persisted with innovative developments and constantly enhanced professional technical level, maintaining sound profitability. The combined ratio was 95.3%.

### Combined ratio

(%)



## Summary of operating data

	June 30, 2016	December 31, 2015
<b>Number of customers (in thousands)</b>		
Individual	<b>40,353</b>	37,367
Corporate	<b>2,329</b>	2,284
<b>Total</b>	<b>42,682</b>	39,651
<b>Distribution network</b>		
Number of direct sales representatives	<b>7,692</b>	7,538
Number of insurance agents <sup>(1)</sup>	<b>106,139</b>	74,543

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

Ping An Property & Casualty distributed its products mainly through its network of 41 branches and over 2,300 sub-branches across China. Main distribution channels included in-house sales representatives, sales agents, insurance brokers, telemarketing and cross-selling.

### Reinsurance arrangement

In the first half of 2016, Ping An Property & Casualty's outward reinsurance premiums amounted to RMB8,028 million, among which RMB4,450 million and RMB3,562 million were from the automobile and non-automobile insurance businesses, respectively, while RMB16 million came from the accident and health insurance division. Ping An Property & Casualty's inward reinsurance premiums amounted to RMB44.68 million, all of which were from the non-automobile insurance business.

Ping An Property & Casualty continued to be actively engaged in reinsurance arrangements that helped to enhance its underwriting capabilities, diversify its operational risks and ensure its long-term healthy and steady growth. It has endeavoured to widen the scope of collaboration by stepping up efforts to work with reinsurers to expand reinsurance channels. Ping An Property & Casualty has gained strong support from the world's major reinsurance markets including Europe, the United States, Bermuda and Asia and so on. Currently, it has

established extensive and close partnerships with nearly 100 reinsurance companies and reinsurance brokers worldwide. Its major reinsurance partners include China Property & Casualty Reinsurance Company Ltd., Swiss Re, Munich Re and Hannover Re Group, etc.

### Financial Analysis

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

### Results of operation

For the six months ended June 30 (in RMB million)	2016	2015
Premium income	<b>83,975</b>	81,584
Net earned premiums	<b>74,399</b>	64,230
Reinsurance commission income	<b>2,770</b>	3,444
Investment income	<b>4,785</b>	6,839
Other income	<b>329</b>	322
<b>Total income</b>	<b>82,283</b>	74,835
Claim expenses	<b>(40,804)</b>	(36,607)
Commission expenses of insurance operations	<b>(11,753)</b>	(9,418)
Foreign currency gains or losses	<b>17</b>	(5)
General and administrative expenses	<b>(21,164)</b>	(17,672)
Including: investment-related general and administrative expenses	<b>(54)</b>	(154)
Finance costs	<b>(217)</b>	(16)
Other expenses	<b>(100)</b>	(103)
<b>Total expenses</b>	<b>(74,021)</b>	(63,821)
Income tax	<b>(1,521)</b>	(2,284)
<b>Net profit</b>	<b>6,741</b>	8,730

In the first half of 2016, net profit of property and casualty insurance business decreased by 22.8% over the same period last year, mainly due to the reduction of investment income.

# Management Discussion and Analysis

## Insurance Business

### Premium income

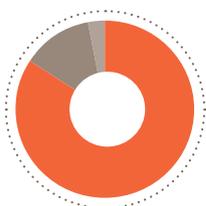
For the six months ended  
June 30 (in RMB million)

	2016	2015
Automobile insurance	<b>70,695</b>	61,944
Non-automobile insurance	<b>10,745</b>	17,667
Accident and health insurance	<b>2,535</b>	1,973
<b>Total premium income</b>	<b>83,975</b>	81,584

### Premium income by product type

(%)

2016 (2015)



- Automobile insurance 84.2 (75.9)
- Non-automobile insurance 12.8 (21.7)
- Accident and health insurance 3.0 (2.4)

*Automobile insurance.* Premium income increased by 14.1% over the same period in 2015. Leveraging on the favourable market environment, Ping An Property & Casualty strengthened the business development, achieving rapid growth in premium income of automobile insurance from the cross-selling, telemarketing and car dealer channels.

*Non-automobile insurance.* Premium income decreased by 39.2% over the same period in 2015; of which, premium income of guarantee insurance was down by 85.0% due to that the original products were phased out following the product structure adjustment. Premium income of liability insurance increased by 29.7% over the same period last year.

*Accident and health insurance.* The business of accident and health insurance achieved stable growth. In the first half of 2016, its premium income increased by 28.5% over the same period in 2015.

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

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

	2016	2015
Guangdong	<b>12,740</b>	13,045
Jiangsu	<b>5,583</b>	5,781
Sichuan	<b>5,489</b>	4,911
Shanghai	<b>5,086</b>	4,678
Zhejiang	<b>5,022</b>	4,572
<b>Subtotal</b>	<b>33,920</b>	32,987
<b>Total premium income</b>	<b>83,975</b>	81,584

### Premium income by region

(%)

2016 (2015)



- Guangdong 15.2 (16.0)
- Jiangsu 6.6 (7.1)
- Sichuan 6.5 (6.0)
- Shanghai 6.1 (5.7)
- Zhejiang 6.0 (5.6)
- Others 59.6 (59.6)

### Total investment income

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

	2016	2015
Net investment income <sup>(1)</sup>	<b>6,358</b>	4,958
Net realized and unrealized gains <sup>(2)</sup>	<b>(1,566)</b>	1,835
Impairment losses	<b>(7)</b>	-
<b>Total investment income</b>	<b>4,785</b>	6,793
Net investment yield (%) <sup>(3)</sup>	<b>5.8</b>	5.9
Total investment yield (%) <sup>(3)</sup>	<b>4.9</b>	7.2

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

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

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

In the first half of 2016, net investment income for our property and casualty insurance business increased by 28.2% over the same period in 2015, mainly due to the growth of the interest income from fixed maturity investments and dividend income from equity investment. Net investment yield was 5.8%.

Influenced by domestic capital market continuous depression, net realized investment income such as capital gains of stocks and funds decreased significantly. In the first half of 2016, total investment income of property and casualty insurance business decreased by 29.6% over the same period in 2015, and its total investment yield was 4.9%.

#### Claims expenses

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

	2016	2015
Automobile insurance	<b>35,882</b>	32,038
Non-automobile insurance	<b>4,001</b>	3,864
Accident and health insurance	<b>921</b>	705
<b>Total claims expenses</b>	<b>40,804</b>	36,607

In the first half of 2016, claims attributable to automobile insurance business increased by 12.0% over the same period in 2015. This was primarily due to the growth in automobile insurance business.

In the first half of 2016, claims attributable to accident and health insurance business increased by 30.6% over the same period in 2015. This was primarily due to the growth in premium income during the past twelve months.

#### Commission expenses of insurance operations

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

	2016	2015
Automobile insurance	<b>9,201</b>	6,580
Non-automobile insurance	<b>2,048</b>	2,477
Accident and health insurance	<b>504</b>	361
<b>Total commission expenses</b>	<b>11,753</b>	9,418
Commission expenses as a percentage of premium income (%)	<b>14.0</b>	11.5

In the first half of 2016, commission expenses of our property and casualty insurance business

increased by 24.8% over the same period in 2015. Commission expenses as a percentage of premium income increased by 2.5 percentage points over the same period in 2015. This was primarily due to the increase in premium income and more intensive market competition.

#### General and administrative expenses

In the first half of 2016, general and administrative expenses increased by 19.8% over the same period in 2015. This increase was primarily due to the growth in insurance business and the increasing inputs in customer services and strategic initiatives.

#### Income tax

In the first half of 2016, income tax of property and casualty insurance business decreased by 33.4% over the same period in 2015, which was mainly due to an decrease in the taxable profits.

#### INVESTMENT PORTFOLIO OF INSURANCE FUNDS

Insurance is the core business of the Group, the insurance funds are formed by the funds from the Company and its subsidiaries engaged in the insurance business which is available for investment. The investment of insurance funds is subject to relevant laws and regulations. The investment portfolio of insurance funds represents a majority of the investment assets of the Group. This section analyzes the investment portfolio of insurance funds.

In the first half of 2016, the global economic situation was relatively complex. While China's economy grew within a reasonable range, the commodity index remained low with more strict financial regulation. For the capital market, overseas markets experienced volatile led by Fed rate hike and Brexit, and A share market underperformed. The short-term yield of the bond market remained stable while its long-term yield maintained sideway movements. It also constantly witnessed occurrence of credit events. While looking into the macroeconomic changes and policies, the Company stuck to the bottom line of risk and steadily increased its high-rating fixed income investments and preferred stock investments. It seized the upside potential of the equity market to dynamically adjust the allocation of equity assets and actively looked for opportunities of overseas investment, further diversifying risks of investment portfolio.

# Management Discussion and Analysis

## Insurance Business

Currently, low interest rate environment poses great challenges against utilization of insurance funds. Ping An planned for excellent and high-yield alternative assets as early as 2013 and 2014. Given slower economic growth and economic restructuring, it gradually put emphasis on products like government bonds, railway bonds and bank preferred shares with sound security and stable yield. At the same time, it has been actively seeking overseas for opportunities of alternative investment and increasing returns on investment through various channels.

Risk controls on investment in alternative assets of insurance funds were performed from three levels. The first level is asset allocation; Ping An has established an effective and scientific model and balanced risks and yields of major assets according to risk appetites, customized strategic asset allocation for accounts and constantly improved its tactics. All efforts aimed to control risks within an appropriate range of risk appetites. The second level is variety selection; trustees not only follow standards of industry, credit and territory, but also have to obtain approval from clients and the Group Investment Management Committee. The third level is post-investment management; post-management team regularly tracked operation, returns and risks of the investment. As at June 30, 2016, alternative investment by Ping An's insurance funds was free of credit events.

Generally, risks of alternative assets held by Ping An were under the control. In terms of credit, overall risk was under control because more than 90% of debt plans and trust plans held by Ping An were rated AAA by external rating agencies, more than 70% were guaranteed or secured, and coverage ratio of cash flows exceeded 80%; in terms of industry and territory, underlying assets were from energy, transportation, municipal services, environmental protection, land reserving, affordable housing projects and other key industries affecting national economy and people's livelihood, and they were mainly found in Beijing, Jiangsu, Zhejiang, Guangdong and other developed and coastal areas; in terms of

investment period and returns on investment, Ping An successfully seized opportunities of abundant supply of excellent underlying assets in 2013 and 2014, and they boasted higher average yield and will result in stable yields from insurance funds in the future.

### Investment Income

For the six months ended June 30 (in RMB million)	2016	2015
Net investment income <sup>(1)</sup>	<b>59,752</b>	40,622
Net realized and unrealized gains <sup>(2)</sup>	<b>(21,277)</b>	39,771
Impairment losses	<b>(447)</b>	(2,094)
<b>Total investment income</b>	<b>38,028</b>	78,299
Net investment yield (%) <sup>(3)</sup>	<b>5.7</b>	5.1
Total investment yield (%) <sup>(3)</sup>	<b>4.4</b>	7.7

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

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

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

In the first half of 2016, net investment income increased by 47.1% over the same period in 2015, mainly due to the growth of the interest income from fixed maturity investments and dividend income from equity investment. Net investment yield was 5.7%, increased by 0.6 percentage points over the same period in 2015. This was mainly due to that the Company optimized the asset allocation, dynamically adjusted the allocation of equity assets with high dividend yield.

Influenced by domestic capital market continuous depression, net realized investment income such as capital gains of stocks and funds decreased significantly. In the first half of 2016, total investment income for insurance funds decreased by 51.4% over the same period in 2015, and total investment yield was 4.4%, decreased by 3.3 percentage points.

## Investment Portfolio

(in RMB million)	June 30, 2016		December 31, 2015	
	Carrying value	%	Carrying value	%
<b>By category</b>				
Fixed income investments				
Term deposits	<b>189,855</b>	<b>10.4</b>	193,248	11.1
Bond investments	<b>868,823</b>	<b>47.6</b>	829,245	47.9
Debt scheme investments	<b>139,988</b>	<b>7.7</b>	136,414	7.9
Wealth management products <sup>(1)</sup>	<b>116,028</b>	<b>6.4</b>	117,970	6.8
Other fixed income investments <sup>(2)</sup>	<b>81,175</b>	<b>4.4</b>	68,931	4.0
Equity investments				
Stocks	<b>127,663</b>	<b>7.0</b>	124,254	7.2
Equity funds	<b>33,763</b>	<b>1.9</b>	48,275	2.8
Bond funds	<b>20,530</b>	<b>1.1</b>	20,067	1.2
Preference shares	<b>64,445</b>	<b>3.5</b>	43,732	2.5
Wealth management products <sup>(1)</sup>	<b>29,804</b>	<b>1.6</b>	24,338	1.4
Other equity investments <sup>(3)</sup>	<b>28,225</b>	<b>1.5</b>	19,692	1.1
Investment properties	<b>28,859</b>	<b>1.6</b>	25,350	1.5
Cash, cash equivalents and others	<b>96,743</b>	<b>5.3</b>	80,103	4.6
<b>Total investments</b>	<b>1,825,901</b>	<b>100.0</b>	1,731,619	100.0
<b>By purpose</b>				
Carried at fair value through profit or loss	<b>49,240</b>	<b>2.7</b>	33,129	1.9
Available-for-sale	<b>446,965</b>	<b>24.5</b>	440,032	25.4
Held-to-maturity	<b>681,589</b>	<b>37.3</b>	647,568	37.4
Loans and receivables	<b>610,728</b>	<b>33.5</b>	576,996	33.3
Others	<b>37,379</b>	<b>2.0</b>	33,894	2.0
<b>Total investments</b>	<b>1,825,901</b>	<b>100.0</b>	1,731,619	100.0

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

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

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

### Investment portfolio

(%)  
June 30, 2016 (December 31, 2015)



Ping An stuck to the bottom line of risk and proceeded with prudential investment under the comprehensive asset allocation system and investment risk management system. The Company continued to increase allocation of high safety assets such as interest bonds, preferred shares and high-grade financial products; it stepped up efforts to drive the overseas investment and adhered to philosophy of counter-cyclical value investment and allocated high-dividend value stocks as well as real estate, equities and other alternative assets approved by CIRC. It also continued to increase assets of insurance portfolios and diversify risks of portfolios.

# Management Discussion and Analysis

## Insurance Business

### Solvency Margin

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

The CIRC issued the China Risk Oriented Solvency System (“C-ROSS”) in February 2015. The insurance industry entered the C-ROSS transition period. A risk-oriented supervision regime was established to measure the risks of insurance undertakings scientifically and comprehensively, and calculate a capital requirement that aligns with the specific risks with the insurance undertaking’s risk profiles. Based on the trial operations during the transition period and as approved by the State Council, the CIRC decided to enforce “the Solvency Regulatory Rules (No. 1-17) for Insurance Companies” from January 1, 2016.

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

(in RMB million)	Ping An Life		Ping An Property & Casualty		Ping An Annuity		Ping An Health	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Core capital	<b>462,097</b>	418,366	<b>63,560</b>	58,029	<b>6,485</b>	5,981	<b>280</b>	324
Actual capital	<b>494,897</b>	444,366	<b>71,560</b>	66,029	<b>6,485</b>	5,981	<b>280</b>	324
Minimum capital	<b>223,676</b>	202,289	<b>24,764</b>	24,498	<b>2,194</b>	2,144	<b>136</b>	129
Core solvency margin ratio	<b>206.6%</b>	206.8%	<b>256.7%</b>	236.9%	<b>295.6%</b>	279.0%	<b>206.0%</b>	250.2%
Comprehensive solvency margin ratio	<b>221.3%</b>	219.7%	<b>289.0%</b>	269.5%	<b>295.6%</b>	279.0%	<b>206.0%</b>	250.2%

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

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

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

As at June 30, 2016, the solvency margin ratios of Ping An Life, Ping An Property & Casualty, Ping An Annuity and Ping An Health were all above the regulatory requirements.

# Management Discussion and Analysis

## Banking Business

- Ping An Bank maintained steady growth in its business scale and profitability, while gradually promoting its strategic transformation.
- Ping An Bank strengthened its business structure and improved its operating efficiency to keep asset quality risks at a manageable level.
- Ping An Bank replenished its capital and expanded its branch network, laying a strong foundation for development.

The Company engages in banking business through Ping An Bank, which is a national joint-stock commercial bank headquartered in Shenzhen, and is listed on the Shenzhen Stock Exchange (stock short name: Ping An Bank, stock code: 000001). As at June 30, 2016, Ping An Bank had RMB2.80 trillion in total assets, and RMB17,170 million in total share capital. Ping An Bank provides corporate, retail, and government clients with multiple financial services through 1,037 outlets across the country.

In the first half of 2016, China's macroeconomic environment faced various pressures, but remained relatively stable in its macroeconomic indicators. The supply-side structural reforms gained further traction. Against the backdrop of macroeconomic structural reforms, the banking industry will have to confront the challenges head-on. Increasing pressure on asset allocation, narrowing spread, new financial disintermediation policies and other headwinds will remain for a certain period of time.

In the face of complex economic and operating scenarios, Ping An Bank maintained its strategic focus and promoted its strategic transformation, rolling out its second transformation on the principle of "Enhancing Quality and Efficiency". Ping An Bank continued to uphold its operating characteristics of "Specialization, Intensification, Integrated Finance, and Internet Finance", while driving the transformation of its branches and business units in a bid to create its 3S's - namely "Supreme Finance", "Smart Finance" and "Sustainable Finance" - and strengthening its risk controls. With a large base stemming from its rapid growth in the past three years, the business maintained stable growth in the first half of the year.

In the first half of 2016, Ping An Bank realized a net profit of RMB12,292 million, up by 6.1% over the same period last year. As at June 30, 2016, Ping An Bank had RMB1,898,348 million in customer deposits, up by 9.5% over the beginning of the year, and RMB1,358,021 million in loans and advances to customers, up by 11.7% over the beginning of 2016.

**Ping An Bank has optimized its business structure and improved its operating efficiency.** In total share keeping with the principle of balanced development of assets and liabilities, Ping An Bank continued to apply its liability management model in the allocation of its liabilities, and recorded a higher proportion of current accounts and a lower cost rate of liabilities. The average cost rate of interest-bearing liabilities in the first half of 2016 was 2.23%, down by 0.93 percentage points over the same period last year. Net interest spread and net interest margin increased by 0.10 percentage points and 0.08 percentage points over the same period last year respectively. By implementing its refined cost control system, Ping An Bank continued to raise its efficiency. The cost-to-income ratio in the first half of 2016 was 28.80%, down by 3.42 percentage points over the same period last year, leading the industry. The net non-interest income was RMB18,573 million, accounted for 33.91% of operating income, up by 0.72 percentage points over the same period last year.

**Ping An Bank has promoted its strategic transformation and demonstrated operational competitiveness in terms of specialization.** Ping An Bank promoted its strategic transformation and achieved greater momentum in the development of its investment banking and asset management business, offshore business and

# Management Discussion and Analysis

## Banking Business

retail business. By accelerating the development of its Internet of Things finance and internet finance platform, Ping An demonstrated its operational competitiveness in terms of specialization. Leveraging on the structural opportunities from the transformation and the upgrade of the real economy of the country, Ping An Bank grew its industry development funds, which boosted its liability business as well as the growth of net non-interest income. For the offshore business, Ping An Bank steadily promoted a series of key initiatives such as its privatization and delisting financing business for China Concept Stocks, offshore M&A loan facilities, offshore project financing business and the issuance of offshore corporate bonds and subscription. For retail business units, the assets of retail customers under management was RMB720 billion, up by 8.5% compared with the beginning of the year; the number of retail customers was 35.43 million, up by 11.6% compared with the beginning of the year. Additional 4.51 million credit cards were issued, up by 66.1% compared with the same period last year; the total number of cardholders was 20.29 million, up by 15.8% compared with the beginning of the year, with a total payment of nearly RMB529.1 billion, up by 47.8% compared with the same period last year. The balance of credit card loans was RMB163.0 billion, up by 10.3% compared with the beginning of the year. The first batch of spot financing of the Internet of Things finance commenced operations, developing into a comprehensive Internet of Things finance business model. The “Orange-e-platform” had a registered user base of 2.28 million, up by 40% compared with the beginning of the year. “Hang-E-Tong”, an online interbank platform, expanded its product offerings with online transaction volume exceeding RMB2 trillion, becoming the leading online interbank platform in terms of transaction volume. The user base of “Orange Bank” reached nearly 7.74 million, up by 52.7% compared with the beginning of the year.

**Ping An Bank stayed vigilant against various types of risks with asset quality risks kept at a manageable level.** A number of enterprises have faced business challenges arising from the external environment, and Ping An Bank has seen its asset quality similarly affected to a certain extent. As at June 30, 2016, Ping An Bank had a non-performing loan ratio of

1.56%, up by 0.11 percentage points over the beginning of the year. Its provision coverage ratio stood at 160.82%, down by 5.04 percentage points over the beginning of the year. Ping An Bank adopted a series of measures to manage existing loans and step up efforts to dissolve and dispose of non-performing assets. In the first half of the year, Ping An Bank recovered RMB2,643 million in non-performing assets, and increased its provisions and write-offs with a loan loss provision ratio of 2.51%, up by 0.10 percentage points from the beginning of the year. Meanwhile, Ping An Bank strictly controlled new loans, divested from risky assets in businesses with excess capacity, and increased its investments in low-risk assets such as quality corporate loans and accounts receivable on credit cards. Risks of asset quality were kept at a manageable level.

**Ping An Bank has replenished its capital and expanded its branch network, laying a strong foundation for development.**

To replenish its capital, Ping An Bank undertook a RMB20 billion private placement of preferred shares in March 2016, and a RMB10 billion placement of Tier-2 Capital bonds in April. The proceeds were used to increase its levels of Tier-1 and Tier-2 capital to support its business development. Ping An Bank grew its branch network in a rational manner. As at 30 June, 2016, Ping An Bank had 58 branches and 1,037 outlets, including four new branch-level outlets in Hefei, Huzhou, Taizhou and Mianyang, which opened in the first half of 2016.

### RESULTS OF OPERATION

Pursuant to the accounting standards, the identifiable assets and liabilities acquired upon the merger with original SDB were to be recognised and measured at fair value on the date of merger. As a result, the figures of original SDB in the consolidated financial statements of the Group were the results of subsequent measurement on the basis of the fair value of its assets and liabilities on the date of merger. Therefore, there were differences between the data of the Group’s banking business of the segment operating results in the financial statements and those of the results of operations of Ping An Bank as disclosed in its interim report.

This section is the analysis about the operating result of Ping An Bank. The data came from its interim report of 2016.

For the six months ended June 30 (in RMB million)	2016	2015
Net interest income	<b>36,196</b>	31,118
Net fees and commission income	<b>16,448</b>	13,722
Investment income	<b>1,608</b>	2,104
Profit or loss through fair value change	<b>160</b>	85
Foreign exchange gains/(losses)	<b>283</b>	(515)
Income from other businesses	<b>74</b>	61
<b>Total income</b>	<b>54,769</b>	46,575
Business tax and surcharges	<b>(2,839)</b>	(3,380)
General and administrative expenses	<b>(15,774)</b>	(15,005)
Asset impairment losses	<b>(20,000)</b>	(12,923)
<b>Total expenses</b>	<b>(38,613)</b>	(31,308)
Net non-operating income and expenses	<b>(2)</b>	(8)
Income tax	<b>(3,862)</b>	(3,674)
<b>Net profit</b>	<b>12,292</b>	11,585

Ping An Bank steadily maintained its profitability. In the first half of 2016, it realized net profit of RMB12,292 million, up by 6.1% compared with the same period last year.

## NET INTEREST INCOME

For the six months ended June 30 (in RMB million)	2016	2015
<b>Interest income</b>		
Due from the PBOC	<b>2,069</b>	2,067
Due from financial institutions	<b>4,693</b>	6,311
Loans and advances to customers	<b>42,044</b>	42,127
Interest income from investment	<b>14,631</b>	15,136
Others	<b>131</b>	223
<b>Total interest income</b>	<b>63,568</b>	65,864
<b>Interest expenses</b>		
Due to the PBOC	<b>(456)</b>	(128)
Due to financial institutions	<b>(4,126)</b>	(10,599)
Customer deposits	<b>(18,440)</b>	(21,940)
Bonds payable	<b>(4,350)</b>	(2,079)
<b>Total interest expenses</b>	<b>(27,372)</b>	(34,746)
<b>Net interest income</b>	<b>36,196</b>	31,118
Average balance of interest-earning assets	<b>2,607,874</b>	2,319,291
Average balance of interest-bearing liabilities	<b>2,464,910</b>	2,214,600
Net interest spread (%) <sup>(1)</sup>	<b>2.67</b>	2.57
Net interest margin (%) <sup>(2)</sup>	<b>2.79</b>	2.71

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

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

Ping An Bank continuously put efforts in the optimization of its asset and liability structure. The proportion of liability from the low interest rate fundamental deposits business rose, while the average interest rate of interbank business also decreased significantly. In the first half of 2016, net interest income increased by 16.3% compared with the same period last year. Meanwhile, both net interest spread and net interest margin increased as compared with the same period last year.

# Management Discussion and Analysis

## Banking Business

### NET FEES AND COMMISSION INCOME

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

	2016	2015
<b>Fees and commission income</b>		
Settlement fees income	1,162	1,045
Wealth management fees income	2,424	1,584
Agency commissions income	3,182	2,409
Bank card fees income	5,652	4,030
Consultancy fees income	2,059	3,676
Account management fees income	90	78
Asset custodian fees income	2,000	1,519
Others	1,531	620
<b>Total fees and commission income</b>	<b>18,100</b>	14,961
<b>Fees and commission expenses</b>		
Agency expense	(261)	(137)
Bank card fees expenses	(1,249)	(992)
Others	(142)	(110)
<b>Total fees and commission expenses</b>	<b>(1,652)</b>	(1,239)
<b>Net fees and commission income</b>	<b>16,448</b>	13,722

In the first half of 2016, benefitting from rapid growth in card business, wealth management business, asset custody business and agency business (including gold leasing), fees and commission income continued to increase. As a result, net fees and commission income increased by 19.9% over the same period last year.

### GENERAL AND ADMINISTRATIVE EXPENSES

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

	2016	2015
General and administrative expenses	15,774	15,005
<b>Cost-to-income ratio<sup>(1)</sup></b>	<b>28.80</b>	32.22

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

In the first half of 2016, general and administrative expenses rose by 5.1% compared with the same period in 2015, which was mainly due to the increasing input in outlets, expansion of business, as well as continuously investment in the optimization of management workflow. Cost-to-income ratio decreased by 3.42 percentage points compared with the same period last year.

### ASSET IMPAIRMENT LOSSES

In the first half of 2016, asset impairment losses rose by 54.8% compared with the same period in 2015, mainly due to the increase in loan loss provisions.

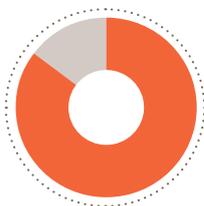
## DEPOSITS

(in RMB million)	June 30, 2016	December 31, 2015
Corporate deposits	<b>1,619,383</b>	1,453,590
Retail deposits	<b>278,965</b>	280,331
Total deposits	<b>1,898,348</b>	1,733,921

### Deposit mix

(%)

June 30, 2016 (December 31, 2015)



- Corporate deposits 85.3 (83.8)
- Retail deposits 14.7 (16.2)

## LOANS AND ADVANCES

(in RMB million)	June 30, 2016	December 31, 2015
Corporate loans	<b>901,288</b>	774,996
Retail loans	<b>293,718</b>	293,402
Accounts receivable on credit cards	<b>163,015</b>	147,740
Total loans and advances	<b>1,358,021</b>	1,216,138

### Loans and advances

(%)

June 30, 2016 (December 31, 2015)



- Corporate loans 66.4 (63.7)
- Retail loans 21.6 (24.1)
- Accounts receivable on credit cards 12.0 (12.2)

## LOAN QUALITY

(in RMB million)	June 30, 2016	December 31, 2015
Pass	<b>1,277,933</b>	1,148,011
Special mention	<b>58,893</b>	50,482
Sub-standard	<b>11,010</b>	7,945
Doubtful	<b>4,027</b>	2,141
Loss	<b>6,158</b>	7,559
Total loans and advances	<b>1,358,021</b>	1,216,138
Total non-performing loans	<b>21,195</b>	17,645
Non-performing loan ratio (%)	<b>1.56</b>	1.45
Impairment provision balance	<b>(34,086)</b>	(29,266)
Loan loss provision ratio (%)	<b>2.51</b>	2.41
Provision coverage ratio (%)	<b>160.82</b>	165.86

# Management Discussion and Analysis

## Banking Business

Affected by the macro-economic slowdown, some companies were faced with operating difficulties and decreasing financing capacity with the emerging of overdue loans and interest, causing the non-performing and special mention loans of the banking industry to climb. As at June 30, 2016, the carrying amount of non-performing loans was RMB21,195 million; the non-performing loan ratio was 1.56%; the provision coverage ratio was 160.82%. Ping An Bank adopted a series of measures to manage existing loans and increased provision and loan disposing. Loan loss provision ratio was 2.51%, up by 0.10 percentage points over the beginning of the year. Meanwhile, it strictly controlled incremental business to resist the worsening of asset quality and maintained stable asset quality.

### CAPITAL ADEQUACY RATIO

(in RMB million)	June 30, 2016	December 31, 2015
Net core tier 1 capital	<b>160,475</b>	150,070
Net tier 1 capital	<b>180,428</b>	150,070
Net capital	<b>223,435</b>	181,805
Total risk weighted assets	<b>1,889,950</b>	1,661,747
Core tier 1 capital adequacy ratio (regulatory requirement $\geq$ 7.5%)	<b>8.49</b>	9.03
Tier 1 capital adequacy ratio (regulatory requirement $\geq$ 8.5%)	<b>9.55</b>	9.03
Capital adequacy ratio (regulatory requirement $\geq$ 10.5%)	<b>11.82</b>	10.94

Note: Capital requirement in regard to credit risk, market risk and operation risk was measured in weighted method, standard method and basic index method respectively.

As at June 30, 2016, capital adequacy ratio of Ping An Bank was 11.82%, tier 1 capital adequacy ratio of 9.55% and core tier 1 capital adequacy ratio of 8.49%, all of which were in compliance with the regulatory requirements.

# Management Discussion and Analysis

## Asset Management Business

- Ping An Trust strengthened its risk management system and proactively improved its business structure with continuous growth for its third-party business.
- Ping An Securities developed its differentiation advantages, outperforming the industry.
- The third-party business of Ping An Asset Management grew steadily.

### TRUST BUSINESS

Through Ping An Trust, the Company provides financial services to high net-worth individuals, institutional customers, fellow customers and Ping An's subsidiaries. As at June 30, 2016, Ping An Trust had the registered capital of RMB12 billion.

The first half of 2016 witnessed steady development on macro economy. Growth in investment and foreign trade slowed down. New driving forces for the growth which is represented by the internet were not fully developed, thus the economic growth is at a crucial moment because drivers of growth are transforming. Generally, the trust industry operated steadily. Given rotation of social asset allocation, regulatory changes, restructuring, transformation as well as competition in pan asset management market, the industry demonstrated its persistence and firmness developed over years of development and began to enter a new phase of self-adjustment and strategic transformation.

In the first half of 2016, Ping An Trust continued to pursue its transformation towards the strategic objective of building itself into "China's largest and leading trust company". To achieve this goal, it has established four major core business segments, namely "private wealth management business (retailing)", "private equity investment banking and institutional asset management business (corporate)",

"interbank business (interbank)" and "private equity investment business (PE)". Leveraging on Ping An Group's integrated financial strategies, Ping An trust fully capitalized on the strengths of brand, customer, channel, fund and platform to provide whole-lifecycle, whole-process and all-dimensional financial solutions to institutional and individual customers.

As for private wealth management business, Ping An Trust targeted at high net-worth customers and building a great product center. It provided individual customers with a full range of investment & financing services and customized asset allocation solutions. Number of high net-worth customers grew steadily. As at June 30, 2016, the number of active high net-worth customers amounted to 43 thousand, up by 14.9% from the beginning of the year. In terms of private equity investment banking and institutional asset management business, Ping An Trust focused on customers with debt or equity products. It provided a wide range of products through various channels as well as comprehensive financial solutions of asset management, Merger & Acquisition and wealth management investment. The first deal of mixed SOE ownership reform was successfully concluded and investment in urban renewal project was completed; "M&A Win +" platform went live and ABS projects were gradually implemented. For interbank business, Ping An Trust provided interbank institutions with customized comprehensive financial services,

# Management Discussion and Analysis

## Asset Management Business

focusing on interbank asset management, asset securitization and trade finance. Thanks to more than 10 models of diversified cooperation as well as partnership with more than 200 interbank institutions, it was able to meet differentiated needs of interbank customers. In terms of equity investment business, Ping An Trust actively seized opportunities arising from the structural adjustment of China's economy, mixed ownership reform of state-owned enterprise and expansion of overseas investment. It focused on potential sectors under Ping An Group's eco-circle to conduct its private equity investment business, secondary market-based transfer business and mezzanine investment. More than 10 projects were being implemented, amounting to approximately RMB10 billion.

Amid the current economic situations, Ping An Trust has enhanced comprehensive risk management, proactively improved its business structure, and boosted its strategic presence in third-party businesses such as retail business. In the first half of 2016, the trust business realized RMB1,687 million in net fees and commission income, up by 20.8% over the same period last year, beating most peers; the trust business realized RMB898 million in net profit, down by 8.1% over the same period last year due to the delay of subsidiaries' dividend allocation and lower investment income from non-related party.

### Assets Held in Trust

(in RMB million)	June 30, 2016	December 31, 2015
<b>Investment category</b>		
Capital market investments	<b>82,547</b>	66,074
Private equity investments	<b>28,318</b>	33,184
Other investments <sup>(1)</sup>	<b>48,208</b>	72,540
Subtotal	<b>159,073</b>	171,798
<b>Financing category</b>		
Real estate industry financing	<b>37,759</b>	46,611
Infrastructure industry financing	<b>20,144</b>	29,370
Corporate loans	<b>72,688</b>	67,008
Pledged and other financing <sup>(2)</sup>	<b>20,803</b>	19,087
Subtotal	<b>151,394</b>	162,076
Administrative category <sup>(3)</sup>	<b>333,299</b>	224,561
<b>Total</b>	<b>643,766</b>	558,435

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

(2) Pledge financing is generally backed by stocks, beneficiary rights of trust schemes, accounts receivable, etc.; other financing refer to financing trust backed by assets other than the above, including acquired credit card assets, rents receivable, and other debts.

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

As at June 30, 2016, assets held in trust of Ping An Trust reached RMB643,766 million, up by 15.3% over the end of 2015. As the real economy went downward and the market risks increased, Ping An Trust further adjusted its business structure. The scale of administrative trusts increased, while the scale of investment trusts and financing trusts decreased. The scale of financing trusts was RMB151,394 million, down by 6.6% over the beginning of the year, among which, the scale of trust asset within the real estate financing category was RMB37,759 million, down by 19.0% over the beginning of the year.

### Comprehensive Risk Management

In the first half of 2016, Ping An Trust actively adapted to new normal of macro economy and adhered to the risk management principle of “expertise creating value; winning with market-leading risk control”. Ping An Trust established a risk management framework marked by “full participation, full-process control and full business coverage” by following the New Basel Capital Accord. The framework enabled Ping An Trust to identify, measure, monitor and manage credit risk, liquidity risk, market risk, operation risk and reputation risk and improve risk management via risk limits, net capital and other indicators; it was able to match risks with yields by applying quantitative tools and improving risk pricing management.

Ping An Trust introduced a series of measures to strengthen the risk management. First, Ping An Trust continuously upgraded its risk management framework. It improved the professional risk management framework covering four major core business segments. It emphasized coordination of front/middle/back offices to achieve full participation of risk management from the front desk to the back office. Second, Ping An Trust standardized controls on management processes of investment & financing business. Prior to investing in a project, it gave tighter selection standards, clarifying requirements of investment scale, credit rating, region selection, pledge, mortgage and risk control measures. During the investment, the “double verification and centralized audit” was implemented, and centralized management was also implemented in loan reviews. After the investment, a professional management team was established, and a risk information monitoring and warning mechanism was set up. Third, Ping An Trust established a risk strategy system. It properly adjusted risk strategies according to changes of external conditions so as to correctly lead the business and give full play to forward-lookingness and guidance of the risk management. Fourth, the Company introduced

quantitative management tools (credit rating and debt item rating) suitable for the trust. It established a scientific risk pricing mechanism to match risks with yields. Fifth, the Company stepped up development of the risk information system: it provided decision-making support and improved the risk management from process management, trace management, big data storage and analysis.

In the first half of 2016, Ping An Trust won authoritative awards within the industry due to its outstanding performance and good reputation. It won the “Award of Capital Market Service for Trust Company” organized by China Securities Journal and jnlc.com, and the “Annual Outstanding Trust Company Award” awarded by STCN for the seventh consecutive year.

### Results of Operation

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

	2016	2015
Fees and commission income	<b>2,043</b>	2,080
Investment income	<b>334</b>	1,059
Other income	<b>196</b>	97
<b>Total operating income</b>	<b>2,573</b>	3,236
Fees and commission expenses	<b>(356)</b>	(683)
Finance costs	<b>(266)</b>	(237)
General, administrative and other expenses	<b>(806)</b>	(958)
<b>Total operating expenses</b>	<b>(1,428)</b>	(1,878)
Income tax	<b>(247)</b>	(381)
<b>Net profit</b>	<b>898</b>	977

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

In the first half of 2016, net profit of our trust business decreased by 8.1% over the same period last year. This was mainly due to the decrease in investment income compared with the same period last year.

# Management Discussion and Analysis

## Asset Management Business

### Net Fees and Commission Income

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

	2016	2015
<b>Fees and commission income</b>		
Management fees income of trust products	1,955	1,986
Income from intermediate business	88	94
<b>Total fees and commission income</b>	<b>2,043</b>	2,080
<b>Fees and commission expenses</b>		
Fees and commission expenses	(356)	(683)
<b>Net fees and commission income</b>	<b>1,687</b>	1,397

Fees and commission income decreased by 1.8% compared with the same period last year. This was primarily due to the decrease in floating management fees income affected by the downturn in capital market in the first half of 2016.

Fees and commission expenses decreased by 47.9% compared with the same period last year. The main reason was that trust business extensively improved its distribution channels.

### Investment income

In the first half of 2016, total investment income of trust business decreased by 68.5% as compared with the same period last year, which was mainly due to the decrease of yield distribution of trust products and the decrease of dividends and proceeds from available-for-sale financial assets.

### SECURITIES BUSINESS

The Company conducts securities business through Ping An Securities and its subsidiaries, which are Ping An Futures, Ping An Caizhi, Ping An Securities (Hong Kong), and Ping An Pioneer Capital, providing brokerage, investment banking, asset management, and

financial advisory services. As at June 30, 2016, Ping An Securities had the registered capital of RMB8,574 million, net assets of RMB24,717 million and total assets of RMB102.1 billion.

In the first half of 2016, trading volumes at the secondary market of A-share decreased significantly. CSI300 decreased by 15.5% from the beginning of the year, daily average trading volume dropped by 54.9% compared with the same period in 2015, and the secondary market of bond was volatile in the second quarter. The volatility of the market resulted in a decrease of 59.0% for net profit of the industry compared with the same period last year.

Ping An Securities deepened its strategic transformation and developed its differentiation advantages. Affected by the market situation, Ping An Securities generated a net profit of RMB1,219 million in the first half of 2016, down by 24.1% over the same period last year, but outperforming the industry. The income structure was relatively balanced. Ranking of its major operating indicators improved compared with the end of last year. Rankings of operating income and net profit all moved upward to No. 15, up by 3 notches and 9 notches, respectively.

In terms of individual business, acquisition of internet-based customers has been stimulating the rapid growth of the brokerage business. In the first half of 2016, the number of new customers reached 2,606.3 thousand, and the market share recorded 24.74%, up by 11.8 percentage points over the end of last year; ranking of customer base improved to No. 4 from No. 8 at the end of 2015, with increasing number of active customers. As at the end of June, 2016, brokerage customers held RMB32,918 million of wealth management products, up by 66.7% from the beginning of the year.

Regarding the institutional business, in the first half of 2016, it ranked No. 4 by the number of bonds underwritten, and its project reserves remained stable growth; the size of share pledge business at the end of the reporting period increased by 123.4% over the end of 2015, and the market share improved to 3.35% from 1.95% at the end of 2015; the bond trading business remained relatively high yields given a steep correction in the market; the market-making business further absorbed overseas experience and local advantages and steadily promoted its ranking, and both of the bond market-making and interest rate swap business ranked No. 1 among securities companies. Regarding the product output of the institutional business, the asset management business developed rapidly and its scale reached RMB330,050 million as at the end of June, 2016 and was up by 39.3% from the beginning of the year, among which the scale of investment consulting business and active investment management business was up by 62.5% from the beginning of the year, and the net income of investment consulting ranked No. 1 among the industry.

Ping An Securities responded to the market volatility via prudent risk control policies. It was able to successfully survive among sharp volatility in the first quarter and bond market correction in the second quarter. Ping An Securities won title of rating-A securities company and was free of any regulatory risk and compliance event over the past one year. Ping An Securities continuously enhanced asset liability management. It issued RMB1.5 billion of privately-offered bonds in the first half of the year under the basis of subsisting subordinated bonds. Ping An Securities officially announced offshore listing to boost its strong capital base and strategic transformation and upgrading.

## Results of Operation

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

	2016	2015
Fees and commission income	<b>2,526</b>	3,288
Investment income	<b>1,331</b>	1,872
Other income	<b>404</b>	29
<b>Total operating income</b>	<b>4,297</b>	5,189
Fees and commission expenses	<b>(309)</b>	(416)
Finance costs	<b>(238)</b>	(283)
Other expenses	<b>(292)</b>	(9)
General, administrative and others	<b>(2,025)</b>	(2,506)
<b>Total operating expenses</b>	<b>(2,864)</b>	(3,214)
Income tax	<b>(214)</b>	(369)
<b>Net profit</b>	<b>1,219</b>	1,606

Investment income declined as a result of persistent downturn in the capital market during the first half of 2016. Meanwhile, net fees and commission income also dropped due to the decrease of trading volume in the A-share secondary market. Securities business saw a year on year fall by 24.1% in terms of net profit in the first half of 2016.

## Net Fees and Commission Income

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

	2016	2015
<b>Fees and commission income</b>		
Brokerage fees income	<b>1,117</b>	2,178
Underwriting commission income	<b>755</b>	679
Others	<b>690</b>	431
<b>Total fees and commission income</b>	<b>2,562</b>	3,288
<b>Fees and commission expenses</b>		
Brokerage fees expenses	<b>(284)</b>	(412)
Others	<b>(25)</b>	(4)
<b>Total fees and commission expenses</b>	<b>(309)</b>	(416)
<b>Net fees and commission income</b>	<b>2,253</b>	2,872

# Management Discussion and Analysis

## Asset Management Business

In the first half of 2016, our brokerage fees income decreased by 48.7% compared with the same period last year, the main reason was that transaction volume in the secondary market of A share market decreased sharply. The underwriting commission income grew by 11.2% compared with the same period last year. The main reason was that Ping An Securities kept the advantage in bonds underwriting market, resulting in the constant increase of bonds underwriting income.

### Investment income

Investment income of securities business was 28.9% lower against the same period of last year, mainly attributable to the persistent downturn in the capital market during the first half of 2016. Both interest income from margin trading and securities lending business and capital gains from bond trading dropped. Meanwhile, Ping An Securities scaled down the equity quantitative arbitrage business in the first half of 2016. Both investment income and gain/loss from fair value changes of equity investment underperformed those of last year.

### INVESTMENT MANAGEMENT BUSINESS

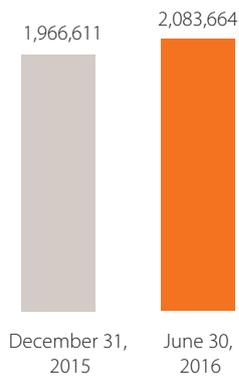
The Company provides investment management services primarily through two subsidiaries of the Group, Ping An Asset Management and Ping An Asset Management (Hong Kong).

Ping An Asset Management is responsible for domestic investment management business. It is entrusted to manage the insurance funds of the Group as well as the investment assets of other subsidiaries under the Group. It also provides investment products and third-party asset management services to other investors through various channels. As at June 30, 2016, Ping An Asset Management had RMB1.5 billion registered capital.

China's economy rallied in the first half of 2016 given the proactive fiscal policies and monetary policies. However, the economy still lacked growth momentum. Facing the sharp volatility and complicated international and domestic situations, Ping An Asset Management leveraged its professional judgement towards the market, leading investment philosophy and improved risk control and gave full play to its advantages in the investment to effectively control investment risks and successfully seize opportunities in the market. Meanwhile, with a keen understanding of the macro economic situations and industry trends, Ping An Asset Management optimized investment decision-making process and improved investment capacity of all varieties products. It strengthened the fundamental role of asset allocation and promoted the investment-research interaction. Ping An Asset Management has been devoted to the competitions in China's asset management industry in 2016. It strove to develop the third-party asset management business and offered a variety of products. It continued to develop its product lines and strengthen product management and sales support. The investment management business kept steady growth in scale and income. In the first half of 2016, Ping An Asset Management realized net profits of RMB1,047 million, up by 27.7% over the same period last year. Its third-party asset management business fees income was RMB1,052 million, up by 31.3% over the same period last year. Assets under management as at June 30, 2016 amounted to RMB2,083,664 million, up by 6.0% over the end of last year, among which, the scale of its third-party asset management business reached RMB276,038 million, up by 12.3% over the beginning of the year.

In the future, Ping An Asset Management will continue to develop its investment capability for enhanced stability of investment income, anti-cyclical ability and higher level of risk management; it will not only fully support insurance funds but also endeavor to develop the third-party asset management business, aiming to provide more comprehensive investment management services and build a professional investment brand for Ping An Asset Management.

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



Ping An Asset Management (Hong Kong) operates the overseas investment management business of the Company. Apart from managing investments for other subsidiaries under the Group, it also provides a range of overseas investment products, third-party investment management and investment consulting services to institutions and

individual clients in China and overseas. Ping An Asset Management (Hong Kong) possesses a professional team with strong capability in international investment, and portfolios management which is responsible for overseeing research on global macroeconomics, investment in Hong Kong stocks, overseas stocks, fixed income investments and other core functions. The team also built an international investment platform, introducing products from overseas to achieve innovation in service and product. In the first half of 2016, Ping An Asset Management (Hong Kong) increased investment income and actively built and maintained client relationships. As at June 30, 2016, the assets denominated in foreign currency under management of Ping An Asset Management (Hong Kong) amounted to HKD41,473 million.

In the future, Ping An Asset Management (Hong Kong) will enhance risk controls on investment, improve investment capabilities of Hong Kong stocks and bond investment and strengthen investment and research. The Company will closely monitor developments in laws, regulations and policies at home and abroad, continuously deepen its understanding of the macro-economy, industry trends and policies to become the best offshore investment service platform among Chinese insurance asset management companies.

**FUND MANAGEMENT**

Ping An-UOB Fund mainly engages in raising securities investment funds, sales, assets management business, and provides professional investment products and related services to retail and institutional investors.

# Management Discussion and Analysis

## Asset Management Business

In the first half of 2016, all businesses of Ping An-UOB Fund kept an upward development trend. The scale of its publicly-offered funds grew fast, reaching RMB46 billion as at the end of June, 2016. Money market funds managed by Ping An-UOB Fund attracted over RMB159.1 billion funds. As shown by data from Wind, performance of funds under the Ping An-UOB Fund was remarkable, among which Ping An-UOB Caifubao ranked among the top 10% of the industry in terms of the performance at the end of June. The scale of asset management under segregate account business grew steadily, reaching about RMB110 billion, ranking top in the industry.

### FINANCIAL LEASING BUSINESS

The Company conducts financial leasing business through Ping An Financial Leasing. Ping An Financial Leasing was formed in September 2012. Leveraging on the Group's solid capital strength, outstanding brand influence and synergies of the full financial licenses, as well as the integrated financial services platform, Ping An Financial Leasing strives to become the specialized leader in the fields of SME customer and professional market with unique commercial vitality and extension capabilities in the industry, providing customers with more flexible and diversified financial products and more comprehensive value-added services.

As at the end of June, 2016, Ping An Financial Leasing has accumulated total assets of over RMB93,191 million, up by 23.1% as compared with the beginning of the year. In the first half of 2016, its total income amounted to RMB2,828 million, up by 32.6% compared with the same period last year. Its net profit reached RMB583 million, up by 125.1% compared with the same period last year. Meanwhile, Ping An Financial Leasing maintained a high level of asset quality with the non-performing asset ratio remaining at 0.96%. Its comprehensive strength was in the forefront among foreign-funded financial leasing companies.

# Management Discussion and Analysis

## Internet Finance

- Lufax Holding has integrated Lufax, QEX, and Ping An Puhui Financial, strengthened its presence in areas such as wealth management, institutional trading of financial assets, and consumer finance, further enhanced its leading advantages in the internet finance industry, and developed its valuation to about USD18.5 billion.
- Ping An Doctor completed A-round financing of USD500 million, and its valuation hit USD3 billion.
- The One Account Management Services platform now has nearly 140 million registered users, and has signed cooperation contracts with 155 banks and 1,300 non-bank financial institutions and quasi-financial institutions.

Ping An has stuck to the philosophy of “Technology-driven Finance”, constantly diversified its financial and daily-life service scenarios centering around customers demand for “health, food, housing, transportation and entertainment”, and pursued innovation of its internet finance business models to serve customers as their “wealth manager, health advisor and life companion”. In the first half of 2016, internet finance companies continued to implement strategies and saw rapid business growth.

### LUFAX HOLDING

Lufax Holding serves all financial institutions, businesses and individuals through online and offline channels. With the internet as a bridge between supply and demand, it strives to increase the value of customers’ wealth, replenish liquidity and cater for various needs through its financial transaction information service platform. Lufax Holding is transforming into an open financial transaction information service platform, and seeking cross-group, cross-region, cross-sector and cross-border business opportunities and transaction channels.

In May 2016, Lufax Holding completed restructuring with Puhui Financial business, upon acquisition of 100% of equity in Puhui Financial business group and QEX from Gem Alliance Limited, the landscape of “two exchanges + Puhui” took shape. Through the

restructuring, Lufax Holding pushed ahead with the transformation into a platform committed to satisfying investment and financing needs with internet technologies and philosophy, and becoming the best internet finance transaction information service platform in China.

In wealth management, Lufax caters for individuals’ needs for wealth management and value increase through its online platforms, and aims to provide retail investors with one-stop investment and wealth management financial services nationwide. On Lufax’s online platform, retail investors can invest in a great variety of products, with access to tailored services driven by data technology. Lufax strives to enrich its products and develop a risk rating and management system based on data technology, to meet different wealth management needs of China’s emerging middle class. In this way, it can acquire more customers and scale up the customer base.

As at the end of June 2016, Lufax exceeded 23.42 million registered users, up by 27.9% from the year beginning. The number of active users grew by 61.7% from the year beginning to 5.87 million. In the first half of 2016, the number of new investors reached 2.39 million, up by over 3 times over the same period last year. Assets traded on Lufax’s platform soared. From the date of establishment to June 30, 2016, the retail transaction volume reached RMB1,399.3 billion. In the first half of 2016,

# Management Discussion and Analysis

## Internet Finance

Lufax remained industry-leading with a retail transaction volume of RMB665,896 million, up by about 5 times over the same period last year. Retail customers' assets under management about RMB338,788 million, up by 35.0% from the year beginning. Among retail channels, the transaction volume through mobiles contributed over 77% of all transactions. Lufax has become a convenient wealth management platform preferred by internet users.

For institutional trading of financial assets, Lufax Holding provides relevant services through Lufax and QEX; QEX is also committed to developing cross-border business. Since the establishment of Lufax to the end of June 2016, Lufax Holding had reached RMB3,616.7 billion in institutional transaction volume; in the first half of 2016, the volume of institutional transaction through Lufax Holding totalled RMB2,536,035 million, up by over 5 times over the same period last year.

In consumer finance, Puhui Financial is one of China's largest providers of consumer finance and micro-finance services. In the first half of 2016, Puhui Financial recorded new loans of RMB60,493 million, up by 328% over the same period last year. The balance of loans under management hit RMB79,361 million and the number of offline leading and service outlets grew to 642. The consumer finance unit served 2 million borrowers and granted loans of RMB159,559 million in total, including RMB115,222 million in unsecured loans and RMB44,337 million in secured loans. With profound experience in consumer finance and micro-finance and outstanding risk management, Puhui Financial and Lufax will create synergy through integration of offline distribution channels with the management network. In this way, online and offline channels are combined to link supply and demand.

### The Number of Users

(in ten thousand)	June 30, 2016	December 31, 2015
<b>Lufax</b>		
Registered users	<b>2,342</b>	1,831
Investors	<b>607</b>	368
Active investors	<b>587</b>	363
<b>Puhui Financial</b>		
Borrowers	<b>200</b>	124

### Transaction Volume

For the six months ended June 30 (in RMB million)	2016	2015
<b>Lufax and QEX</b>		
Retail	<b>665,896</b>	113,935
Institutional	<b>2,536,035</b>	398,279
<b>Puhui Financial</b>		
New loans	<b>60,493</b>	14,137

### Assets Under Management

(in RMB million)	June 30 2016	December 31 2015
<b>Lufax</b>		
Retail customers' assets under management	<b>338,788</b>	250,977
<b>Puhui Financial</b>		
Balance of loans under management	<b>79,361</b>	41,796

### PING AN DOCTOR

Focused on user experience and closed-loop services, Ping An Doctor is committed to both health management and mobile medical services, and provides businesses and consumers with comprehensive, diversified health management products and services. For online services, Ping An Doctor takes advantage of its APP platform to provide users with services such as online advising, a health store, reservation and registration, chronic disease management, a health community, health information, exercise-based incentives, and health programs. For offline services, Ping An Doctor strives to expand its service network and diversify its services to provide users with O2O services such as health checkups, gene tests, home visits, support for hospital visits, and delivery of medicines. In the first half of 2016, Ping An Doctor completed A-round financing of USD500 million, and its valuation hit USD3 billion.

As at the end of June 2016, Ping An Doctor had a medical team of about 1,000 members, providing 24/7 advisory services online. More than 50,000 contracted external doctors provide follow-up advice. Registration with more than 1,500 hospitals is available on Ping An Doctor, which has also been in cooperation with more than 500 checkup institutions. Moreover, Ping An Doctor has B2C medicine distribution nationwide, and O2O medicine delivery within 2 hours in such tier-1 cities as Shanghai, Beijing, Guangzhou and Shenzhen. About 20,000 types of drugs are available on Ping An Doctor. Ping An Doctor has provided 89 million users with health management services, with daily peak consultation quantity surpassing 250 thousand.

### E-WALLET

Ping An Pay has further integrated with Wanlitong to build a uniform brand “Ping An E-wallet”, and fully exploited synergies among the core product of E-wallet APP, the payment plug-ins, and the loyalty point management business to achieve fast growth. As at June 30, 2016, E-wallet had 48.74 million registered users, while the trading volume of payment and loyalty point transactions grew by 207.0% over the same period last year to RMB1,313.7 billion. E-wallet APP provides consumption and financial valued-added services at online and offline payment scenarios. Consisting of payment, life, wealth management, shopping and loyalty point services, E-wallet aims to increase its popularity by helping users “earn, save and spend” money smartly. Payment-processing business provides the Group’s internet finance business with an efficient and stable payment platform, in the first half of 2016, the platform handled transactions amounting to RMB1.3 trillion. Moreover, Ping An Pay proactively sought external cooperation opportunities, signed a contract with Shenzhen Municipal Human Resources and Social Security Bureau in the first half of 2016, and launched a Social Health Insurance payment plug-in; Ping An Pay is the first third-party payment agency to sign a contract with Shenzhen Municipal Human Resources and Social Security Bureau. By diversifying loyalty point use scenarios, improving its influence, scaling up its business and developing an offline merchant alliance, loyalty points business aims to be the largest and leading open platform for loyalty point use in China. In the first half of 2016, loyalty points business granted loyalty points worth about RMB5,375 million, soaring by 249.1% over the same period last year. Loyalty points of about RMB441 million were granted externally, up by 7 times over the same period last year.

### PA HAOFANG

In the first half of 2016, the online comprehensive real estate information platform of PA Haofang continued to improve. As at the end of June 2016, PA Haofang website had

# Management Discussion and Analysis

## Internet Finance

over 10 million registered users. The number of cities covered by the New Home portal jumped to 125, up by 74 from the end of 2015. Its Second-hand Home portal now covers cities including Beijing, Shanghai, Guangzhou and Chengdu. By gathering authentic home trading information online via internal and external channels, and motivating users to buy homes offline, PA Haofang managed to create a whole process of O2O second-hand home trading.

### **ONE ACCOUNT MANAGEMENT SERVICES**

One Account Management Services bases the platform's value on "Benefit, Credit reference and Convenient management", committed to build One Account Management Services platform into the leading open internet financial services platform in China. As at the end of June 2016, the platform attracted about 140 million users, over 20 million of whom are monthly active users. For Benefit, the platform links users with financial and living benefit platforms in China. It also created an online financial consultant center to provide users with diverse information of special favors and professional financial advisory services. For Credit reference, by cooperating

with Shenzhen Qianhai Credit Information Center Co., Ltd., it rolled out the use of credit records at various scenarios. Over the past one year since its launching, the number of authorized information view requirements has exceeded 70 million, to provide users with more convenient access to personal credit reference and other financial services. For Convenient management, the one-stop account information view covers over 800 financial institutions and 25 types of financial accounts. Besides, its personal assistant services send users 38 intelligent reminders and allow them to subscribe to headline news, assisting users to manage financial services comprehensively. By leveraging the Group's resources, the One Account Management Services platform will continue to optimize the platform-based ecosystem and provide optimal user experience in comprehensive services.

Going forward, Ping An will continue to build a more powerful open internet finance platform to provide various financial and daily-life services covering "health, food, housing, transportation and entertainment" under the "Internet + Integrated Finance" development model.

# 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 PricewaterhouseCoopers Consultants (Shenzhen) Limited to review the reasonableness of the methodology, the assumptions and the calculation results of the Company's embedded value as at June 30, 2016.

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

On May 15, 2012, the Ministry of Finance and the State Administration of Taxation issued the "Notice on Corporate Income Tax Deduction of Reserves for Insurance Companies" (Cai Shui [2012] No. 45). Based on this notice, during the preparation of 2016 interim embedded value report, the contract liabilities of life insurance business related to distributable profit were measured according to the assessment standards of the liabilities pursuant to 2015 year-end solvency regulations (China Solvency I), but those related to the income tax were measured according to "Regulations regarding the Accounting Treatment of Insurance Contracts" (Cai Kuai [2009] No. 15).

On January 25, 2016, CIRC issued the "Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC" (CIRC [2016] No. 10), C-ROSS has been formally implemented. Under instruction by CIRC, China Association of Actuaries (CAA) initiated the establishment of the embedded value valuation research task force for life insurance. The calculation guidance for embedded value valuation under C-ROSS is expected to be issued within 2016. In order to assist investors to understand our economic value and business performance results, the Company has disclosed separately the relevant results under C-ROSS with reference to current valuation framework discussed by the task force in the last part of this section.

## COMPONENTS OF ECONOMIC VALUE

(in RMB million)	June 30, 2016	December 31, 2015
Risk discount rate	<b>Earned Rate/ 11.0%</b>	Earned Rate/ 11.0%
Adjusted net asset value	<b>352,258</b>	327,926
Including: Adjusted net asset value of life insurance business	<b>92,244</b>	101,887
Value of in-force insurance business written prior to June 1999	<b>(5,596)</b>	(6,570)
Value of in-force insurance business written since June 1999	<b>315,048</b>	272,915
Cost of holding the required solvency margin	<b>(47,173)</b>	(41,419)
<b>Embedded value</b>	<b>614,537</b>	552,853
Including: Embedded value of life insurance business	<b>354,524</b>	326,814

# Embedded Value

(in RMB million)	June 30, 2016	December 31, 2015
Risk discount rate	<b>11.0%</b>	11.0%
Value of one year's new business	<b>44,713</b>	36,120
Cost of holding the required solvency margin	<b>(6,683)</b>	(5,281)
<b>Value of one year's new business after cost of solvency</b>	<b>38,030</b>	30,838
<b>Value of first half year's new business after cost of solvency</b>	<b>24,017</b>	16,825

Notes: (1) Figures may not match totals due to rounding.  
 (2) In the table above, the assumptions and method used to calculate the value of first half year's new business in 2015 are the same with current assumptions and method used to calculate the new business value. If the 2015 mid-year valuation's assumptions and method were used, the value of first half year's new business in 2015 would be RMB17,046 million.

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

## KEY ASSUMPTIONS

The key assumptions used in the embedded value calculation as at June 30, 2016 have been the same as those used in 2015 year-end valuation.

## VALUE OF NEW BUSINESS

The new business volumes measured by first year premium (FYP) and first half year's new business value by segment was:

For the six months ended June 30 (in RMB million)	FYP used to calculate value of new business			Value of new business		
	2016	2015	Change (%)	2016	2015	Change (%)
Individual Business	<b>70,418</b>	48,023	46.6	<b>23,850</b>	16,631	43.4
Agency	<b>56,771</b>	39,729	42.9	<b>22,051</b>	15,556	41.8
Bancassurance	<b>9,559</b>	6,038	58.3	<b>64</b>	58	9.3
Telemarketing, internet marketing and others	<b>4,088</b>	2,255	81.2	<b>1,735</b>	1,017	70.6
Group Business	<b>13,543</b>	11,156	21.4	<b>167</b>	194	(13.7)
Total	<b>83,961</b>	59,179	41.9	<b>24,017</b>	16,825	42.7

Notes: (1) Figures may not match totals due to rounding.  
 (2) As per the types of policyholders, the Company has re-categorized the life insurance business into individual business and group business, updating last year's figures accordingly.  
 (3) In the table above, the assumptions and method used to calculate the value of first half year's new business in 2015 are the same with current assumptions and method used to calculate the new business value. If the 2015 mid-year valuation's assumptions and method were used, the value of first half year's new business in 2015 would be RMB17,046 million.

The profit margin of new business by segment was:

For the six months ended June 30	By FYP		By ANP	
	2016	2015	2016	2015
Individual Business	<b>33.9%</b>	34.6%	<b>38.9%</b>	39.0%
Agency	<b>38.8%</b>	39.2%	<b>40.7%</b>	40.0%
Bancassurance	<b>0.7%</b>	1.0%	<b>2.4%</b>	4.4%
Telemarketing, internet marketing and others	<b>42.4%</b>	45.1%	<b>39.7%</b>	41.0%
Group Business	<b>1.2%</b>	1.7%	<b>1.7%</b>	2.4%
Total	<b>28.6%</b>	28.4%	<b>33.6%</b>	33.3%

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.

### SENSITIVITY ANALYSIS

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

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

(in RMB million)	Risk Discount Rate			
	Earned Rate/10.5%	Earned Rate/11.0%	Earned Rate/11.5%	11.0%
Value of in-force business	274,360	262,279	250,943	262,318
	<b>10.5%</b>	<b>11.0%</b>	<b>11.5%</b>	<b>Earned Rate/11.0%</b>
Value of one year's new business	41,074	38,030	35,209	39,775

# Embedded Value

Assumptions (in RMB million)	Value of in-force business	Value of one year's new business
Central case	262,279	38,030
Investment return increased by 50bps every year	289,420	42,589
Investment return decreased by 50bps every year	234,866	33,467
10% reduction in mortality and morbidity rates	268,203	39,509
10% reduction in policy discontinuance rates	267,343	39,706
10% reduction in maintenance expenses	264,433	38,429
5% increase in the policyholders' dividend payout ratio	254,135	37,209
Solvency margin at 150% of the regulatory level	238,556	34,689

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

## COMPONENTS OF ECONOMIC VALUE UNDER C-ROSS

Embedded value valuation system under C-ROSS is similar to the original one under China Solvency I, adopting traditional embedded value valuation methodology. The calculation of distributable profit refers to related standards of liabilities valuation and required capital under C-ROSS. The assumptions used in embedded value cashflow forecast under C-ROSS are the same as those under China Solvency I, and risk discount rate is 11%.

The calculation methodology of embedded value under C-ROSS disclosed here is in line with latest valuation framework discussed by the industrial task force. The calculation guidance for embedded value valuation under C-ROSS is expected to be issued by CAA within 2016.

June 30, 2016 (in RMB million)	C-ROSS (China Solvency II)	China Solvency I
Adjusted net asset value	384,050	352,258
Including: Adjusted net asset value of life insurance business	124,036	92,244
Value of in-force business	237,340	262,279
<b>Embedded value</b>	<b>621,389</b>	<b>614,537</b>
Including: Embedded value of life insurance business	361,376	354,524

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

For the twelve months ended June 30, 2016 (in RMB million)	Value of one year's new business		Profit margin of new business	
	C-ROSS (China Solvency II)	China Solvency I	C-ROSS (China Solvency II)	China Solvency I
Individual Business	46,786	37,639	46.8%	37.7%
Group Business	339	391	1.4%	1.6%
<b>Total</b>	<b>47,125</b>	<b>38,030</b>	<b>38.0%</b>	<b>30.7%</b>

Note: Figures may not match totals due to rounding.

# Liquidity and Financial Resources

- The Company manages its liquidity and financial resources from the perspective of the Group as a whole.
- As at June 30, 2016, the solvency of the Group was adequate.

## GENERAL PRINCIPLES

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

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

The liquidity management of the Group comprises capital 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 planning for the Group, based on the overall situation of its subsidiaries' business developments. The Group Executive Committee then determines a final capital planning scheme based on the strategic planning of the entire group before allocating capital accordingly.

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

## CAPITAL STRUCTURE

The Group's long-term capital stability stems from the profit continuously generated by its various businesses. Further, the Group ensured capital adequacy by using capital market and debt market tools, issuing equity securities, subordinated debts, hybrid capital bonds and tier-2 capital bonds to raise capital. Adjustments were made to surplus capital through dividend distribution.

As at June 30, 2016, the Group's equity attributable to shareholders of the parent company was RMB363,948 million, up by 8.9% over the end of 2015.

As at June 30, 2016, the parent company's capital structure mainly comprised contributions from shareholders, proceeds from issuance of A shares and H shares.

# Liquidity and Financial Resources

## AVAILABLE CAPITAL OF THE PARENT COMPANY

The available capital of the parent company includes bonds, equity securities, bank deposits and cash equivalents that the parent company holds. It can be invested into subsidiaries or used in daily operations. As at June 30, 2016, the parent company's available capital was RMB35,830 million, up by RMB8,539 million over the end of the previous year.

(in RMB million)	June 30, 2016	December 31, 2015
Available capital	<b>35,830</b>	27,291

The change in available capital of the parent company in the first half of 2016 was primarily due to dividend distributions from subsidiaries. As at June 30, 2016, the parent company had a sufficient level of available capital.

## LIQUIDITY RISK MANAGEMENT

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

In accordance with domestic and international regulatory requirements such as those for the Global Systemically Important Insurers (G-SIIs) and those under C-ROSS, the Group has developed and regularly updated the Liquidity Risk Management Plan of Ping An Insurance (Group) Company of China, Ltd. (LRMP), and established a robust liquidity risk management framework covering risk appetites and limits, risk strategies, risk monitoring, stress testing, emergency management, appraisal and accountability, 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 subsidiary levels. Moreover, within the LRMP framework, the Group has established detailed plan for execution to ensure effective implementation regarding liquidity risk identification, evaluation, monitoring and mitigation, applying comprehensive liquidity gap analysis as a core tool.

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

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

## CASH FLOW ANALYSIS

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

	2016	2015
Net cash flows from operating activities	<b>65,998</b>	247,896
Net cash flows from investing activities	<b>(266,396)</b>	(135,515)
Net cash flows from financing activities	<b>171,472</b>	105,935

Net cash inflows from operating activities decreased by 73.4% over the same period last year. This was mainly affected by the decrease of interbank deposit business of Ping An Bank.

Net cash outflows from investing activities increased by 96.6% over the same period last year. This was mainly due to the increase in outflows of debt investment by Ping An Bank.

Net cash inflows from financing activities increased by 61.9% over the same period last year. This was mainly due to the significant increase in cash inflow from interbank certificate of deposit business of Ping An Bank and the issuance of Tier-2 capital Bonds by Ping An Bank.

## CASH AND CASH EQUIVALENTS

(in RMB million)	June 30, 2016	December 31, 2015
Cash	<b>237,371</b>	228,633
Bonds of original maturities within 3 months	<b>2,820</b>	3,223
Assets purchased under repurchase agreements within 3 months	<b>65,928</b>	101,469
Total cash and cash equivalents	<b>306,119</b>	333,325

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

## GROUP SOLVENCY MARGIN

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

The CIRC issued the China Risk Oriented Solvency System ("C-ROSS") in February 2015. The insurance industry entered the C-ROSS transition period. A risk-oriented supervision regime was established under the C-ROSS to measure the risks of insurance undertakings scientifically and comprehensively, and calculate a capital requirement that aligns with the specific risks with the insurance undertakings' risk profiles. Based on the trial operations during the transition period and as approved by the State Council, the CIRC decided to enforce "the Solvency Regulatory Rules (No. 1-17) for Insurance Companies" from January 1, 2016.

The solvency margin ratios under C-ROSS of Ping An Group are as follows:

(in RMB million)	June 30, 2016	December 31, 2015
Core capital	<b>830,149</b>	730,052
Actual capital	<b>870,949</b>	764,677
Minimum capital	<b>414,000</b>	373,186
Core solvency margin ratio (regulatory requirement $\geq 50\%$ )	<b>200.5%</b>	195.6%
Comprehensive solvency margin ratio (regulatory requirement $\geq 100\%$ )	<b>210.4%</b>	204.9%

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

# Changes in the Share Capital and Shareholders' Profile

## SHAREHOLDINGS INFORMATION DISCLOSED UNDER A SHARES REGULATORY REQUIREMENTS Statement of Changes in Share Capital

Unit: shares	January 1, 2016		Change during the Reporting Period				June 30, 2016		
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Transfer from reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Selling-restricted shares	-	-	-	-	-	-	-	-	-
II. Selling-unrestricted shares									
1. RMB ordinary shares	10,832,664,498	59.26	-	-	-	-	-	10,832,664,498	59.26
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	7,447,576,912	40.74	-	-	-	-	-	7,447,576,912	40.74
4. Others	-	-	-	-	-	-	-	-	-
Total	18,280,241,410	100.00	-	-	-	-	-	18,280,241,410	100.00
III. Total number of shares	18,280,241,410	100.00	-	-	-	-	-	18,280,241,410	100.00

Notes: 1. There was no change in the total number of shares and shareholding structure of the Company during the six months ended June 30, 2016 (the "Reporting Period").

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

### Shareholders' Information

#### Number of shareholders and their shareholdings

#### Total number of shareholders as at the end of the Reporting Period

296,368 shareholders (of which there were 291,604 domestic shareholders)

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

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Type of shares	Change during the Reporting Period (+, -)	Number of selling-Restricted Shares held	Number of pledged or frozen shares
Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person	32.09	5,866,981,726	H Share	-596,320	-	unknown
Shenzhen Investment Holdings Co., Ltd.	State	5.27	962,719,102	A Share	-	-	380,060,000 pledged shares
All Gain Trading Limited	Overseas legal person	4.32	789,001,992	H Share	-	-	789,001,992 pledged shares
China Securities Finance Corporation Limited	State-owned legal person	4.02	735,567,104	A Share	+ 357,904,439	-	-
Huaxia Life Insurance Co., Ltd. - Universal Insurance Products	Others	3.86	706,095,889	A Share	+84,509,450	-	-
Bloom Fortune Group Limited	Overseas legal person	2.77	505,772,634	H Share	-	-	505,772,634 pledged shares
Central Huijin Asset Management Ltd.	State	2.65	483,801,600	A Share	-	-	-
Business Fortune Holdings Limited	Overseas legal person	1.43	261,581,728	H Share	-	-	169,463,933 pledged shares
Shum Yip Group Limited	State-owned legal person	1.41	257,728,008	A Share	-	-	-
Bosera Fund- Agriculture Bank of China - Bosera CSI Financial Asset Management Plan	Others	0.95	173,204,000	A Share	+3,787,700	-	-

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

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

All Gain Trading Limited, Bloom Fortune Group Limited and Business Fortune Holdings Limited are the indirect wholly-owned subsidiaries of Charoen Pokphand Group Company Limited, and they are of acting-in-concert relationship since they are under common control.

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

# Changes in the Share Capital and Shareholders' Profile

## Particulars of controlling shareholder and de facto controller

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

## SHAREHOLDINGS 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 the Directors or Supervisors of the Company, as at June 30, 2016, the following persons (other than the Directors, Supervisors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

Name of substantial shareholder	H/A Shares	Capacity	Notes	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 ("CP Group Ltd.")	H	Interest of controlled corporations		2,357,656,226	Long position	31.66	12.90
		Party to s317 agreement		100,000,000	Long position	1.34	0.55
		Total:	(1), (2)	2,457,656,226		33.00	13.44
		Interest of controlled corporations	(1)	605,324,590	Short position	8.13	3.31
Dhanin Chearavanont	H	Party to s317 agreement		2,357,656,226	Long position	31.66	12.90
		Interest of controlled corporations		100,000,000	Long position	1.34	0.55
		Total:	(1), (2)	2,457,656,226		33.00	13.44
		Party to s317 agreement	(2)	605,324,590	Short position	8.13	3.31
King Ace International Limited	H	Party to s317 agreement		2,357,656,226	Long position	31.66	12.90
		Interest of controlled corporations		100,000,000	Long position	1.34	0.55
		Total:	(1), (2)	2,457,656,226		33.00	13.44
		Party to s317 agreement	(2)	605,324,590	Short position	8.13	3.31

## Interests and short positions of other substantial shareholders

Name of substantial shareholder	H/A Shares	Capacity	Notes	Number of H/A Shares	Nature of interest	Percentage of total number of H/A shares in issue (%)	Percentage of total shares in issue (%)		
All Gain Trading Limited	H	Beneficial owner	(1)	789,001,992	Long position	10.59	4.32		
Easy Boom Developments Limited	H	Beneficial owner	(1)	605,324,590	Long position	8.13	3.31		
				605,324,590	Short position	8.13	3.31		
Bloom Fortune Group Limited	H	Beneficial owner	(1)	505,772,634	Long position	6.79	2.77		
JPMorgan Chase & Co.	H	Beneficial owner Investment Manager Trustee Custodian		371,103,599	Long position	4.98	2.03		
				128,017,359	Long position	1.72	0.70		
				11,600	Long position	0.00	0.00		
				219,123,615	Lending Pool	2.94	1.20		
				Total:	(3)	718,256,173		9.64	3.93
		Beneficial owner	(3)	75,335,227	Short position	1.01	0.41		
UBS AG	H	Beneficial owner Person having a security interest in shares Interest of controlled corporations		667,735,354	Long position	8.97	3.65		
				165,093,247	Long position	2.22	0.90		
				(4)	101,096,520	Long position	1.36	0.55	
				Total:	(4)	933,925,121		12.54	5.11
		Beneficial owner	(4)	1,189,596,046	Short position	15.97	6.51		
UBS Group AG	H	Person having a security interest in shares Interest of controlled corporations		163,199,841	Long position	2.19	0.89		
				(5)	816,702,801	Long position	10.97	4.47	
				Total:	(5)	979,902,642		13.16	5.36
						Interest of controlled corporations	(5)	1,265,784,671	Short position
Deutsche Bank Aktiengesellschaft	H	Beneficial owner Person having a security interest in shares Interest of controlled corporations Custodian Other		340,735,134	Long position	4.58	1.86		
				7,602,203	Long position	0.10	0.04		
				(6)	19,302,347	Long position	0.26	0.11	
				6,497,516	Lending Pool	0.09	0.04		
				385,000	Long position	0.01	0.00		
				Total:	(6)	374,522,200		5.03	2.05
		Beneficial owner	(6)	298,853,336	Short position	4.01	1.63		

# Changes in the Share Capital and Shareholders' Profile

Name of substantial shareholder	H/A Shares	Capacity	Notes	Number of H/A Shares	Nature of interest	Percentage of total number of H/A shares in issue (%)	Percentage of total shares in issue (%)
Citigroup Inc.	H	Interest of controlled corporations	(7)	59,112,013	Long position	0.79	0.32
		Custodian		312,941,062	Lending Pool	4.20	1.71
		Person having a security interest in shares		1,759,500	Long position	0.02	0.01
		Total:	(7)	373,812,575		5.02	2.04
		Interest of controlled corporations	(7)	76,023,725	Short position	1.02	0.42
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		962,719,102	Long position	8.89	5.27

## Notes:

- (1) CP Group Ltd. was deemed to be interested in a total of 2,357,656,226 H shares (Long position) and 605,324,590 H shares (Short position) in the Company by virtue of its control over several corporations. According to the form filed by CP Group Ltd. on November 4, 2015, the following interests in H shares were held by CP Group Ltd. through its controlled corporations, the details of which are as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of interest	Number of shares
CPG Overseas Company Limited	Chareon Pokphand Group Company Limited	100.00	N	Long position	2,357,656,226
CT Bright Group Company Limited (Formerly known as "Chia Tai Resources Holdings Limited")	CPG Overseas Company Limited	100.00	N	Long position	2,357,656,226
Chia Tai Giant Far Limited	CT Bright Group Company Limited (Formerly known as "Chia Tai Resources Holdings Limited")	100.00	N	Long position	2,357,656,226
Chia Tai Primrose Holdings Limited	Chia Tai Giant Far Limited	100.00	Y	Long position	8,360,200
Chia Tai Primrose Holdings Limited	Chia Tai Giant Far Limited	100.00	N	Long position	2,349,296,026
Chia Tai Primrose Investment Limited	Chia Tai Primrose Holdings Limited	100.00	N	Long position	2,349,296,026
Easy Boom Developments Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position Short position	605,324,590 605,324,590
All Gain Trading Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	789,001,992
Business Fortune Holdings Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	261,581,728
Bloom Fortune Group Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	505,772,634
Jubilee Success Holdings Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	47,352,072
Majestic Junilee Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	20,730,730
Ewealth Global Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	76,858,634
King Beyond Global Limited	Chia Tai Primrose Investment Limited	100.00	Y	Long position	42,673,646

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

- (2) Boom Dragon Limited and Long Growth Global Limited held 88,000,000 H shares (Long position) and 12,000,000 H shares (Long position) in the Company, respectively, which were wholly owned by King Ace International Limited, which was in turn wholly owned by Dhanin Chearavanont. In addition, King Ace International Limited and Dhanin Chearavanont were also deemed to be interested in 2,357,656,226 H shares (Long position) and 605,324,590 H shares (Short Position) by virtue of section 317 of the SFO.
- (3) JPMorgan Chase & Co. was deemed to be interested in a total of 718,256,173 H shares (Long position) and 75,335,227 H shares (Short position) in the Company by virtue of its control over several corporations.

According to the form filed by JPMorgan Chase & Co. on May 13, 2016, the following interests in H shares of the Company were held by JPMorgan Chase & Co. through its controlled corporations, the details of which are as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of Interest	Number of shares
J.P. Morgan Securities LLC	J.P. Morgan Broker-Dealer Holdings Inc	100.00	Y	Long position Short position	118,769,555 167,260
J.P. Morgan Clearing Corp	J.P. Morgan Securities LLC	100.00	Y	Long position Short position	878,608 46,400
JF International Management Inc.	JPMorgan Asset Management (Asia) Inc.	100.00	Y	Long position Short position	441,000 0
JF Asset Management Limited	JPMorgan Asset Management (Asia) Inc.	100.00	Y	Long position Short position	64,500,500 0
JPMorgan Asset Management (Japan) Limited	JPMorgan Asset Management (Asia) Inc.	100.00	Y	Long position Short position	2,371,000 0
JPMorgan Asset Management (Taiwan) Limited	JPMorgan Asset Management (Asia) Inc.	100.00	Y	Long position Short position	4,290,000 0
J.P. Morgan Investment Management Inc.	JPMorgan Asset Management Holdings Inc	100.00	Y	Long position Short position	30,023,394 0
J.P. Morgan GT Corporation	JPMorgan Chase & Co.	100.00	Y	Long position Short position	2,000,000 0
Bank One International Holdings Corporation	J.P. Morgan International Inc.	100.00	N	Long position Short position	372,174,963 90,734,585
J.P. Morgan International Inc.	JPMorgan Chase Bank, N.A.	100.00	N	Long position Short position	372,174,963 90,734,585
J.P. Morgan Chase International Holdings	J.P. Morgan Chase (UK) Holdings Limited	100.00	N	Long position Short position	122,719,527 15,613,018
J.P. Morgan Trust Company of Delaware	J.P. Morgan Equity Holdings, Inc.	100.00	Y	Long position Short position	9,870 0
J.P. Morgan Whitefriars Inc.	J.P. Morgan Overseas Capital Corporation	100.00	Y	Long position Short position	124,222,923 50,558,549
J.P. Morgan Securities plc	J.P. Morgan Capital Financing Limited	0.59	Y	Long position Short position	122,719,527 15,613,018
J.P. Morgan Securities plc	J.P. Morgan Chase International Holdings	99.41	Y	Long position Short position	122,719,527 15,613,018
JPMorgan Chase Bank, N.A.	JPMorgan Chase & Co.	100.00	Y	Long position Short position	223,979,104 0
J.P. Morgan Chase Bank Berhad	J.P. Morgan International Finance Limited	100.00	Y	Long position Short position	2,512,986 8,950,000
JPMorgan Asset Management (UK) Limited	JPMorgan Asset Management Holdings (UK) Limited	100.00	Y	Long position Short position	18,377,400 0

# Changes in the Share Capital and Shareholders' Profile

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of Interest	Number of shares
China International Fund Management Co Ltd	JPMorgan Asset Management (UK) Limited	49.00	Y	Long position Short position	2,930,500 0
JPMorgan Funds Management, Inc.	JPMorgan Distribution Services, Inc.	100.00	Y	Long position Short position	229,806 0
J.P. Morgan Capital Financing Limited	JPMorgan Chase & Co.	100.00	N	Long position Short position	122,719,527 15,613,018
J.P. Morgan Securities LLC	J.P. Morgan Broker-Dealer Holdings Inc	100.00	N	Long position Short position	878,608 46,400
J.P. Morgan Broker-Dealer Holdings Inc	JPMorgan Chase & Co.	100.00	N	Long position Short position	119,648,163 213,660
J.P. Morgan Capital Holdings Limited	J.P. Morgan Overseas Capital Corporation	27.27	N	Long position Short position	122,719,527 15,613,018
J.P. Morgan Capital Holdings Limited	J.P. Morgan International Finance Limited	72.73	N	Long position Short position	122,719,527 15,613,018
JPMorgan Asset Management Holdings Inc	JPMorgan Chase & Co.	100.00	N	Long position Short position	122,933,794 0
JPMorgan Asset Management (Asia) Inc.	JPMorgan Asset Management Holdings Inc	100.00	N	Long position Short position	71,602,500 0
J.P. Morgan Chase (UK) Holdings Limited	J.P. Morgan Capital Holdings Limited	100.00	N	Long position Short position	122,719,527 15,613,018
JPMorgan Asset Management Holdings (UK) Limited	JPMorgan Asset Management International Limited	100.00	N	Long position Short position	21,307,900 0
J.P. Morgan Overseas Capital Corporation	J.P. Morgan International Finance Limited	100.00	N	Long position Short position	246,942,450 66,171,567
JPMorgan Asset Management International Limited	JPMorgan Asset Management Holdings Inc	100.00	N	Long position Short position	21,307,900 0
JPMorgan Chase Bank, N.A.	JPMorgan Chase & Co.	100.00	N	Long position Short position	372,174,963 90,734,585
J.P. Morgan Equity Holdings, Inc.	JPMorgan Chase & Co.	100.00	N	Long position Short position	9,870 0
J.P. Morgan International Finance Limited	Bank One International Holdings Corporation	100.00	N	Long position Short position	372,174,963 90,734,585
JPMorgan Asset Management (UK) Limited	JPMorgan Asset Management Holdings (UK) Limited	100.00	N	Long position Short position	2,930,500 0
JPMorgan Distribution Services, Inc.	JPMorgan Chase & Co.	100.00	N	Long position Short position	229,806 0

The entire interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 219,123,615 H shares (Long position). Besides, 62,737,989 H shares (Long position) and 75,288,827 H shares (Short position) were held through derivatives as follows:

- 21,287,557 H shares (Long position) and 14,003,017 H shares (Short position) - through physically settled listed securities
- 499,500 H shares (Long position) and 29,469,000 H shares (Short position) - through cash settled listed securities
- 10,128,946 H shares (Long position) and 4,125,264 H shares (Short position) - through physically settled unlisted securities
- 30,821,986 H shares (Long position) and 27,691,546 H shares (Short position) - through cash settled unlisted securities

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

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

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of interest	Number of shares
UBS Fund Management (Switzerland) AG	UBS AG	100.00	Y	Long position Short position	13,347,500 0
UBS Fund Services (Luxembourg) S.A.	UBS AG	100.00	Y	Long position Short position	22,604,966 0
UBS Global Asset Management (Americas) Inc.	UBS AG	100.00	Y	Long position Short position	2,503,000 0
UBS Global Asset Management (Australia) Ltd	UBS AG	100.00	Y	Long position Short position	370,000 0
UBS Global Asset Management (Canada) Inc.	UBS AG	100.00	Y	Long position Short position	4,440,000 0
UBS Global Asset Management (Hong Kong) Limited	UBS AG	100.00	Y	Long position Short position	12,470,936 0
UBS Global Asset Management (Japan) Ltd	UBS AG	100.00	Y	Long position Short position	1,964,104 0
UBS Global Asset Management (Singapore) Ltd	UBS AG	100.00	Y	Long position Short position	26,022,000 0
UBS Global Asset Management Trust Company	UBS AG	100.00	Y	Long position Short position	64,000 0
UBS Global Asset Management (UK) Ltd	UBS AG	100.00	Y	Long position Short position	16,052,000 0
UBS Global Asset Management (Deutschland) GmbH	UBS AG	100.00	Y	Long position Short position	29,000 0
UBS Financial Services Inc.	UBS AG	100.00	Y	Long position Short position	34,814 0
UBS Bank (Canada)	UBS AG	100.00	Y	Long position Short position	13,700 0
UBS Swiss Financial Advisers AG	UBS AG	100.00	Y	Long position Short position	510,000 0
UBS Global Asset Management Life Ltd	UBS AG	100.00	Y	Long position Short position	12,000 0
UBS Switzerland AG	UBS AG	100.00	Y	Long position Short position	622,000 0
UBS O' Connor Limited	UBS AG	100.00	Y	Long position Short position	36,500 0

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

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

# Changes in the Share Capital and Shareholders' Profile

- (5) UBS Group AG was deemed to be interested in a total of 816,702,801 H shares (Long position) and 1,265,784,671 H shares (Short position) in the Company by virtue of its control over several corporations.

According to the form filed by UBS Group AG on March 23, 2016, the following interests in H shares were held by UBS Group AG through its controlled corporations, the details of which are as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of Interest	Number of shares
UBS AG	UBS Group AG	100.00	Y	Long position Short position	682,116,347 1,265,784,671
UBS Asset Management (Americas) Inc.	UBS Group AG	100.00	Y	Long position Short position	1,216,000 0
UBS Asset Management (Australia) Ltd	UBS Group AG	100.00	Y	Long position Short position	2,500 0
UBS Asset Management (Canada) Co.	UBS Group AG	100.00	Y	Long position Short position	5,404,000 0
UBS Asset Management (Deutschland) GmbH	UBS Group AG	100.00	Y	Long position Short position	29,000 0
UBS Asset Management (Hong Kong) Ltd	UBS Group AG	100.00	Y	Long position Short position	13,865,666 0
UBS Asset Management (Japan) Ltd	UBS Group AG	100.00	Y	Long position Short position	2,309,604 0
UBS Asset Management Life Limited	UBS Group AG	100.00	Y	Long position Short position	12,000 0
UBS Asset Management (Singapore) Ltd	UBS Group AG	100.00	Y	Long position Short position	37,005,500 0
UBS Asset Management Trust Company	UBS Group AG	100.00	Y	Long position Short position	183,500 0
UBS Asset Management (UK) Limited	UBS Group AG	100.00	Y	Long position Short position	23,609,500 0
UBS Fund Management (Luxembourg) S.A.	UBS Group AG	100.00	Y	Long position Short position	29,968,300 0
UBS Fund Management (Switzerland) AG	UBS Group AG	100.00	Y	Long position Short position	18,348,000 0
UBS Switzerland AG	UBS Group AG	100.00	Y	Long position Short position	2,143,350 0
UBS Financial Services Inc.	UBS Group AG	100.00	Y	Long position Short position	82,662 0
UBS Bank (Canada)	UBS Group AG	100.00	Y	Long position Short position	28,872 0
UBS Swiss Financial Advisers AG	UBS Group AG	100.00	Y	Long position Short position	378,000 0

Besides, 678,270,260 H shares (Long position) and 1,232,786,392 H shares (Short position) were held through derivatives as follows:

- 13,044,957 H shares (Long position) and 13,418,684 H shares (Short position) - through physically settled listed securities
- 288,266 H shares (Long position) and 18,346,716 H shares (Short position) - through cash settled listed securities
- 232,556,104 H shares (Long position) and 168,372,739 H shares (Short position) - through physically settled unlisted securities
- 432,380,933 H shares (Long position) and 1,032,648,253 H shares (Short position) - through cash settled unlisted securities

- (6) Deutsche Bank Aktiengesellschaft was deemed to be interested in a total of 19,302,347 H shares (Long position) in the Company by virtue of its control over several corporations.

According to the form filed by Deutsche Bank Aktiengesellschaft on August 27, 2015, the following interests in H shares were held by Deutsche Bank Aktiengesellschaft through its controlled corporations, the details of which are as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of interest	Number of shares
DB Valoren S.à r.l.	Deutsche Bank Aktiengesellschaft	100.00	N	Long position Short position	3,979,782 0
Deutsche Asia Pacific Holdings Pte Ltd	DB Valoren S.à r.l.	100.00	N	Long position Short position	3,979,782 0
Deutsche Asset Management (Asia) Limited	Deutsche Asia Pacific Holdings Pte Ltd	100.00	Y	Long position Short position	3,979,782 0
DB UK PCAM Holdings Limited	Deutsche Bank Aktiengesellschaft	100.00	N	Long position Short position	1,383,962 0
Deutsche Asset Management Group Limited	DB UK PCAM Holdings Limited	100.00	N	Long position Short position	1,383,962 0
Deutsche Asset Management (Korea) Company Limited	Deutsche Asset Management Group Limited	100.00	Y	Long position Short position	31,000 0
Deutsche Asset Management (UK) Limited	Deutsche Asset Management Group Limited	100.00	Y	Long position Short position	1,352,962 0
Deutsche Bank Luxembourg S.A.	Deutsche Bank Aktiengesellschaft	100.00	N	Long position Short position	1,331,200 0
Deutsche Asset & Wealth Management Investment S.A.	Deutsche Bank Luxembourg S.A.	100.00	Y	Long position Short position	1,331,200 0
DB Finanz-Holding GmbH	Deutsche Bank Aktiengesellschaft	100.00	N	Long position Short position	11,115,115 0
DWS Holding & Service GmbH	DB Finanz-Holding GmbH	99.38	N	Long position Short position	11,115,115 0
Deutsche Asset & Wealth Management Investment GmbH	DWS Holding & Service GmbH	100.00	Y	Long position Short position	11,115,115 0
DB Capital Markets (Deutschland) GmbH	Deutsche Bank Aktiengesellschaft	100.00	N	Long position Short position	1,180,288 0
Deutsche Asset & Wealth Management International GmbH	DB Capital Markets (Deutschland) GmbH	100.00	Y	Long position Short position	900,088 0
Sal. Oppenheim jr. & Cie. AG & Co. Kommanditgesellschaft auf Aktien	DB Capital Markets (Deutschland) GmbH	100.00	N	Long position Short position	280,200 0
Sal. Oppenheim jr. & Cie. Luxembourg S.A.	Sal. Oppenheim jr. & Cie. AG & Co. Kommanditgesellschaft auf Aktien	100.00	N	Long position Short position	280,200 0
Oppenheim Asset Management Services S.à r.l.	Sal. Oppenheim jr. & Cie. Luxembourg S.A.	100.00	Y	Long position Short position	280,200 0
Deutsche Finance No. 2 Limited	Deutsche Bank Aktiengesellschaft	100.00	N	Long position Short position	312,000 0
Deutsche Holdings No. 4 Limited	Deutsche Finance No. 2 Limited	94.90	N	Long position Short position	312,000 0
Abbey Life Assurance Company Limited	Deutsche Holdings No. 4 Limited	100.00	Y	Long position Short position	312,000 0

# Changes in the Share Capital and Shareholders' Profile

The entire interests and short positions of Deutsche Bank Aktiengesellschaft in the Company included a lending pool of 6,497,516 H shares (Long position). Besides, 320,723,336 H shares (Long position) and 298,853,336 H shares (Short position) were held through derivatives as follows:

- 2,172,000 H shares (Long position) and 5,270,000 H shares (Short position) - through physically settled listed securities
- 274,401,976 H shares (Long position) and 279,141,976 H shares (Short position) - through cash settled listed securities
- 44,149,360 H shares (Long position) and 14,441,360 H shares (Short position) - through cash settled unlisted securities

- (7) Citigroup Inc. was deemed to be interested in a total of 373,812,575 H shares (Long position) and 76,023,725 H shares (Short position) in the Company by virtue of its control over several corporations.

According to the form filed by Citigroup Inc. on July 5, 2016, the following interests in H shares were held by Citigroup Inc. through its controlled corporations, the details of which are as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of Interest	Number of shares
Citigroup Global Markets Hong Kong Limited	Citigroup Financial Products Inc.	100.00	Y	Long position Short position	5,186,142 9,073,369
Citigroup Global Markets Limited	Citigroup Global Markets Europe Limited	100.00	Y	Long position Short position	49,650,467 33,896,244
Citigroup Global Markets Inc.	Citigroup Financial Products Inc.	100.00	Y	Long position Short position	2,738,978 0
Morgan Stanley Smith Barney Holdings LLC	Citigroup Global Markets Inc.	49.00	Y	Long position Short position	0 0
Citibank N.A.	Citicorp Holdings Inc.	100.00	Y	Long position Short position	0 0
Citigroup Alternative Investments LLC	Citigroup Investments Inc.	100.00	Y	Long position Short position	0 0
Automated Trading Desk Financial Services, LLC	Automated Trading Desk, LLC	100.00	Y	Long position Short position	0 0
Citigroup Trust - Delaware, National Association	Citibank N.A.	100.00	Y	Long position Short position	0 0
Citicorp Trust, National Association	Citibank N.A.	100.00	Y	Long position Short position	0 0
Citicorp Trust South Dakota	Citibank N.A.	100.00	Y	Long position Short position	0 0
Citigroup Global Markets Asia Limited	Citigroup Global Markets Hong Kong Holdings Ltd	100.00	Y	Long position Short position	0 0
Cititrust (Bahamas) Limited	Citigroup Participation Luxembourg Limited	100.00	Y	Long position Short position	104,000 0
Cititrust (Switzerland) Limited	Citigroup Participation Luxembourg Limited	100.00	Y	Long position Short position	0 0
Citigroup Global Markets Deutschland AG	Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG	100.00	Y	Long position Short position	0 0
Citigroup Derivatives Markets Inc.	Citigroup Financial Products Inc.	100.00	Y	Long position Short position	0 0
Citigroup First Investment Management Limited	Citigroup Global Markets Hong Kong Holdings Ltd	100.00	Y	Long position Short position	793,500 0
Cititrust Jersey Limited	Citibank Overseas Investment Corporation	100.00	Y	Long position Short position	119,000 0

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of Interest	Number of shares
Citibank (Switzerland) AG	Citicorp Banking Corporation	100.00	Y	Long position Short position	49,500 0
Citigroup Global Markets Funding Luxembourg SCA	Citigroup Global Markets Holdings Inc.	100.00	Y	Long position Short position	0 99,983
Impulsora de Fondos Banamex S.A. de C.V.	Acciones y Valores, S.A. de C.V.	100.00	Y	Long position Short position	124,896 0
Acciones y Valores, S.A. de C.V.	Grupo Financiero Banamex, S.A. de C.V.	100.00	Y	Long position Short position	0 0
Citigroup Financial Products Inc.	Citigroup Global Markets Holdings Inc.	100.00	N	Long position Short position	8,718,620 9,073,369
Citigroup Global Markets Holdings Inc.	Citigroup Inc.	100.00	N	Long position Short position	58,369,087 43,069,595
Citigroup Global Markets Europe Limited	Citigroup Global Markets (International) Finance AG	0.11	N	Long position Short position	49,650,467 33,896,244
Citigroup Global Markets Europe Limited	Citigroup Financial Products Inc.	64.67	N	Long position Short position	49,650,467 33,896,244
Citigroup Global Markets Europe Limited	Citigroup Global Markets International LLC	35.22	N	Long position Short position	49,650,467 33,896,244
Citigroup Global Markets (International) Finance AG	Citigroup Financial Products Inc.	100.00	N	Long position Short position	1,810,000 0
Citigroup Global Markets International LLC	Citigroup Financial Products Inc.	100.00	N	Long position Short position	0 0
Citigroup Global Markets Inc.	Citigroup Financial Products Inc.	100.00	N	Long position Short position	0 0
Citicorp Holdings Inc.	Citigroup Inc.	100.00	N	Long position Short position	315,269,092 32,954,130
Citigroup Investments Inc.	Citigroup Inc.	100.00	N	Long position Short position	0 0
Automated Trading Desk, LLC	Automated Trading Desk Holdings, Inc.	100.00	N	Long position Short position	0 0
Automated Trading Desk Holdings, Inc.	Citigroup Acquisition LLC	100.00	N	Long position Short position	0 0
Citigroup Acquisition LLC	Citigroup Financial Products Inc.	100.00	N	Long position Short position	0 0
Citibank N.A.	Citicorp Holdings Inc.	100.00	N	Long position Short position	223,000 0
Citigroup Global Markets Hong Kong Holdings Ltd	Citigroup Global Markets Overseas Finance Limited	100.00	N	Long position Short position	793,500 0
Citigroup Global Markets Overseas Finance Limited	Citigroup Global Markets (International) Finance AG	51.86	N	Long position Short position	1,810,000 0
Citigroup Global Markets Overseas Finance Limited	Citigroup Global Markets Switzerland Holding GmbH	48.14	N	Long position Short position	793,500 0
Citigroup Global Markets Switzerland Holding GmbH	Citigroup Financial Products Inc.	100.00	N	Long position Short position	793,500 0
Citigroup Participation Luxembourg Limited	Citigroup International Luxembourg Limited	100.00	N	Long position Short position	104,000 0

# Changes in the Share Capital and Shareholders' Profile

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Nature of Interest	Number of shares
Citigroup International Luxembourg Limited	Citigroup Overseas Investments Bahamas Inc.	100.00	N	Long position Short position	104,000 0
Citigroup Overseas Investments Bahamas Inc.	Citibank Overseas Investment Corporation	100.00	N	Long position Short position	104,000 0
Citibank Overseas Investment Corporation	Citibank N.A.	100.00	N	Long position Short position	223,000 0
Citigroup Global Markets Hong Kong Holdings Limited	Citigroup Global Markets Overseas Finance Limited	100.00	N	Long position Short position	1,016,500 0
Grupo Financiero Banamex, S.A. de C.V.	Citicorp (Mexico) Holdings LLC	100.00	N	Long position Short position	124,896 0
Citicorp (Mexico) Holdings LLC	NAMGK Mexico Holding, S. de R.L. de C.V.	100.00	N	Long position Short position	124,896 0
NAMGK Mexico Holding, S. de R.L. de C.V.	Citigroup Capital Partners Mexico, S. de R.L. de C.V.	100.00	N	Long position Short position	124,896 0
Citigroup Capital Partners Mexico, S. de R.L. de C.V.	Citicorp Global Holdings, Inc.	100.00	N	Long position Short position	124,896 0
Citicorp Global Holdings, Inc.	Citicorp Banking Corporation	100.00	N	Long position Short position	124,896 0
Citicorp Banking Corporation	Citigroup Inc.	100.00	N	Long position Short position	174,396 0
Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG	Citigroup Global Markets Finance LLC	100.00	N	Long position Short position	0 0
Citigroup Global Markets Finance LLC	Citigroup Overseas Investments Bahamas Inc.	100.00	N	Long position Short position	0 0
Acciones y Valores, S.A. de C.V.	Grupo Financiero Banamex, S.A. de C.V.	100.00	N	Long position Short position	124,896 0
Citibank N.A.	Citicorp Holdings Inc.	100.00	Y	Long position Short position	315,046,092 32,954,130
Citibank Canada	Citibank Overseas Investment Corporation	100.00	Y	Long position Short position	0 0
Citigroup Trust – Delaware, National Association	Citibank N.A.	100.00	Y	Long position Short position	0 0

The entire interests and short positions of Citigroup Inc. in the Company included a lending pool of 312,941,062 H shares (Long position). Besides, 51,229,640 H shares (Long position) and 39,788,675 H shares (Short position) were held through derivatives as follows:

4,579,671 H shares (Long position) and 8,394,751 H shares (Short position) - through physically settled unlisted securities

46,649,969 H shares (Long position) and 31,393,924 H shares (Short position) - through cash settled unlisted securities

(8) 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 June 30, 2016 which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

# Directors, Supervisors and Senior Management

## SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at June 30, 2016, the interests of the current Directors, Supervisors and Senior Management of the Company and those who resigned during the Reporting Period in the shares of the Company which shall be disclosed pursuant to the “Standard No. 3 Concerning the Contents and Formats of Information Disclosure by Listed Companies - The Contents and Formats of Interim Report (Revised in 2014)” issued by CSRC; and the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) shall have been notified to the Company and HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors, Supervisors or chief executive of the Company are taken as or deemed to have under such provisions of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified by the Directors, Supervisors and chief executive to the Company and HKEx pursuant to the Model Code, were as follows:

### Changes in the number of shares held in the Company

Name	Position	Capacity	H/A shares	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Change	Reason for the change	Nature of interest	Percentage of total issued H/A shares (%)	Percentage of total issued shares (%)
Ma Mingzhe	Chairman, Chief Executive Officer	Beneficial owner	A	-	176,710	+176,710	Share purchase plan	Long position	0.00163	0.00097
		Interest of his spouse	H	20,000	20,000	-	-	Long position	0.00027	0.00011
Sun Jianyi	Vice Chairman and Executive Vice President	Beneficial owner	A	3,796,560	3,844,368	+47,808	Share purchase plan	Long position	0.03549	0.02103
Ren Huichuan	Executive Director and President	Beneficial owner	A	200,000	247,808	+47,808	Share purchase plan	Long position	0.00229	0.00136
Yao Jason Bo	Executive Director, Executive Vice President, Chief Financial Officer and Chief Actuary	Beneficial owner	A	-	11,921	+11,921	Share purchase plan	Long position	0.00011	0.00007
		Beneficial owner	H	24,000	24,000	-	-	Long position	0.00032	0.00013
		Interest of his spouse	H	44,000	44,000	-	-	Long position	0.00059	0.00024
Cai Fangfang	Executive Director and Chief Human Resource Officer	Beneficial owner	A	-	8,157	+8,157	Share purchase plan	Long position	0.00008	0.00004
Xiong Peijin	Non-executive Director	Interest of his spouse	A	102,000	102,000	-	-	Long position	0.00094	0.00056
Peng Zhijian	Resigned Independent Supervisor	Beneficial owner	A	13,200	13,200	-	-	Long position	0.00012	0.00007
Pan Zhongwu	Employee Representative Supervisor	Beneficial owner	A	-	2,581	+2,581	Share purchase plan	Long position	0.00002	0.00001
Gao Peng	Employee Representative Supervisor	Beneficial owner	A	-	8,165	+8,165	Share purchase plan	Long position	0.00008	0.00004

# Directors, Supervisors and Senior Management

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 (%)
IP So Lan	Senior Vice President, Chief Internal Auditor, Compliance Officer and Person-in-charge of Auditing	Beneficial owner	A	-	5,822	+5,822	Share purchase plan	Long position	0.00005	0.00003
Chen Kexiang	Senior Vice President	Beneficial owner	A	-	6,211	+6,211	Share purchase plan	Long position	0.00006	0.00003
Cao Shifan	Senior Vice President	Beneficial owner	A	-	6,211	+6,211	Share purchase plan	Long position	0.00006	0.00003
Yao Jun	Chief Legal Officer, Company Secretary	Beneficial owner	A	-	5,822	+5,822	Share purchase plan	Long position	0.00005	0.00003
Jin Shaoliang	Secretary of the Board	Beneficial owner	A	-	6,211	+6,211	Share purchase plan	Long position	0.00006	0.00003
		Beneficial owner	H	20,000	20,000	-	-	Long position	0.00027	0.00011

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

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

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

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

Save as disclosed above, as at June 30, 2016, none of the Directors, Supervisors and chief executive held or was deemed to hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which are recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors, Supervisors and chief executive to the Company and the HKEx pursuant to the Model Code, nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

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

1. Due to personal work arrangement, Mr. Fan Mingchun and Mr. Lu Hua have tendered their resignations as Non-executive Directors of the Company. As deliberated at the 2nd Extraordinary General Meeting of 2015 of the Company held on December 17, 2015, Mr. Xiong Peijin and Mr. Liu Chong were elected as Non-executive Directors of the Company in place of Mr. Fan Mingchun and Mr. Lu Hua, respectively. The qualifications of Mr. Xiong Peijin and Mr. Liu Chong as Directors of the Company were obtained from CIRC on January 8, 2016, on which day the appointment of Mr. Xiong Peijin and Mr. Liu Chong in place of Mr. Fan Mingchun and Mr. Lu Hua as Non-executive Directors of the Company became effective.
2. The Supervisory Committee of the Company received a letter of resignation from Mr. Peng Zhijian on November 12, 2015. Mr. Peng Zhijian proposed to resign as a supervisor of the Company due to personal work arrangement. As deliberated at the Annual General Meeting of 2015 of the Company held on June 15, 2016, Mr. Huang Baokui was elected as an Independent Supervisor of the Company in place of Mr. Peng Zhijian. The qualification of Mr. Huang Baokui as a Supervisor of the Company was obtained from CIRC on June 28, 2016, on which day the appointment of Mr. Huang Baokui and the resignation of Mr. Peng Zhijian as an Independent supervisor of the Company became effective.
3. Ms. Tan Sin Yin, the Senior Management of the Company, has been re-designated as the Executive Vice President of the Company (previously the Senior Vice President) since January 12, 2016.

## CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

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

1. Mr. Yao Jason Bo and Mr. Lee Yuansiong, the Executive Directors of the Company, have been redesignated as the Executive Vice Presidents of the Company (previously the Senior Vice Presidents) since January 2016.
2. Mr. Xiong Peijin, the Non-executive Director of the Company, has served as Chairman and Secretary of the Party Committee of Shenzhen Energy Group Co., Ltd. and has not served as the Director, General Manager and Deputy Secretary of the Party Committee of Shenzhen Investment Holdings Co., Ltd. since June 2016, he has not served as the Non-executive Director of Guotai Junan Securities Co., Ltd. since May 2016.
3. Mr. Woo Ka Biu Jackson, the Independent Non-executive Director of the Company, ceased to be the Chairman (International) of Guantao Law Firm effective on April 2016.
4. Mr. Wong Oscar Sai Hung, the Independent Non-executive Director of the Company, has not served as an Independent Non-executive Director of the Hong Kong Exchanges and Clearing Limited since April 2016.
5. Mr. Ge Ming, the Independent Non-executive Director of the Company, has served as an Independent Non-executive Director of the Focus Media Information Technology Co., Ltd. since January 2016.
6. Mr. Gu Liji, the Chairman of Supervisory Committee, has served as a professor of Graduate School at Shenzhen, Tsinghua University since January 2016.

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

# Significant Events

## **CORPORATE GOVERNANCE**

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

During the Reporting Period, one general meeting, i.e. the 2015 Annual General Meeting, was held by the Company; three meetings were held by the Board of Directors; and three meetings were held by the Supervisory Committee. The general meeting, the Board of Directors, the Supervisory Committee and senior management performed their respective rights and obligations in accordance with the Articles of Association, and no irregularities or breaches were identified.

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

## **IMPLEMENTATION OF PROFIT DISTRIBUTION PROPOSAL DURING THE REPORTING PERIOD**

The profit distribution proposal of the Company for 2015 was approved at the 2015 Annual General Meeting held on June 15, 2016, according to which the 2015 final cash dividend of RMB0.35 (tax inclusive) per share was proposed to be distributed to all shareholders based on 18,280,241,410 shares, in a total amount of RMB6,398,084,493.50. The remaining undistributed profit would be carried forward to 2016. The implementation of the distribution proposal has been completed.

## INTERIM RESULTS AND PROFIT DISTRIBUTION

The Group's results in the first half of 2016 are set out in the section titled "FINANCIAL STATEMENTS". The Board of Directors declared that an interim dividend of RMB0.20 (tax inclusive, equivalent to HK\$0.2336) per share for the six months ended June 30, 2016, in a total amount of RMB3,656,048,282, based on the total 18,280,241,410 shares, will be distributed to the shareholders of the Company. The dividend payment will have no material impact on the Group solvency margin ratio; after the dividend payment, the Group solvency margin ratio will still meet regulatory requirements.

According to the Articles of Association, 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 dollar. The relevant exchange rate is the average middle exchange rate of Renminbi to Hong Kong dollar as announced by PBOC for the week prior to the date of declaration of interim dividend (RMB0.85624 equivalent to HK\$1.00).

The decision-making procedure and mechanism of the above profit distribution proposals are complete, and the dividend payout standard and proportion are clear. The above profit distribution proposals are in line with the Articles of Association and relevant deliberation procedures, and had fully protected the legitimate interests of minority shareholders. The Independent Non-executive Directors of the Company made independent opinion to agree with the profit distribution proposals.

The expected timetable for, inter alia, the distribution of cash dividend as set out below is indicative only. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate:

Record date for the A shareholders	Friday, September 2, 2016
Payment of cash dividend for A shares	Monday, September 5, 2016
Latest time for lodging transfers of the H shares to qualify for the entitlement of the cash dividend	4:30 p.m., Tuesday, September 6, 2016
Closure of register for the H shareholders	Wednesday, September 7, 2016 to Monday, September 12, 2016 (both days inclusive)
Record date for the H shareholders	Monday, September 12, 2016
Payment of cash dividend for H shares	Friday, October 14, 2016

During the period from Wednesday, September 7, 2016 to Monday, September 12, 2016 (both days inclusive), no transfer of H shares will be registered. To qualify for the cash dividend, all properly completed transfer documents together with the relevant share certificates must be lodged for registration with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m., Tuesday, September 6, 2016.

# Significant Events

## **GENERAL ANALYSIS OF EXTERNAL INVESTMENT**

Ping An is an integrated financial services group, investment business is one of its core businesses. The investment portfolio of insurance funds represents a majority of the equity investment assets of the Group. The investment of insurance funds is subject to relevant laws and regulations. For details of the asset allocation of the investment portfolio, please refer to relevant sections in the “Management Discussion and Analysis”.

## **Material Equity Investment**

### **Subscription of Ping An Bank Preference Shares**

On July 15, 2014, the 14th meeting of the 9th Session of the Board of Directors considered and approved the Resolution regarding the Subscription of Ping An Bank Non-public Preference Share Issuance by Ping An Asset Management. It was decided that Ping An Asset Management, a subsidiary of the Company, would subscribe for the preference shares issued under Ping An Bank’s non-public issuance through insurance funds under its management. The subscription ratio would be 50%-60% of the preference shares issued under the non-public issuance of Ping An Bank. The specific subscription ratio of preference shares is subject to the approval of relevant regulatory authorities.

On March 15, 2016, as mentioned in the announcement of the Company, Ping An Bank had issued 200,000,000 preference shares with the issue price of RMB100 per share (which equals to the nominal value) and a coupon rate of 4.37%, which raised a total proceeds of RMB20 billion. Ping An Asset Management had subscribed for 116,000,000 preference shares issued under the non-public issuance by Ping An Bank at the abovementioned issue price.

## **Material Non-equity Investment**

During the Reporting Period, there was no material non-equity investment that was required to be disclosed.

## **Financial Instruments recorded at Fair Value**

Details of the Company’s financial instruments recorded at fair value are set out in note 36 to the financial statements.

## **Sale of Major Assets and Equities**

During the Reporting Period, there was no sale of major assets or equities that was required to be disclosed.

## **Major Subsidiaries and Associates of the Company**

The details of major subsidiaries and associates of the Company are set out in note 3 to the financial statements.

## **Structured Entities controlled by the Company**

There is no significant change in the details of Structured Entities controlled by the Company compare with the year of 2015.

## **IMPLEMENTATION OF SHARE INCENTIVE SCHEME OF THE COMPANY AND ITS EFFECTS**

During the Reporting Period, the Company had not implemented any share incentive scheme.

## IMPLEMENTATION OF THE KEY EMPLOYEE SHARE PURCHASE PLAN OF THE COMPANY

As deliberated at the 16th Meeting of the 9th Board of Directors held on October 28, 2014 and approved at the 1st Extraordinary General Meeting for 2015 held on February 5, 2015, the Key Employee Share Purchase Plan of the Company has been officially implemented. Since the implementation of this plan, the Company has seen sound operations; the shareholders, the Company, and the employees have shared benefits and risks, providing strong guarantee for further improving the Company's governance structure as well as establishing and improving the long-term incentive and restraint mechanisms to facilitate long-term sustainable and healthy development of the Company.

As of the end of the Reporting Period, two phases of the Plan had been implemented.

### Implementation in 2015

The participants were 839 key employees of the Company and its subsidiaries including the directors, employee representative supervisors, and senior management. The sources of funding were legitimate salaries and performance bonuses of the employees.

The share purchase was conducted by the manager of the Plan, China Merchants Securities Co., Ltd. (changed to China Merchants Securities Asset Management Co., Ltd. on September 9, 2015 due to establishment of the subsidiary) from March 20, 2015 to March 26, 2015 in the secondary market; 4,050,253 A shares of the Company in total were purchased for a total price of RMB312,047,645 (inclusive of expenses), accounting for 0.044% of the total share capital of the Company at that time. For details of the share purchase, please refer to the Announcement regarding the Completion of Share Purchase under the 2015 Key Employee Share Purchase Plan published by the Company on websites of the HKEx and the SSE on March 27, 2015 and March 30, 2015 respectively.

As the Company's profit distribution for 2014 included the conversion of capital reserve into share capital in a proportion of 10 shares for every 10 shares held, the total number of shares held under the Plan for this period had changed to 8,100,506 shares. The plan for this period was unlocked on March 30, 2016, one third of its shares were vested in two batches, the 1st batch vested to 514 employees on March 30, 2016, and the 2nd batch vested to 251 employees on April 27, 2016. As to the remaining 74 employees who did not qualify for the vesting, 588,281 shares were forfeited.

### Implementation in 2016

The participants were 773 key employees of the Company and its subsidiaries including the directors, employee representative supervisors, and senior management. The sources of funding were legitimate salaries and performance bonuses of the employees.

The share purchase was conducted by the manager of the Plan, China Merchants Securities Asset Management Co., Ltd. from March 17, 2016 to March 21, 2016 in the secondary market; 14,803,850 A shares of the Company in total were purchased for a total price of RMB481,578,936.53 and an average price of RMB32.53 per share, accounting for 0.081% of the total share capital of the Company at that time. These shares are subject to a lock-up period from March 23, 2016 to March 22, 2017. For details of the share purchase, please refer to the Announcement regarding the Completion of Share Purchase under the 2016 Key Employee Share Purchase Plan published by the Company on websites of the HKEx and the SSE on March 22, 2016 and March 23, 2016 respectively. During the Reporting Period, there was no change in equity as a result of disposal by holders of the Plan.

The manager of the Plan is China Merchants Securities Asset Management Co., Ltd.; the manager was not changed during the Reporting Period.

# Significant Events

## MATERIAL CONNECTED TRANSACTIONS

### Granting credit limit to Guosen Securities Co., Ltd. by Ping An Bank

On July 1, 2015, as mentioned in the announcement of the Company, the Resolution on Granting RMB6.5 Billion Credit Limit to Guosen Securities Co., Ltd. was considered and approved by the 14th Meeting of the 9th session of the board of directors of Ping An Bank, according to which Ping An Bank would grant RMB6.5 billion credit limit to Guosen Securities Co., Ltd. with a term of one year.

The transaction between Ping An Bank and Guosen Securities Co., Ltd. constituted a connected transaction of the Company as defined under the SSE Listing Rules, but would not be regarded as a connected transaction of the Company as defined under the HKEx Listing Rules.

Please refer to the related announcements published on the websites of SSE (www.sse.com.cn) and HKEx (www.hkexnews.hk), and in Shanghai Securities News, China Securities Journal, Securities Times and Securities Daily on July 1, 2015 for detailed information.

As at June 30, 2016, Guosen Securities Co., Ltd. had used RMB0 of its credit limit and did not break its credit limit during the Reporting Period.

## MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

### 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		-
<b>Guarantee of the Company and its subsidiaries in favor of subsidiaries</b>		
Total guarantee in favor of subsidiaries incurred during the Reporting Period		6,433
Total guarantee balance in favor of subsidiaries as at the end of the Reporting Period		40,929
<b>Total guarantee of the Company (including the guarantee in favor of its subsidiaries)</b>		
Total guarantee		40,929
Total guarantee as a percentage of the Company's net assets (%)		11.2
Including: Direct and indirect guarantee for the targets with gearing ratio over 70% (As at June 30, 2016)		31,331
The amount that the Company's total guarantee balance exceeded 50% of its net assets		-

Note: The data set out in the table above does not include those arising from financial guarantee businesses conducted by Ping An Bank (the controlling subsidiary) and other subsidiaries of the Company in strict compliance with the scope of operation approved by relevant regulatory authorities.

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

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

## MATERIAL LITIGATIONS AND ARBITRATIONS

During the Reporting Period, the Company had no material litigations and arbitrations required to be disclosed.

## FOREIGN CURRENCY RISK

Foreign currency-denominated assets and liabilities held by the Group are exposed to foreign currency risk. These assets include deposits, bonds, stocks, funds and derivative financial instruments denominated in foreign currencies. These liabilities include monetary liabilities, such as borrowings, customer's deposits and claim reserves denominated in foreign currencies and non-monetary liabilities measured at fair value.

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

As at June 30, 2016 (in RMB million)	Decrease in profit before tax	Decrease in equity before tax
Net exposure to fluctuations in exchange rates assuming a simultaneous and uniform 5% depreciation against the Renminbi of all foreign currency-denominated monetary assets and monetary liabilities as well as all non-monetary assets and non-monetary liabilities measured at fair value	352	2,008

## FULFILLMENTS OF UNDERTAKINGS

### Undertakings in Respect of the Major Asset Restructuring with Shenzhen Development Bank

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

# Significant Events

As at June 30, 2016, the above undertakings were still in the process of performance and there was no violation of the above undertakings.

## **Undertaking in Respect of the Issuance of Ping An Convertible Bonds**

During the period of issuing Ping An Convertible Bonds by the Company, in terms of certain subsidiaries engaged in construction of private properties and community for the elderly, the Company undertakes that, now and in the future, it will strictly comply with relevant regulations in relation to the insurance funds used in real estate investment and the principle that the insurance funds should only be applied to specific property without property speculations or sale in an inappropriate form. It will not develop or sell commercial housing by means of investment in annuity and private real estate.

As at June 30, 2016, the above undertaking was still in the process of performance and there was no violation of the above undertaking.

## **Undertaking in Respect of the Subscription for 1,323,384,991 New Shares of Ping An Bank through Non-public Issuance**

In relation to the subscription for 1,323,384,991 new shares of Ping An Bank through non-public issuance, the Company undertakes that it shall not transfer the shares within 36 months since the date of listing of the new shares (January 9, 2014), excluding the transfer between the Company and its connected organizations (i.e. any parties directly or indirectly controlling the Company or under the direct or indirect control of the Company or under the control of the same controller as that of the Company) to the extent permitted by the applicable laws. Upon expiry of the above-mentioned term, the Company will be free to dispose of such newly-issued shares pursuant to the requirements of China Securities Regulatory Commission and Shenzhen Stock Exchange.

As at June 30, 2016, the above undertaking was still in the process of performance and there was no violation of the above undertaking.

## **Undertaking in Respect of the Subscription for 210,206,652 New Shares of Ping An Bank through Non-public Issuance**

In relation to the subscription for 210,206,652 new shares of Ping An Bank through non-public issuance, the Company undertakes that it shall not transfer the shares within 36 months since the date of listing of the new shares (May 21, 2015). Such shares shall not be disposed of and transferred among its non-related parties during the lock-up period, nor transferred and disposed of among its related parties. In addition, no arrangement of any other disposal of interests shall be entered into with respect to such shares subject to lock-up period.

As at June 30, 2016, the above undertaking was still in the process of performance and there was no violation of the above undertaking.

## **USE OF PROCEEDS**

An aggregate of 594,056,000 new H Shares have been successfully allotted and issued by the Company under general mandate on December 8, 2014 and the gross proceeds raised from the placing were HK\$36,831,472,000. The proceeds raised from the placing were used to develop the main business and replenish the equity and working capital of the Company, and the use of the proceeds raised was consistent with the use that was passed by the meeting of the Board of Directors. As at June 30, 2016, HK\$7,885 million from the placing was kept in the fund-raising account, and the rest had been used as intended.

## **APPOINTMENT OF AUDITORS**

According to the resolution of the 2015 Annual General Meeting, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were appointed as auditors of the Company's financial statements under CAS and IFRS, respectively for the year 2016. The interim financial statements of the Company are unaudited.

## **PUNISHMENTS AND RECTIFICATIONS**

During the Reporting Period, neither the Company nor the Directors, Supervisors, senior management or shareholders holding more than 5% of shares of the Company, were investigated by competent authorities, subject to coercive measures by judicial authorities or disciplinary authorities, transferred to judicial organs or held accountable for crimes, investigated, punished, barred from the market or disqualified by the CSRC, subject to major administrative punishments by environmental protection, safe production supervision, tax or other administrative authorities, or denounced by any stock exchanges.

## **INTEGRITY CONDITIONS OF THE COMPANY**

During the Reporting Period, the Company neither failed to abide by any effective judicial ruling, nor defaulted on any material debt.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities from January 1, 2016 to June 30, 2016.

## **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 any matters relating to the appointment or removal, and remuneration of the external auditors. In addition, the Audit and Risk Management Committee also examines the effectiveness of the Company's internal controls, which involves regular reviews of the internal controls of various corporate structures and business processes, and takes into account their respective potential risk and urgency, to ensure the effectiveness of the Company's business operations and the realization of its corporate objectives and strategies. The scope of such examinations and reviews includes finance, operations, regulatory compliance and risk management. The Audit and Risk Management Committee also reviews the Company's internal audit plan and submits relevant reports and recommendations to the Board of Directors on a regular basis.

As at the date of this report, the Audit and Risk Management Committee comprised four Independent Non-executive Directors and one Non-executive Director and is chaired by Mr. Ge Ming, an Independent Non-executive Director, who possesses the professional qualifications of accounting and related financial management expertise.

The Audit and Risk Management Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed the internal controls and financial reporting matters, including a review of the unaudited interim accounts of the Company.

The Company has also established the Strategy and Investment Committee, the Remuneration Committee and the Nomination Committee. Further details of the roles and functions, and summary of the work of these committees under the Board of Directors were set out under the paragraph headed "The specialized committees under the Board" in the Corporate Governance Report on pages 100 to 103 of the Company's 2015 annual report of A shares and on pages 116 to 120 of the Company's 2015 annual report of H shares. The terms of reference and modus operandi of the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee have been published on the websites of the Company and the HKEx.

# Significant Events

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE BY THE COMPANY**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions set out in the Corporate Governance Code for any part of the period from January 1, 2016 to June 30, 2016 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 the Chief Executive Officer of the Company. However, the Board of Directors is of the opinion that the Company has built up a structure of the Board of Directors of international standard and has developed a very structured and strict operation system and a set of procedural rules for the meeting of the Board of Directors. The Chairman does not have any power different from that of other Directors in relation to the decision making process. Also, in the day-to-day operation of the Company, the Company has put in place an integrated management system and structure. Decisions on all material matters will be subject to complete and stringent deliberation and decision making procedures in order to ensure that the Chief Executive Officer can perform his duties diligently and effectively. Further, the current management model of the Company has been recognized in the industry and this model proves to be reliable, efficient and successful, therefore the continuous adoption of this model will be beneficial to the future development of the Company. There is also clear delineation in the responsibilities of the Board of Directors and the management set out in the Articles of Association.

Based on the above reasons, 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 all shareholders' rights to the greatest extent. Accordingly, the Company therefore does not currently intend to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer.

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 Corporate Governance Code" in the Corporate Governance Report on pages 126 to 127 of the Company's 2015 annual report of H shares.

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

In August 2007, the Company adopted a code of conduct regarding securities transactions by Directors and Supervisors of the Company ("Code of Conduct"), which was amended in April 2014, on terms no less exacting than the required standard set out in the Model Code. Specific enquiry has been made to all Directors and Supervisors of the Company who have confirmed that they had complied with the required standard set out in the Model Code and the Code of Conduct for the period from January 1, 2016 to June 30, 2016.

## INCOME TAX WITHHOLDING

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

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China which came into effect on January 1, 2008 and its implementing rules, the Company shall be obligated to withhold 10% enterprise income tax when it distributes 2016 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 Monday, September 12, 2016 (the "Record Date"); after the legal opinion is provided by the resident enterprise shareholders within the stipulated time frame and upon the Company's confirmation of such opinion with tax authorities, the Company will not withhold any enterprise income tax when it distributes 2016 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 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 Tuesday, September 6, 2016 a legal opinion, issued by a PRC mainland qualified lawyer (inscribed with the seal of the applicable law firm), that verifies its resident enterprise status.

### Individual Income Tax Withholding of Overseas Individual Shareholders

Upon the confirmation of the Company after having made consultation with the relevant tax authorities, and pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China and its implementation regulations, the individual resident shareholders outside the PRC shall pay individual income tax upon their receipt of the distributed dividends and bonus in respect of the shares issued by domestic non-foreign investment enterprises in Hong Kong, which shall be withheld by obligors on behalf of such individual shareholders by law. Those individual resident shareholders outside the PRC may, however, enjoy relevant preferential treatments in accordance with the provisions of applicable tax agreements signed between the countries where they belong to by virtue of residential identification and the PRC as well as the tax arrangements made between the Mainland China and Hong Kong (Macau).

Pursuant to relative tax regulations, the Company shall generally be obligated to withhold individual income tax at the tax rate of 10% when it distributes 2016 interim dividend to individual holders of H shares appear on the Company's register of members of H shares on the Record Date. However, if stated in the tax regulations and relevant tax agreements otherwise, the Company will withhold individual income tax based on the amount of the dividend at the relevant tax rate and in accordance with the procedures as stipulated.

If individual holders appear on the Company's register of members of H shares, and are citizens from countries applying a tax rate of less than 10% under tax agreements, are not applicable to be withheld individual tax at the rate of 10% by the Company, the Company may handle applications on their behalf for preferential treatments as stipulated in relevant agreements pursuant to the Notice of the State Administration of Taxation on Issues about the Administrative Measures for Non-residents to Enjoy the Treatments of Tax Treaties (for Trial Implementation) (Guo Shui Fa [2009] No. 124). Qualified shareholders are required to submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Tuesday, September 6, 2016 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.

# Significant Events

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

The Company will withhold the income tax for the southbound trading shareholders as required by the Notice on Tax Policies for Pilot Mechanism of Shanghai-Hong Kong Stock Connect Program (Cai Shui [2014] No. 81) on the basis of the Company's register of members of H shares on the Record Date.

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

## **OTHER SIGNIFICANT EVENTS**

No further significant events of the Company were required to be disclosed during the Reporting Period.

# Report on Review of Interim Condensed Consolidated Financial Information

To the shareholders of  
**Ping An Insurance (Group) Company of China, Ltd.**  
(Incorporated in mainland China with limited liability)

## INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 86 to 133, which comprises the interim consolidated statement of financial position of Ping An Insurance (Group) Company of China, Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2016 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong  
17 August 2016

# Interim Consolidated Statement of Income

For the six-month period ended 30 June 2016

For the six-month period ended 30 June (in RMB million)	Notes	2016 (Unaudited)	2015 (Unaudited)
Gross written premiums	5	256,873	212,275
Less: Premiums ceded to reinsurers		(9,289)	(12,911)
Net written premiums	5	247,584	199,364
Change in unearned premium reserves		(3,961)	(7,502)
Net earned premiums		243,623	191,862
Reinsurance commission income		2,917	3,888
Interest income from banking operations	6	63,654	66,171
Fees and commission income from non-insurance operations	7	22,538	20,431
Investment income	8	55,570	83,174
Share of profits and losses of associates and jointly controlled entities		(257)	(230)
Other income	9	19,783	11,003
<b>Total income</b>		<b>407,828</b>	376,299
Gross claims and policyholders' benefits	10	(182,836)	(178,774)
Less: Reinsurers' share and policyholders' benefits	10	5,564	7,186
Claims and policyholders' benefits		(177,272)	(171,588)
Commission expenses on insurance operations		(38,745)	(25,810)
Interest expenses on banking operations	6	(26,607)	(34,317)
Fees and commission expenses on non-insurance operations	7	(2,196)	(1,903)
Loan loss provisions, net of reversals	11, 20	(19,819)	(12,634)
Foreign exchange (losses)/gains		316	(440)
General and administrative expenses		(70,155)	(61,204)
Finance costs		(6,318)	(2,416)
Other expenses		(10,970)	(6,444)
<b>Total expenses</b>		<b>(351,766)</b>	(316,756)
Profit before tax	11	56,062	59,543
Income tax	12	(9,754)	(19,632)
<b>Profit for the period</b>		<b>46,308</b>	39,911
<b>Attributable to:</b>			
- Owners of the parent		40,776	34,649
- Non-controlling interests		5,532	5,262
		<b>46,308</b>	39,911
		<b>RMB</b>	<b>RMB</b>
<b>Earnings per share attributable to ordinary equity holders of the parent:</b>			
- Basic	15	2.28	1.90
- Diluted	15	2.28	1.90

# Interim Consolidated Statement of Comprehensive Income

For the six-month period ended 30 June 2016

For the six-month period ended 30 June (in RMB million)	Note	2016 (Unaudited)	2015 (Unaudited)
<b>Profit for the period</b>		<b>46,308</b>	39,911
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets		<b>(18,295)</b>	3,307
Shadow accounting adjustments		<b>5,188</b>	(3,769)
Exchange differences on translation of foreign operations		<b>478</b>	(50)
Share of other comprehensive income of associates and jointly controlled entities		<b>(39)</b>	54
Income tax relating to components of other comprehensive income		<b>3,539</b>	529
<b>Other comprehensive income for the period, net of tax</b>	13	<b>(9,129)</b>	71
<b>Total comprehensive income for the period</b>		<b>37,179</b>	39,982
<b>Attributable to:</b>			
- Owners of the parent		<b>31,679</b>	34,508
- Non-controlling interests		<b>5,500</b>	5,474
		<b>37,179</b>	39,982

# Interim Consolidated Statement of Financial Position

As at 30 June 2016

(in RMB million)	Notes	30 June 2016 (Unaudited)	31 December 2015 (Audited)
<b>Assets</b>			
Cash and amounts due from banks and other financial institutions	16	489,382	439,327
Balances with the Central Bank and statutory deposits	17	286,677	299,689
Fixed maturity investments	18	2,098,796	1,911,871
Equity and other investments	19	390,599	370,899
Derivative financial assets		11,707	8,272
Loans and advances to customers	20	1,364,357	1,245,371
Premium receivables	21	33,495	34,072
Accounts receivable	22	18,040	16,778
Reinsurers' share of insurance liabilities		16,640	17,872
Finance lease receivable	23	70,766	57,598
Policyholder account assets in respect of insurance contracts	24	40,259	48,903
Policyholder account assets in respect of investment contracts	24	4,596	5,084
Investments in associates and jointly controlled entities	25	46,557	26,858
Investment properties		27,564	24,827
Property and equipment		37,233	35,158
Intangible assets		61,398	44,916
Deferred tax assets		20,365	15,663
Other assets	26	201,351	162,001
<b>Total assets</b>		<b>5,219,782</b>	4,765,159
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	27	18,280	18,280
Reserves	28	177,343	180,630
Retained profits	28	168,325	135,338
Equity attributable to owners of the parent		363,948	334,248
Non-controlling interests	28	98,644	79,323
Total equity		462,592	413,571
<b>Liabilities</b>			
Due to banks and other financial institutions	30	418,851	410,258
Other financial liabilities held for trading		23,109	8,506
Assets sold under agreements to repurchase	31	100,599	119,236
Derivative financial liabilities		19,828	4,527
Customer deposits and payables to brokerage customers	32	1,872,369	1,713,907
Accounts payable		8,419	4,735
Income tax payable		10,754	14,104
Insurance payables		66,259	82,485
Insurance contract liabilities	33	1,530,888	1,419,958
Investment contract liabilities for policyholders		43,670	42,690
Policyholder dividend payable		36,944	33,028
Bonds payable	34	386,445	264,413
Deferred tax liabilities		9,371	9,911
Other liabilities		229,684	223,830
Total liabilities		4,757,190	4,351,588
<b>Total equity and liabilities</b>		<b>5,219,782</b>	4,765,159

**MA Mingzhe**  
Director

**SUN Jianyi**  
Director

**YAO Jason Bo**  
Director

# Interim Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2016

For the six-month period ended 30 June 2016 (in RMB million)	Equity attributable to owners of the parent							
	Share capital (Unaudited)	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)	Total equity (Unaudited)
As at 1 January 2016	18,280	143,798	8,498	28,248	86	135,338	79,323	413,571
Profit for the period	-	-	-	-	-	40,776	5,532	46,308
Other comprehensive income for the period	-	(9,577)	-	-	480	-	(32)	(9,129)
Total comprehensive income for the period	-	(9,577)	-	-	480	40,776	5,500	37,179
Dividend declared (Note 14)	-	-	-	-	-	(6,398)	-	(6,398)
Appropriations to surplus reserves	-	-	1,385	-	-	(1,385)	-	-
Appropriations to general reserves	-	-	-	6	-	(6)	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	(974)	(974)
Acquisition of subsidiaries	-	-	-	-	-	-	5,424	5,424
Equity transactions with non-controlling interests	-	(1,604)	-	-	-	-	(2,935)	(4,539)
Contributions from non-controlling interests	-	1,900	-	-	-	-	2,070	3,970
Share purchase scheme	-	(293)	-	-	-	-	-	(293)
Other equity instruments issued by subsidiaries	-	-	-	-	-	-	10,236	10,236
Others	-	4,416	-	-	-	-	-	4,416
As at 30 June 2016	18,280	138,640	9,883	28,254	566	168,325	98,644	462,592

For the six-month period ended 30 June 2015 (in RMB million)	Equity attributable to owners of the parent							
	Share capital (Unaudited)	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)	Total equity (Unaudited)
As at 1 January 2015	8,892	154,779	7,470	19,196	152	99,075	64,252	353,816
Profit for the period	-	-	-	-	-	34,649	5,262	39,911
Other comprehensive income for the period	-	(91)	-	-	(50)	-	212	71
Total comprehensive income for the period	-	(91)	-	-	(50)	34,649	5,474	39,982
Conversion of convertible bonds	248	8,871	-	-	-	-	-	9,119
Dividend declared (Note 14)	-	-	-	-	-	(4,570)	-	(4,570)
Appropriations to surplus reserves	-	-	124	-	-	(124)	-	-
Appropriations to general reserves	-	-	-	101	-	(101)	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	(1,144)	(1,144)
Equity transactions with non-controlling interests	-	(746)	-	-	-	-	(1,091)	(1,837)
Contributions from non-controlling interests	-	953	-	-	-	-	5,874	6,827
Share purchase scheme	-	(217)	-	-	-	-	-	(217)
Others	-	2,579	-	-	-	-	(57)	2,522
As at 30 June 2015	9,140	166,128	7,594	19,297	102	128,929	73,308	404,498

# Interim Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2016

For the six-month period ended 30 June (in RMB million)	Note	2016 (Unaudited)	2015 (Unaudited)
<b>Net cash flows from operating activities</b>		<b>65,998</b>	247,896
<b>Cash flows from investing activities</b>			
Purchases of investment properties, property and equipment, and intangible assets		<b>(9,890)</b>	(5,167)
Proceeds from disposal of investment properties, property and equipment, and intangible assets		<b>24</b>	124
Proceeds from disposal of investments		<b>1,539,761</b>	636,850
Purchases of investments		<b>(1,846,599)</b>	(800,686)
Term deposits placed, net		<b>(3,323)</b>	(9,641)
Acquisition of non-controlling interests in subsidiaries		<b>(4,733)</b>	(1,837)
Acquisition and disposal of subsidiaries, net		<b>(11,733)</b>	(116)
Interest received		<b>39,841</b>	45,010
Dividends received		<b>36,451</b>	8,805
Rentals received		<b>793</b>	803
Others		<b>(6,988)</b>	(9,660)
<b>Net cash flows used in investing activities</b>		<b>(266,396)</b>	(135,515)
<b>Cash flows from financing activities</b>			
Capital injected into subsidiaries by non-controlling interests		<b>14,451</b>	6,887
Proceeds from bonds issued		<b>448,107</b>	124,280
(Decrease)/Increase in assets sold under agreements to repurchase of non-banking and non-securities operations, net		<b>(20,875)</b>	32,994
Proceeds from borrowed funds		<b>107,229</b>	21,864
Repayment of borrowed funds		<b>(381,971)</b>	(72,479)
Interest paid		<b>(7,493)</b>	(4,907)
Dividends paid		<b>(974)</b>	(1,144)
Others		<b>12,998</b>	(1,560)
<b>Net cash flows from financing activities</b>		<b>171,472</b>	105,935
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(28,926)</b>	218,316
Net foreign exchange differences		<b>1,720</b>	(199)
Cash and cash equivalents at beginning of the period		<b>333,325</b>	263,960
<b>Cash and cash equivalents at end of the period</b>	38	<b>306,119</b>	482,077

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 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 15/F, 16/F, 17/F and 18/F, Galaxy Development Center, Fu Hua No.3 Road, Futian District, Shenzhen, Guangdong Province, China.

## 2. BASIS OF PREPARATION

This interim condensed consolidated financial information has been prepared in accordance with IAS 34 “Interim Financial Reporting”. This interim condensed consolidated financial information does 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 2015.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (1) CHANGES IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

IFRS14 “Regulatory Deferral Accounts” – IFRS14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognized as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services.

Amendment to IFRS11 “Accounting for acquisitions of interests in joint operations” – The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a ‘business’.

Amendments to IAS16 and IAS38 “Clarification of acceptable methods of depreciation and amortization” – The amendments clarify when a method of depreciation or amortization based on revenue may be appropriate. The amendment to IAS16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to IAS38 establishes a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate.

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (1) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Amendment to IAS27 “Equity method in separate financial statements” – The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual improvements 2014 – The amendments include changes from the 2012-2014 cycle of the annual improvements project:

- IFRS5 ‘Non-current assets held for sale and discontinued operations’ – The amendment clarifies that when an asset (or disposal group) is reclassified from ‘held for sale’ to ‘held for distribution’, or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- IFRS7 ‘Financial instruments: Disclosures’ – There are two amendments: Service contracts and Interim financial statements.
- IAS19 ‘Employee benefits’ – It clarifies when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise.
- IAS34 ‘Interim financial reporting’ – It clarifies what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’. It also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

Amendments to IFRS10, IFRS12 and IAS28 “Investment entities: applying the consolidation exception”. – The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

Amendments to IAS1 “Disclosure initiative” – The amendments clarify guidance in IAS1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

The adoption of the above amendments/interpretations has had no significant effect on the condensed interim financial statements for the six-month period ended 30 June 2016.

### (2) 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 2016 (mainly decreased the benchmarking yield curve for the measurement of insurance contract liabilities), and updated the estimate of future cash flows, with the corresponding impact on insurance contract liabilities taken into the current period’s statement of income. As a result of such changes in assumptions, long term life insurance policyholders’ reserves were increased by RMB9,232 million as at 30 June 2016 and the profit before tax for the six-month period ended 30 June 2016 was decreased by RMB9,232 million.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (3) CHANGES IN MAIN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

For the six-month period ended 30 June 2016, significant changes in main subsidiaries, associates and jointly controlled entities are as follows:

##### 1) The disposal of Gem Alliance Limited

According to the share purchase agreement signed on 27 August 2015, China Ping An Insurance Overseas (Holding) Limited (“Ping An Overseas”), a wholly owned subsidiary of the Company, planned to transfer 100% share holding of Gem Alliance Limited to Lufax Holdings Ltd. (an associate of the Company, “Lufax”). Lufax issued convertible bonds amounting to US\$1,953.8 million to Ping An Overseas as the consideration. Under the agreement, Ping An Overseas was required to complete the reorganization of Gem Alliance Limited and its relevant subsidiaries.

Ping An Overseas has completed all the required reorganization in the second quarter of 2016. The controlling power and substantially all the risks and rewards of Gem Alliance Limited have been transferred to Lufax. According to relevant accounting standards, a gain should be recognized for the difference between proceeds received and the net assets disposed for the loss of control of subsidiaries. A net gain amounting to RMB9,497 million (after considering tax effect) has been recognized in the interim consolidated statement of income.

##### 2) The acquisition of Autohome Inc.

Yun Chen Capital Cayman, a subsidiary of the Company, acquired 47.4467% shares of Autohome Inc. for cash consideration of US\$1,608 million on 25 June 2016.

The Group adopted valuation technique to determine the fair values of non-cash assets transferred and liabilities incurred. On 17 August 2016, identifiable assets acquired, liabilities and contingent liabilities assumed in the business combination were initially measured at the provisional values as the Group had not yet completed the assessment of the fair values and a provisional goodwill amounting to RMB6,305 million was recognized accordingly.

##### 3) Ping An E-wallet Electronic Commerce Company Limited

Ping An E-wallet Electronic Commerce Company Limited (Previously: Ping An Pay Intelligence Technology Co., Ltd.) was included in the scope of consolidation for the six-month period ended 30 June 2016.

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 4. SEGMENT REPORTING

The composition of the Group's operating segments for the six-month period ended 30 June 2016 is consistent with that for the year ended 31 December 2015.

The segment analysis for the six-month period ended 30 June 2016 is as follows:

(in RMB million)	Life insurance (Unaudited)	Property and casualty insurance (Unaudited)	Banking (Unaudited)	Securities (Unaudited)	Trust (Unaudited)	Corporate (Unaudited)	Others (Unaudited)	Eliminations (Unaudited)	Total (Unaudited)
Gross written premiums	172,898	83,975	-	-	-	-	-	-	256,873
Less: Premiums ceded to reinsurers	(1,213)	(8,076)	-	-	-	-	-	-	(9,289)
Change in unearned premium reserves	(2,461)	(1,500)	-	-	-	-	-	-	(3,961)
Net earned premiums	169,224	74,399	-	-	-	-	-	-	243,623
Reinsurance commission income	147	2,770	-	-	-	-	-	-	2,917
Interest income from banking operations	-	-	63,628	-	-	-	-	26	63,654
Fees and commission income from non-insurance operations	-	-	18,227	2,562	2,043	-	1,265	(1,559)	22,538
Including: Inter-segment fees and commission income from non-insurance operations	-	-	619	106	96	-	738	(1,559)	-
Investment income	32,666	4,785	1,581	1,331	334	476	16,556	(2,159)	55,570
Including: Inter-segment investment income	1,103	17	2	99	12	-	926	(2,159)	-
Share of profits and losses of associates and jointly controlled entities	167	-	25	(1)	98	(43)	(503)	-	(257)
Other income	8,185	329	91	405	98	237	21,222	(10,784)	19,783
Including: Inter-segment other income	3,686	7	1	-	-	230	6,860	(10,784)	-
<b>Total income</b>	<b>210,389</b>	<b>82,283</b>	<b>83,552</b>	<b>4,297</b>	<b>2,573</b>	<b>670</b>	<b>38,540</b>	<b>(14,476)</b>	<b>407,828</b>
Claims and policyholders' benefits	(136,468)	(40,804)	-	-	-	-	-	-	(177,272)
Commission expenses on insurance operations	(28,557)	(11,753)	-	-	-	-	(33)	1,598	(38,745)
Interest expenses on banking operations	-	-	(27,558)	-	-	-	-	951	(26,607)
Fees and commission expenses on non-insurance operations	-	-	(1,651)	(309)	(356)	-	(118)	238	(2,196)
Loan loss provisions, net of reversals	-	-	(19,714)	(4)	3	-	(104)	-	(19,819)
Foreign exchange (losses)/gains	(23)	17	283	(1)	-	48	(8)	-	316
General and administrative expenses	(18,673)	(21,164)	(19,018)	(2,020)	(805)	(260)	(11,888)	3,673	(70,155)
Finance costs	(1,165)	(217)	-	(238)	(266)	(125)	(4,919)	612	(6,318)
Other expenses	(7,129)	(100)	(31)	(292)	(4)	(1)	(10,817)	7,404	(10,970)
<b>Total expenses</b>	<b>(192,015)</b>	<b>(74,021)</b>	<b>(67,689)</b>	<b>(2,864)</b>	<b>(1,428)</b>	<b>(338)</b>	<b>(27,887)</b>	<b>14,476</b>	<b>(351,766)</b>
Profit before tax	18,374	8,262	15,863	1,433	1,145	332	10,653	-	56,062
Income tax	(2,150)	(1,521)	(3,794)	(214)	(247)	(17)	(1,811)	-	(9,754)
<b>Profit for the period</b>	<b>16,224</b>	<b>6,741</b>	<b>12,069</b>	<b>1,219</b>	<b>898</b>	<b>315</b>	<b>8,842</b>	<b>-</b>	<b>46,308</b>

#### 4. SEGMENT REPORTING (CONTINUED)

The segment analysis for the six-month period ended 30 June 2015 is as follows:

(in RMB million)	Life insurance (Unaudited)	Property and casualty insurance (Unaudited)	Banking (Unaudited)	Securities (Unaudited)	Trust (Unaudited)	Corporate (Unaudited)	Others (Unaudited)	Eliminations (Unaudited)	Total (Unaudited)
Gross written premiums	130,691	81,584	-	-	-	-	-	-	212,275
Less: Premiums ceded to reinsurers	(2,809)	(10,102)	-	-	-	-	-	-	(12,911)
Change in unearned premium reserves	(250)	(7,252)	-	-	-	-	-	-	(7,502)
Net earned premiums	127,632	64,230	-	-	-	-	-	-	191,862
Reinsurance commission income	444	3,444	-	-	-	-	-	-	3,888
Interest income from banking operations	-	-	66,126	-	-	-	-	45	66,171
Fees and commission income from non-insurance operations	-	-	15,463	3,288	2,080	-	1,364	(1,764)	20,431
Including: Inter-segment fees and commission income from non-insurance operations	-	-	247	38	86	-	1,393	(1,764)	-
Investment income	70,801	6,839	1,909	1,872	1,059	819	1,654	(1,779)	83,174
Including: Inter-segment investment income	1,252	92	-	258	10	5	162	(1,779)	-
Share of profits and losses of associates and jointly controlled entities	14	-	35	-	(7)	-	(272)	-	(230)
Other income	3,964	322	44	29	104	232	13,294	(6,986)	11,003
Including: Inter-segment other income	2,830	7	3	-	-	225	3,921	(6,986)	-
Total income	202,855	74,835	83,577	5,189	3,236	1,051	16,040	(10,484)	376,299
Claims and policyholders' benefits	(134,981)	(36,607)	-	-	-	-	-	-	(171,588)
Commission expenses on insurance operations	(18,377)	(9,418)	-	-	-	-	-	1,985	(25,810)
Interest expenses on banking operations	-	-	(35,496)	-	-	-	-	1,179	(34,317)
Fees and commission expenses on non-insurance operations	-	-	(1,239)	(416)	(683)	-	154	281	(1,903)
Loan loss provisions, net of reversals	-	-	(12,624)	-	2	-	(12)	-	(12,634)
Foreign exchange (losses)/gains	(109)	(5)	(515)	-	-	87	102	-	(440)
General and administrative expenses	(15,557)	(17,672)	(18,703)	(2,506)	(673)	(429)	(8,607)	2,943	(61,204)
Finance costs	(864)	(16)	-	(283)	(237)	(210)	(921)	115	(2,416)
Other expenses	(5,159)	(103)	(147)	(9)	(287)	-	(4,629)	3,890	(6,444)
Total expenses	(175,047)	(63,821)	(68,724)	(3,214)	(1,878)	(552)	(13,913)	10,393	(316,756)
Profit before tax	27,808	11,014	14,853	1,975	1,358	499	2,127	(91)	59,543
Income tax	(12,318)	(2,284)	(3,579)	(369)	(381)	(44)	(657)	-	(19,632)
Profit for the period	15,490	8,730	11,274	1,606	977	455	1,470	(91)	39,911

The segment assets as at 30 June 2016 and 31 December 2015 are as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Trust	Corporate	Others	Eliminations	Total
At 30 June 2016 (Unaudited)	<b>1,725,482</b>	<b>255,640</b>	<b>2,802,713</b>	<b>102,100</b>	<b>33,537</b>	<b>48,025</b>	<b>383,661</b>	<b>(131,376)</b>	<b>5,219,782</b>
At 31 December 2015 (Audited)	1,641,802	249,123	2,511,811	93,753	32,526	43,773	286,474	(94,103)	4,765,159

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 5. GROSS AND NET WRITTEN PREMIUMS

For the six-month period ended 30 June (in RMB million)	2016 (Unaudited)	2015 (Unaudited)
Gross written premiums and premium deposits	<b>302,167</b>	254,329
Less: Premium deposits of policies without significant insurance risk transfer	<b>(1,688)</b>	(1,480)
Premium deposits separated out from universal life and investment-linked products	<b>(43,606)</b>	(40,574)
Gross written premiums	<b>256,873</b>	212,275
Long term life business gross written premiums	<b>161,462</b>	121,556
Short term life business gross written premiums	<b>11,436</b>	9,135
Property and casualty business gross written premiums	<b>83,975</b>	81,584
Gross written premiums	<b>256,873</b>	212,275
<b>Gross written premiums</b>		
Life insurance		
Individual business	<b>163,338</b>	122,996
Group business	<b>9,560</b>	7,695
	<b>172,898</b>	130,691
Property and casualty insurance		
Automobile insurance	<b>70,695</b>	61,944
Non-automobile insurance	<b>10,745</b>	17,667
Accident and health insurance	<b>2,535</b>	1,973
	<b>83,975</b>	81,584
Gross written premiums	<b>256,873</b>	212,275
<b>Net of reinsurance premiums ceded</b>		
Life insurance		
Individual business	<b>161,793</b>	120,246
Group business	<b>9,892</b>	7,636
	<b>171,685</b>	127,882
Property and casualty insurance		
Automobile insurance	<b>66,228</b>	55,455
Non-automobile insurance	<b>7,153</b>	14,068
Accident and health insurance	<b>2,518</b>	1,959
	<b>75,899</b>	71,482
Net written premiums	<b>247,584</b>	199,364

## 6. NET INTEREST INCOME FROM BANKING OPERATIONS

For the six-month period ended 30 June (in RMB million)	2016 (Unaudited)	2015 (Unaudited)
<b>Interest income from banking operations</b>		
Due from the Central Bank	2,069	2,067
Due from financial institutions	4,693	6,310
Loans and advances to customers		
Corporate loans and advances to customers	20,963	22,014
Individual loans and advances to customers	20,993	20,103
Discounted bills	174	258
Bonds	14,632	15,150
Others	130	269
Subtotal	63,654	66,171
<b>Interest expenses on banking operations</b>		
Due to the Central Bank	456	128
Due to financial institutions	4,126	10,599
Customer deposits	17,675	21,511
Bonds payable	4,350	2,079
Subtotal	26,607	34,317
Net interest income from banking operations	37,047	31,854

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

For the six-month period ended 30 June (in RMB million)	2016 (Unaudited)	2015 (Unaudited)
<b>Fees and commission income from non-insurance operations</b>		
Fees and commission income from banking business	18,095	15,370
Trust service fees income	1,879	1,879
Brokerage fees	1,117	2,178
Underwriting commission income	751	679
Others	696	325
Subtotal	22,538	20,431
<b>Fees and commission expenses on non-insurance operations</b>		
Fees and commission expenses on banking business	1,645	1,234
Brokerage fees paid	280	413
Others	271	256
Subtotal	2,196	1,903
Net fees and commission income from non-insurance operations	20,342	18,528

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 8. INVESTMENT INCOME

For the six-month period ended 30 June (in RMB million)	2016 (Unaudited)	2015 (Unaudited)
Net investment income	<b>64,619</b>	42,483
Realized (losses)/gains	<b>(9,098)</b>	42,677
Unrealized gains	<b>676</b>	374
Impairment losses	<b>(627)</b>	(2,360)
Total investment income	<b>55,570</b>	83,174

### (1) NET INVESTMENT INCOME

For the six-month period ended 30 June (in RMB million)	2016 (Unaudited)	2015 (Unaudited)
Interest income from non-banking operations on fixed maturity investments		
Bonds and debt schemes		
- Held-to-maturity	<b>15,586</b>	13,972
- Available-for-sale	<b>3,924</b>	3,143
- Carried at fair value through profit or loss	<b>330</b>	119
- Loans and receivables	<b>8,818</b>	7,026
Term deposits		
- Loans and receivables	<b>5,064</b>	6,157
Current accounts		
- Loans and receivables	<b>328</b>	243
Others		
- Available-for-sale	<b>2,236</b>	495
- Carried at fair value through profit or loss	<b>68</b>	11
- Loans and receivables	<b>3,493</b>	3,093
Dividend income on equity and other investments		
Equity investment funds		
- Available-for-sale	<b>18,176</b>	6,220
- Carried at fair value through profit or loss	<b>3,524</b>	769
Equity securities		
- Available-for-sale	<b>2,926</b>	2,131
- Carried at fair value through profit or loss	<b>343</b>	64
Operating lease income from investment properties	<b>793</b>	809
Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions	<b>(990)</b>	(1,769)
	<b>64,619</b>	42,483

## 8. INVESTMENT INCOME (CONTINUED)

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

For the six-month period ended 30 June (in RMB million)	2016 (Unaudited)	2015 (Unaudited)
Fixed maturity investments		
- Available-for-sale	937	895
- Carried at fair value through profit or loss	5	421
- Loans and receivables	(34)	150
Equity and other investments		
- Available-for-sale	(19,648)	39,148
- Carried at fair value through profit or loss	(3,193)	427
- Subsidiaries, associates and jointly controlled entities (i)	11,446	39
Derivative financial instruments		
- Carried at fair value through profit or loss	8	(109)
Gain on disposal of bills	1,068	1,024
Income from precious metal transactions	313	682
	<b>(9,098)</b>	<b>42,677</b>

(i) This refers to gains from disposals of subsidiaries, associates and jointly controlled entities. For the six-month period ended 30 June 2016, it mainly includes the gain from disposal of Gem Alliance Limited. The detail are disclosed in Note 3 (3) 1).

### (3) UNREALIZED GAINS

For the six-month period ended 30 June (in RMB million)	2016 (Unaudited)	2015 (Unaudited)
Fixed maturity investments		
- Carried at fair value through profit or loss	(118)	(17)
Equity and other investments		
- Carried at fair value through profit or loss	356	499
Derivative financial instruments		
- Carried at fair value through profit or loss	438	(108)
	<b>676</b>	<b>374</b>

### (4) IMPAIRMENT LOSSES

For the six-month period ended 30 June (in RMB million)	2016 (Unaudited)	2015 (Unaudited)
Fixed maturity investments		
- Held-to-maturity	-	(1)
- Loan and receivables	(160)	(2,259)
Equity and other investments		
- Available-for-sale	(467)	(100)
	<b>(627)</b>	<b>(2,360)</b>

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 9. OTHER INCOME

For the six-month period ended 30 June (in RMB million)	2016 (Unaudited)	2015 (Unaudited)
Sales of goods of Shanghai Jahwa (Group) Company Ltd. ("Shanghai Jahwa")	3,023	2,939
Management income from investment-linked products and income from investment contracts	348	402
Expressway toll fee income	581	532
Annuity management fee income	391	332
Consulting income	2,073	1,200
Finance leasing income	2,516	1,745
Income from financial guarantees	3,900	1,251
Income from customer loyalty program	828	293
Account management fees	1,813	1,129
Others	4,310	1,180
	<b>19,783</b>	<b>11,003</b>

## 10. CLAIMS AND POLICYHOLDERS' BENEFITS

(1)

For the six-month period ended 30 June (in RMB million)	2016		
	Gross (Unaudited)	Reinsurers' share (Unaudited)	Net (Unaudited)
Claims and claim adjustment expenses	56,857	(5,958)	50,899
Surrenders	10,075	-	10,075
Annuities	2,724	-	2,724
Maturities and survival benefits	14,342	-	14,342
Policyholder dividends	7,071	-	7,071
Increase in policyholders' reserves	85,237	394	85,631
Interest credited to policyholder contract deposits	6,530	-	6,530
	<b>182,836</b>	<b>(5,564)</b>	<b>177,272</b>

For the six-month period ended 30 June (in RMB million)	2015		
	Gross (Unaudited)	Reinsurers' share (Unaudited)	Net (Unaudited)
Claims and claim adjustment expenses	51,144	(6,987)	44,157
Surrenders	11,173	-	11,173
Annuities	2,728	-	2,728
Maturities and survival benefits	10,836	-	10,836
Policyholder dividends	4,776	-	4,776
Increase in policyholders' reserves	84,113	(199)	83,914
Interest credited to policyholder contract deposits	14,004	-	14,004
	178,774	(7,186)	171,588

## 10. CLAIMS AND POLICYHOLDERS' BENEFITS (CONTINUED)

(2)

For the six-month period ended 30 June (in RMB million)	2016		
	Gross (Unaudited)	Reinsurers' share (Unaudited)	Net (Unaudited)
Long term life insurance contract benefits	132,958	(962)	131,996
Short term life insurance claims	4,640	(168)	4,472
Property and casualty insurance claims	45,238	(4,434)	40,804
	<b>182,836</b>	<b>(5,564)</b>	<b>177,272</b>

For the six-month period ended 30 June (in RMB million)	2015		
	Gross (Unaudited)	Reinsurers' share (Unaudited)	Net (Unaudited)
Long term life insurance contract benefits	133,032	(2,074)	130,958
Short term life insurance claims	4,175	(156)	4,019
Property and casualty insurance claims	41,567	(4,956)	36,611
	178,774	(7,186)	171,588

## 11. PROFIT BEFORE TAX

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

For the six-month period ended 30 June (in RMB million)	2016 (Unaudited)	2015 (Unaudited)
Employee costs	30,784	26,767
Interest expenses on policyholder contract deposits and investment contract reserves	7,056	15,233
Depreciation of investment properties	331	423
Depreciation of property and equipment	1,724	1,290
Amortization of intangible assets	730	744
Provision for doubtful debts, net	287	376
Provision for loans, net	19,819	12,634
Cost of sales of Shanghai Jahwa	1,184	1,184

## 12. INCOME TAX

For the six-month period ended 30 June (in RMB million)	2016 (Unaudited)	2015 (Unaudited)
Current income tax	14,924	18,011
Deferred income tax	(5,170)	1,621
	<b>9,754</b>	<b>19,632</b>

As at 30 June 2015, the Group reviewed the carrying amount of deferred tax assets. Based on information available and the tax planning strategies, the Group believed it is probable that future taxable profit will not be adequate against deferred tax assets, resulting in the reversal of the deferred tax assets recognized in 2008 related to the impairment provision of the investment in Fortis ("Ageas" now). It led to a decrease of deferred tax assets by RMB5,251 million as at 30 June 2015, a decrease of net profit by RMB5,697 million and an increase of other comprehensive income by RMB446 million for the six-month period ended 30 June 2015.

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 13. OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June (in RMB million)	2016 (Unaudited)	2015 (Unaudited)
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets:		
Changes in fair value	(37,759)	42,791
Reclassification adjustments for (losses)/gains included in the statement of income		
- (Losses)/gains on disposal	19,014	(39,584)
- Impairment losses	450	100
Income tax effect	4,834	(413)
	<b>(13,461)</b>	2,894
Shadow accounting adjustments	5,188	(3,769)
Income tax effect	(1,295)	942
	<b>3,893</b>	(2,827)
Exchange differences on translation of foreign operations	478	(50)
Share of other comprehensive income of associates and jointly controlled entities	(39)	54
	<b>(9,129)</b>	71

## 14. DIVIDENDS

For the six-month period ended 30 June (in RMB million)	2016 (Unaudited)	2015 (Audited)
In respect of previous year:		
2015 final dividend		
- RMB0.35 (2014: RMB0.50) per ordinary share (i)	6,398	4,570
In respect of current year:		
2016 interim dividend		
- RMB0.20 (2015: RMB0.18) per ordinary share (ii)	3,656	3,290

- (i) On 15 March 2016, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2015, and declared a final cash dividend in the amount of RMB0.35 per share based on the total shares of 18,280,241,410. The amount of the cash dividend for 2015 was RMB6,398 million accordingly. On 15 June 2016, the above profit appropriation plan was approved by the shareholders of the Company at the annual general meeting.
- (ii) On 17 August 2016, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for Interim Dividend of 2016, and declared an interim cash dividend of RMB0.20 per share for 2016. The amount of the interim cash dividend for 2016 would be RMB3,656 million. It was not recognized as a liability as at 30 June 2016.

## 15. 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 six-month period ended 30 June 2016 excluding ordinary shares purchased by the Group.

For the six-month period ended 30 June	2016 (Unaudited)	2015 (Unaudited)
Profit attributable to owners of the parent (in RMB million)	40,776	34,649
Weighted average number of ordinary shares in issue (million shares)	17,847	18,263
Basic earnings per share (in RMB)	2.28	1.90

### (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 period by the adjusted weighted average number of ordinary shares in issue. For the six-month period ended 30 June 2016, the shares granted by the Company under the share purchase scheme (Note 29) have potential dilutive effect on the earnings per share. (six-month period ended 30 June 2015: the shares granted by the Company under the share purchase scheme and convertible bonds have potential dilutive effect on the earnings per share).

For the six-month period ended 30 June	2016 (Unaudited)	2015 (Unaudited)
Earnings (in RMB million)		
Profit attributable to owners of the parent	40,776	34,649
Interest expense on convertible bonds (net of tax)	-	11
Profit used to determine diluted earnings per share	40,776	34,660
Weighted average number of ordinary shares (million shares)		
Weighted average number of ordinary shares in issue	17,847	18,263
Adjustments for:		
- Assumed vesting of share purchase scheme	17	4
- Assumed conversion of convertible bonds	-	13
Weighted average number of ordinary shares for diluted earnings per share	17,864	18,280
Diluted earnings per share (in RMB)	2.28	1.90

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

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

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Cash on hand	3,599	4,125
Term deposits	169,042	168,226
Due from banks and other financial institutions	249,671	190,340
Placements with banks and other financial institutions (i)	67,070	76,636
	<b>489,382</b>	439,327

(i) Details of placements with banks and other financial institutions are as follows:

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Placements with banks	56,725	76,095
Placements with other financial institutions	10,366	565
Gross	67,091	76,660
Less: Provision for placements with banks and other financial institutions	(21)	(24)
Net	67,070	76,636

As at 30 June 2016, cash and amounts due from banks and other financial institutions of RMB614 million (31 December 2015: RMB672 million) were restricted from use.

## 17. BALANCES WITH THE CENTRAL BANK AND STATUTORY DEPOSITS

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Statutory reserve deposits with the Central Bank for banking operations-RMB	236,510	231,512
Statutory reserve deposits with the Central Bank for banking operations-Foreign Currency	4,016	5,540
Statutory reserve deposits with the Central Bank for banking operations (i)	240,526	237,052
Surplus reserve deposits with the Central Bank	30,978	46,910
Fiscal deposits with the Central Bank	3,080	3,634
Statutory deposits for insurance operations (ii)	12,093	12,093
	<b>286,677</b>	299,689

(i) In accordance with relevant regulations, bank operations are required to place mandatory reserve deposits with the People's Bank of China for customer deposits in both RMB and foreign currencies. As at 30 June 2016, the mandatory deposits are calculated at 14.5% (31 December 2015: 15%) of customer deposits denominated in RMB and 5% (31 December 2015: 5%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its day to day operations.

## 17. BALANCES WITH THE CENTRAL BANK AND STATUTORY DEPOSITS (CONTINUED)

(ii) Details of statutory deposits for insurance operations are as follows:

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Ping An Life Insurance Company of China, Ltd. (“Ping An Life”)	6,760	6,760
Ping An Property & Casualty Insurance Company of China, Ltd. (“Ping An Property & Casualty”)	4,200	4,200
Ping An Annuity Insurance Company of China, Ltd.	972	972
Ping An Health Insurance Company of China, Ltd.	160	160
Ping An Chuang Zhan Insurance Sales & Service Co., Ltd	1	1
	<b>12,093</b>	12,093

Statutory deposits for insurance operations are placed with PRC banks in accordance with the PRC Insurance Law and relevant regulations 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.

## 18. FIXED MATURITY INVESTMENTS

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Bonds	1,285,756	1,162,024
Asset management schemes	346,822	267,945
Debt schemes and trust schemes	273,980	251,023
Policy loans	59,066	52,092
Assets purchased under reverse repurchase agreements	86,315	142,050
Wealth management products	46,857	36,737
	<b>2,098,796</b>	1,911,871

### (1) BONDS:

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Held-to-maturity	967,841	916,669
Available-for-sale, at fair value	200,118	192,318
Carried at fair value through profit or loss	55,889	26,549
Loans and receivables	61,908	26,488
	<b>1,285,756</b>	1,162,024
Government bonds	416,214	331,078
Central Bank bills	4	993
Finance bonds	482,918	451,675
Corporate bonds	386,620	378,278
	<b>1,285,756</b>	1,162,024
Listed	166,099	139,500
Unlisted	1,119,657	1,022,524
	<b>1,285,756</b>	1,162,024

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 18. FIXED MATURITY INVESTMENTS (CONTINUED)

### (2) ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS:

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Trust beneficial right	16,264	35,334
Bonds	61,238	87,107
Bills	4,970	14,248
Finance lease receivable	35	211
Shares and beneficial right in shares	3,822	5,157
Gross	86,329	142,057
Less: Provision for impairment losses	(14)	(7)
Net	86,315	142,050

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 30 June 2016, the carrying amount of these bonds was RMB64,662 million (31 December 2015: RMB77,356 million) while the corresponding fair value was RMB65,748 million (31 December 2015: RMB79,130 million). If these bonds were not reclassified, unrealized losses of RMB688 million (31 December 2015: unrealized gains of RMB487 million) would have been recognized in the available-for-sale financial assets reserves for the period ended 30 June 2016. During the period, other comprehensive income in the amount of RMB323 million (31 December 2015: RMB369 million) recognized prior to the reclassification was reversed.

## 19. EQUITY AND OTHER INVESTMENTS

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Security investment funds	93,855	107,304
Equity securities	157,574	144,131
Other investments	139,170	119,464
	390,599	370,899

### (1) SECURITY INVESTMENT FUNDS

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Available-for-sale, at fair value	59,417	76,766
Held for trading	34,438	30,538
	93,855	107,304
Listed	16,449	13,512
Unlisted	77,406	93,792
	93,855	107,304

## 19. EQUITY AND OTHER INVESTMENTS (CONTINUED)

### (2) EQUITY SECURITIES

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Available-for-sale, at fair value	139,723	141,507
Held for trading	17,851	2,624
	<b>157,574</b>	144,131
Listed	156,356	143,734
Unlisted	1,218	397
	<b>157,574</b>	144,131

### (3) OTHER INVESTMENTS

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Available-for-sale, at fair value	122,365	101,889
Available-for-sale, at cost	4,757	3,884
Carried at fair value through profit or loss		
Held-for-trading	7,332	13,137
Designated at fair value through profit or loss	4,716	554
	<b>139,170</b>	119,464
Listed	60,204	35,948
Unlisted	78,966	83,516
	<b>139,170</b>	119,464

## 20. LOANS AND ADVANCES TO CUSTOMERS

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Corporate customers		
Loans	900,682	816,301
Discounted bills	39,906	13,665
Individual customers		
Operating loans	97,179	107,429
Credit cards	163,831	149,633
Property mortgages	49,615	45,967
Vehicle loans	85,218	78,635
Others	62,237	63,359
Gross	<b>1,398,668</b>	1,274,989
Less: Loan loss provisions	<b>(34,311)</b>	(29,618)
Net	<b>1,364,357</b>	1,245,371

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 20. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Movement of loan loss provisions is as follows:

(in RMB million)	For the six-month period ended 30 June 2016			For the year ended 31 December 2015		
	Individually assessed (Unaudited)	Collectively assessed (Unaudited)	Total (Unaudited)	Individually assessed (Audited)	Collectively assessed (Audited)	Total (Audited)
As at 1 January	3,501	26,117	29,618	2,220	19,135	21,355
Charge for the period/year	7,018	12,801	19,819	14,537	15,581	30,118
Write-off and transfer out during the period/year	(6,591)	(8,985)	(15,576)	(14,626)	(9,123)	(23,749)
Write-backs during the period/year						
– Recovery of loans written off previously	166	531	697	1,789	595	2,384
– Interest accrued on impaired loans and advances	(244)	-	(244)	(406)	-	(406)
Other changes for the period/year	-	(3)	(3)	(13)	(71)	(84)
As at 30 June/31 December	3,850	30,461	34,311	3,501	26,117	29,618

As at 30 June 2016, discounted bills with a carrying amount of RMB2,406 million (31 December 2015: RMB3,001 million) were pledged as collateral for amounts due to the Central Bank.

## 21. PREMIUM RECEIVABLES

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Premium receivables	34,603	34,918
Less: Provision for doubtful receivables	(1,108)	(846)
Premium receivables, net	33,495	34,072
Life insurance	8,483	7,072
Property and casualty insurance	25,012	27,000
Premium receivables, net	33,495	34,072

The credit terms of premium receivables granted are generally from one to six months, and non-interest bearing.

An aging analysis of premium receivables is as follows:

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within 3 months	32,515	33,472
Over 3 months but within 1 year	1,405	916
Over 1 year	683	530
	34,603	34,918

## 22. ACCOUNTS RECEIVABLE

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Receivables under factoring	11,512	11,228
Others	6,646	6,536
Gross	18,158	17,764
Less: provision for accounts receivable	(118)	(986)
Net	18,040	16,778

## 23. FINANCE LEASE RECEIVABLE

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Finance lease receivable, net of unearned finance income	71,964	58,623
Less: Provision for impairment losses	(1,198)	(1,025)
Net	70,766	57,598

## 24. POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE/ INVESTMENT CONTRACTS

### (1) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE CONTRACTS

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Cash and amounts due from banks and other financial institutions	5,266	5,761
Equity and other investments	25,930	32,831
Fixed maturity investments, at fair value	8,022	9,194
Fixed maturity investments, at amortized cost	631	559
Other assets	410	558
	40,259	48,903

### (2) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INVESTMENT CONTRACTS

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Cash and amounts due from banks and other financial institutions	992	1,135
Equity and other investments	1,583	1,656
Fixed maturity investments, at fair value	1,616	1,984
Fixed maturity investments, at amortized cost	310	171
Other assets	95	138
	4,596	5,084

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 25. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The Group's investments in major associates and jointly controlled entities as at 30 June 2016 are as follows:

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
<b>Associates</b>		
Veolia Water (Kunming) Investment Co., Ltd.	249	240
Veolia Water (Yellow River) Investment Co., Ltd.	235	234
Veolia Water (Liuzhou) Investment Co., Ltd.	112	112
Shanxi Taichang Expressway Co., Ltd.	729	702
Beijing-Shanghai High-speed Railway Equity Investment	6,300	6,300
Lufax	9,751	2,028
Foshan Huatai Property Development Co, Ltd	915	932
Step Fancy Investments Limited	834	796
Guangzhou Jinglun Property Development Co, Ltd	520	526
Shenzhen Jinzheng Science & Technology Co., Ltd	1,643	-
Others	4,954	7,289
Subtotal	26,242	19,159
<b>Jointly controlled entities</b>		
KunYu Highway Development Co., Ltd.	1,640	1,714
Wuhan DAJT Property Development Co, Ltd.	733	576
Beijing ZhaoTai Property Development Co, Ltd.	1,248	-
Foshan Shidaihongyu Property Development Co, Ltd.	1,600	-
Guangzhou Hongsheng Property Development Co, Ltd.	2,348	-
Nanjing Aojian Real estate Co, Ltd.	611	50
Nanjing Mingwan Real estate Co, Ltd.	1,704	1,715
Qingdao Wanyi Real estate Co, Ltd.	691	-
Others	9,740	3,644
Subtotal	20,315	7,699
Investment in associates and jointly controlled entities	46,557	26,858

## 26. OTHER ASSETS

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Interest receivables	42,579	40,718
Other receivables	36,821	34,983
Due from reinsurers	9,833	7,993
Foreclosed assets	4,025	3,334
Prepayments	9,211	6,820
Precious metals held for trading	92,208	63,780
Dividend receivable	1,301	99
Inventories	3,515	4,154
Others	3,688	1,742
	<b>203,181</b>	163,623
Less: Loss provisions		
Interest receivables	-	(30)
Other receivables	(1,075)	(822)
Due from reinsurers	(24)	(16)
Foreclosed assets	(240)	(271)
Prepayments	(428)	(428)
Inventories	(28)	(18)
Others	(35)	(37)
	<b>201,351</b>	162,001

## 27. SHARE CAPITAL

(million shares)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Number of shares registered, issued and fully paid, with a par value of RMB1 each	<b>18,280</b>	18,280

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 28. RESERVES, RETAINED PROFITS AND NON-CONTROLLING INTERESTS

(in RMB million)	Share premium (Unaudited)	Available-for-sale investment reserve (Unaudited)	Shadow accounting adjustments (Unaudited)	Others (Unaudited)	Surplus reserve funds (Unaudited)	General reserves (Unaudited)	Exchange differences on translation of foreign operations (Unaudited)	Retained profits (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
As at 1 January 2016	115,539	32,768	(6,659)	2,150	8,498	28,248	86	135,338	79,323	395,291
Profit for the period	-	-	-	-	-	-	-	40,776	5,532	46,308
Other comprehensive income for the period	-	(13,410)	3,872	(39)	-	-	480	-	(32)	(9,129)
Total comprehensive income for the period	-	(13,410)	3,872	(39)	-	-	480	40,776	5,500	37,179
Dividend declared (Note 14)	-	-	-	-	-	-	-	(6,398)	-	(6,398)
Appropriations to surplus reserves	-	-	-	-	1,385	-	-	(1,385)	-	-
Appropriations to general reserves	-	-	-	-	-	6	-	(6)	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(974)	(974)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	5,424	5,424
Equity transactions with non-controlling interests	(1,604)	-	-	-	-	-	-	-	(2,935)	(4,539)
Contributions from non-controlling interests	1,900	-	-	-	-	-	-	-	2,070	3,970
Share purchase scheme	-	-	-	(293)	-	-	-	-	-	(293)
Other equity instruments issued by subsidiaries	-	-	-	-	-	-	-	-	10,236	10,236
Others	-	-	-	4,416	-	-	-	-	-	4,416
As at 30 June 2016	115,835	19,358	(2,787)	6,234	9,883	28,254	566	168,325	98,644	444,312

## 28. RESERVES, RETAINED PROFITS AND NON-CONTROLLING INTERESTS (CONTINUED)

(in RMB million)	Share premium (Unaudited)	Available- for-sale investment reserve (Unaudited)	Shadow accounting adjustments (Unaudited)	Others (Unaudited)	Surplus reserve funds (Unaudited)	General reserves (Unaudited)	Exchange differences on translation of foreign operations (Unaudited)	Retained profits (Unaudited)	Non- controlling interests (Unaudited)	Total equity (Unaudited)
As at 1 January 2015	127,991	31,798	(6,107)	1,097	7,470	19,196	152	99,075	64,252	344,924
Profit for the period	-	-	-	-	-	-	-	34,649	5,262	39,911
Other comprehensive income for the period	-	2,692	(2,813)	30	-	-	(50)	-	212	71
Total comprehensive income for the period	-	2,692	(2,813)	30	-	-	(50)	34,649	5,474	39,982
Conversion of convertible bonds	10,342	-	-	(1,471)	-	-	-	-	-	8,871
Dividend declared (Note 14)	-	-	-	-	-	-	-	(4,570)	-	(4,570)
Appropriations to surplus reserves	-	-	-	-	124	-	-	(124)	-	-
Appropriations to general reserves	-	-	-	-	-	101	-	(101)	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,144)	(1,144)
Equity transactions with non-controlling interests	(746)	-	-	-	-	-	-	-	(1,091)	(1,837)
Contributions from non-controlling interests	953	-	-	-	-	-	-	-	5,874	6,827
Share purchase scheme	-	-	-	(217)	-	-	-	-	-	(217)
Others	-	-	-	2,579	-	-	-	-	(57)	2,522
As at 30 June 2015	138,540	34,490	(8,920)	2,018	7,594	19,297	102	128,929	73,308	395,358

# Notes to the Interim Condensed Consolidated Financial Information

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## 29. 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:

For the six-month period ended 30 June 2016 (in RMB million)	Shares held for share purchase scheme (Unaudited)	Value of employee services (Unaudited)	Total (Unaudited)
As at 1 January	(312)	185	(127)
Purchased (i)	(482)	-	(482)
Share-based compensation expenses (ii)	-	170	170
Exercised	96	(96)	-
Expired	19	-	19
As at 30 June	(679)	259	(420)

For the six-month period ended 30 June 2015 (in RMB million)	Shares held for share purchase scheme (Unaudited)	Value of employee services (Unaudited)	Total (Unaudited)
As at 1 January	-	-	-
Purchased (i)	(312)	-	(312)
Share-based compensation expenses (ii)	-	95	95
As at 30 June	(312)	95	(217)

- (i) During the period from 17 March 2016 to 21 March 2016, 14,803,850 ordinary A shares were purchased from the market. The average price of shares purchased was RMB32.53 per share.

During the period from 20 March 2015 to 26 March 2015, 4,050,253 ordinary A shares were purchased from the market. The average price of shares purchased was RMB77.02 per share price (before the conversion of capital reserves to share capital).

- (ii) The share-based compensation expense of the Scheme and the total value of employee services were RMB170 million during the six-month period ended 30 June 2016 (six-month period ended 30 June 2015: RMB95 million).

### 30. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Deposits from other banks and financial institutions	258,716	312,207
Due to the Central Bank	41,107	3,051
Short term borrowings	56,654	42,610
Long term borrowings	62,374	52,390
	<b>418,851</b>	410,258

### 31. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Bonds	100,299	118,156
Discounted bills	300	-
Beneficial right in equity	-	1,080
	<b>100,599</b>	119,236

As at 30 June 2016, no beneficial right in equity of subsidiaries (31 December 2015: RMB1,080 million) was pledged as collateral for assets sold under agreements to repurchase.

As at 30 June 2016, bills with par value of RMB300 million (31 December 2015: nil) was pledged as collateral for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transaction.

As at 30 June 2016, bonds with par value of RMB55,415 million (31 December 2015: RMB75,880 million) were pledged as collateral for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market.

As at 30 June 2016, the bonds with par value of RMB107,772 million (31 December 2015: RMB98,392 million) were deposited in the collateral pool. The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool without delay provided that the value of certain bonds is no less than the balance of related repurchase transactions.

For bonds repurchase transactions through stock exchange, the Group is required to deposit certain exchange traded bonds into a collateral pool and the fair value converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balance of related repurchase transaction.

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## 32. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Customer deposits		
Current and savings accounts		
- Corporate customers	508,176	388,735
- Individual customers	156,598	140,760
Term deposits		
- Corporate customers	680,285	623,797
- Individual customers	96,149	113,423
Guarantee deposits	312,696	334,691
Term deposits from the Central Bank	49,904	30,422
Fiscal deposits	33,014	42,477
Remittance payables and outward remittance	4,239	6,788
	<b>1,841,061</b>	1,681,093
Payables to brokerage customers		
- Corporate customers	7,445	5,343
- Individual customers	23,863	27,471
	<b>31,308</b>	32,814
	<b>1,872,369</b>	1,713,907

As at 30 June 2016, bonds held-to-maturity with a carrying amount of RMB17,332 million (31 December 2015: RMB31,311 million) were pledged as collateral for term deposits from the Central Bank.

## 33. INSURANCE CONTRACT LIABILITIES

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Policyholders' reserves	933,381	851,486
Policyholder contract deposits	403,082	372,759
Policyholder account liabilities in respect of insurance contracts	40,259	48,903
Unearned premium reserves	89,761	86,482
Claim reserves	64,405	60,328
	<b>1,530,888</b>	1,419,958

### 34. BONDS PAYABLE

(in RMB million)		30 June 2016	31 December 2015
Issuer	Type	(Unaudited)	(Audited)
Value Success International Limited	Offshore RMB bonds	5,191	5,189
Value Success International Limited	Offshore Singapore Dollar bonds	1,792	1,619
Ping An Property & Casualty	Subordinated bonds	3,096	3,080
Ping An Property & Casualty	Capital supplement bonds	5,005	4,993
Ping An Life	Subordinated bonds	21,659	21,547
Ping An Life	Capital supplement bonds	14,987	4,989
Ping An Life	Overseas bonds	7,894	-
Ping An Bank	Tier-2 capital bonds	25,000	15,000
Ping An Bank	Hybrid capital debt instrument	5,115	5,115
Ping An Bank	Interbank deposits	277,488	192,848
Ping An Real Estate Co., Ltd.	Private equity notes	3,982	-
Fuqing Investment Management Limited	Offshore RMB bonds	993	990
Ping An Securities Company, Ltd.	Subordinated bonds	2,998	2,998
Ping An Securities Company, Ltd.	Corporate bonds	1,500	-
Ping An Securities Company, Ltd.	Beneficiary certificates	-	600
Ping An International Financial Leasing Co., Ltd.	Private equity notes	9,300	5,000
Ping An International Financial Co.,Ltd.	Private equity notes	445	445
		<b>386,445</b>	264,413

### 35. FIDUCIARY ACTIVITIES

(in RMB million)	30 June 2016	31 December 2015
	(Unaudited)	(Audited)
Assets under trust schemes	640,156	542,591
Assets under corporate annuity schemes	139,363	127,251
Assets under asset management schemes	535,182	371,541
Entrusted loans of banking operation	395,119	407,545
Entrusted investments of banking operation	731,290	501,900
	<b>2,441,110</b>	1,950,828

All of the above are off-balance sheet items.

### 36. 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, equity investment funds, equity securities, loans, borrowings, deposits from other banks and financial institutions, customer deposits and payables to brokerage customers, etc. The Group holds various other financial assets and liabilities which directly arose from insurance operations, such as premium receivables, reinsurers' share of insurance liabilities and other insurance payables.

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 36. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (1) CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

(in RMB million)	Carrying values		Fair values	
	30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
<b>Financial assets</b>				
Available-for-sale				
Bonds	<b>200,118</b>	192,318	<b>200,118</b>	192,318
Funds	<b>59,417</b>	76,766	<b>59,417</b>	76,766
Stocks	<b>139,723</b>	141,507	<b>139,723</b>	141,507
Other investments	<b>122,365</b>	101,889	<b>122,365</b>	101,889
Carried at fair value through profit or loss				
Bonds	<b>55,889</b>	26,549	<b>55,889</b>	26,549
Funds	<b>34,438</b>	30,538	<b>34,438</b>	30,538
Stocks	<b>17,851</b>	2,624	<b>17,851</b>	2,624
Other investments	<b>12,048</b>	13,691	<b>12,048</b>	13,691
Derivative financial assets	<b>11,707</b>	8,272	<b>11,707</b>	8,272
Held-to-maturity				
Bonds	<b>967,841</b>	916,669	<b>1,031,466</b>	980,742
Loans and receivables				
Cash and amounts due from banks and other financial institutions	<b>489,382</b>	439,327	<b>489,382</b>	439,327
Balances with the Central Bank and statutory deposits	<b>286,677</b>	299,689	<b>286,677</b>	299,689
Loans and advances to customers	<b>1,364,357</b>	1,245,371	<b>1,364,580</b>	1,245,732
Bonds	<b>61,911</b>	26,488	<b>62,006</b>	26,488
Debt schemes	<b>619,486</b>	518,968	<b>621,763</b>	519,806
Policy loans	<b>59,066</b>	52,092	<b>59,066</b>	52,092
Assets purchased under reverse repurchase agreements	<b>86,315</b>	142,050	<b>86,315</b>	142,050
Wealth management products	<b>48,170</b>	36,737	<b>47,882</b>	36,737
Premium receivables	<b>33,495</b>	34,072	<b>33,495</b>	34,072
Accounts receivable	<b>18,040</b>	16,778	<b>18,040</b>	16,778
Finance lease receivable	<b>70,766</b>	57,598	<b>70,766</b>	57,598
Other assets	<b>89,487</b>	82,940	<b>89,487</b>	82,940
<b>Total financial assets</b>	<b>4,848,549</b>	4,462,933	<b>4,914,481</b>	4,528,205

## 36. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (1) CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

(in RMB million)	Carrying values		Fair values	
	30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
<b>Financial liabilities</b>				
Derivative financial liabilities	<b>19,828</b>	4,527	<b>19,828</b>	4,527
Other financial liabilities				
Due to banks and other financial institutions	<b>418,851</b>	410,258	<b>418,851</b>	410,258
Assets sold under agreements to repurchase	<b>100,599</b>	119,236	<b>100,599</b>	119,236
Other financial liabilities held for trading	<b>23,109</b>	8,506	<b>23,109</b>	8,506
Customer deposits and payables to brokerage customers	<b>1,872,369</b>	1,713,907	<b>1,872,369</b>	1,713,907
Accounts payable	<b>8,419</b>	4,735	<b>8,419</b>	4,735
Insurance payables	<b>54,307</b>	48,161	<b>54,307</b>	48,161
Investment contract liabilities for policyholders	<b>39,074</b>	37,606	<b>39,074</b>	37,606
Policyholder dividend payable	<b>36,944</b>	33,028	<b>36,944</b>	33,028
Bonds payable	<b>386,445</b>	264,413	<b>390,389</b>	267,288
Other liabilities	<b>160,347</b>	166,855	<b>160,347</b>	166,855
<b>Total financial liabilities</b>	<b>3,120,292</b>	2,811,232	<b>3,124,236</b>	2,814,107

The assets and liabilities of the investment-linked business are not included in the above financial assets and liabilities.

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## 36. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY

The methods used to determine fair values of financial assets and liabilities and the breakdown of fair value hierarchy are disclosed in the 2015 annual report of the Group. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The primary quoted market price used for financial assets held by the groups is the current bid price. Financial instruments included in Level 1 comprise primarily equity investments, fund investments and bond investments traded on stock exchanges and open-ended mutual funds;

Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates;

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

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

Valuation methods for Level 2 and Level 3 financial instruments:

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. The fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques.

## 36. 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:

(in RMB million)	30 June 2016			Total fair value (Unaudited)
	Level 1 (Unaudited)	Level 2 (Unaudited)	Level 3 (Unaudited)	
<b>Financial assets</b>				
Carried at fair value through profit or loss				
Bonds	3,063	52,826	-	55,889
Funds	34,415	-	23	34,438
Stocks	17,682	169	-	17,851
Other investments	29	7,500	4,519	12,048
	55,189	60,495	4,542	120,226
Derivative financial assets				
Interest rate swaps	-	1,037	-	1,037
Currency forwards and swaps	-	2,942	-	2,942
Others	12	7,716	-	7,728
	12	11,695	-	11,707
Available-for-sale financial assets				
Bonds	56,446	143,672	-	200,118
Funds	51,575	7,833	9	59,417
Stocks	124,516	15,207	-	139,723
Other investments	-	27,913	94,452	122,365
	232,537	194,625	94,461	521,623
Total financial assets	287,738	266,815	99,003	653,556
<b>Financial liabilities</b>				
Derivative financial liabilities				
Interest rate swaps	-	920	-	920
Currency forwards and swaps	-	2,518	-	2,518
Others	-	16,390	-	16,390
	-	19,828	-	19,828
Other financial liabilities held for trading	23,109	-	-	23,109
Total financial liabilities	23,109	19,828	-	42,937

# Notes to the Interim Condensed Consolidated Financial Information

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## 36. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

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

(in RMB million)	31 December 2015			Total fair value (Audited)
	Level 1 (Audited)	Level 2 (Audited)	Level 3 (Audited)	
<b>Financial assets</b>				
Carried at fair value through profit or loss				
Bonds	819	25,730	-	26,549
Funds	30,479	-	59	30,538
Stocks	2,475	149	-	2,624
Other investments	706	12,099	886	13,691
	34,479	37,978	945	73,402
Derivative financial assets				
Interest rate swaps	-	1,324	-	1,324
Currency forwards and swaps	-	2,711	-	2,711
Others	33	4,204	-	4,237
	33	8,239	-	8,272
Available-for-sale financial assets				
Bonds	36,083	156,235	-	192,318
Funds	68,507	8,252	7	76,766
Stocks	132,243	9,264	-	141,507
Other investments	-	27,677	74,212	101,889
	236,833	201,428	74,219	512,480
<b>Total financial assets</b>	<b>271,345</b>	<b>247,645</b>	<b>75,164</b>	<b>594,154</b>
<b>Financial liabilities</b>				
Derivative financial liabilities				
Interest rate swaps	-	1,434	-	1,434
Currency forwards and swaps	-	1,676	-	1,676
Others	-	1,417	-	1,417
	-	4,527	-	4,527
Other financial liabilities held for trading	8,506	-	-	8,506
<b>Total financial liabilities</b>	<b>8,506</b>	<b>4,527</b>	<b>-</b>	<b>13,033</b>

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

During the period, there were no significant transfers between Level 1 and Level 2 fair value measurements nor significant transfers into or out of Level 3 fair value measurements.

## 37. RISK AND CAPITAL MANAGEMENT

The following depicts the risk and capital management of the Group. There were no significant changes in these regards for the six-month period ended 30 June 2016.

### (1) INSURANCE RISK

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

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

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

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

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

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. However, for contracts with 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' behaviours and decisions.

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 37. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (1) INSURANCE RISK (CONTINUED)

#### Concentration of insurance risks

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

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by insurance contract liabilities in Note 33.

#### Assumptions

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

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

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

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

Other key assumptions include delays in settlement, etc.

##### (c) Reinsurance

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

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

## 37. 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 fluctuations of market prices, which includes three types of risks from volatility of foreign exchange rates (foreign currency risk), market interest rates (interest rate risk) and market prices (price risk).

#### (a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB, HKD/RMB and EUR/RMB exchange rates. The Group seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position.

#### (b) Price risk

The Group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities and equity investment funds classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

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

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

#### (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.

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 37. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (3) CREDIT RISK

Credit risks refer to the risk of losses incurred by the inability of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investments in bonds, reinsurance arrangements with reinsurers, policy loans, securities financing and direct loans, financial guarantees, loan commitments, etc. The Group uses a variety of controls to identify, measure, monitor and report credit risk.

#### Credit risk of banking business

The bank segment of the Group has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management procedures for its corporate and retail loans comprise the processes of credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection.

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

The bank segment of the Group sub-divides credit asset risks into 10 categories based on the five-tier loan classification system promulgated by the China Banking Regulatory Commission, and applies different management policies to the loans in accordance with their respective loan categories. With the introduction of New Capital Accord programs in banking business, the banking business will gradually establish a more scientific rating system that in accordance with the requirements of internal controls.

#### Credit risk of investment business

As to debt investments, the Group grades the existing investments according to internal credit rating policies and processes, chooses high credit quality counterparties and establishes strict access standards.

#### Credit risk of insurance business

The Group evaluates the credit rating of the reinsurance companies before signing the reinsurance contracts, and chooses the reinsurance companies with higher credit rating to reduce the credit risk.

The limit of policy loans is based on the cash value of valid insurance policy, with an appropriate discount, and the validity period of policy loan is in the validity period of insurance policy. The credit risk associated with policy loans will not cause a material impact on the Group's consolidated financial statements as at 30 June 2016 and 31 December 2015.

#### Credit exposure

For on-balance sheet assets, the exposures are based on net carrying amounts as reported in the financial statements taking no account of collateral or other credit enhancements. The Group also assumes credit risk due to credit commitments. The details are disclosed in Note 40 (3).

## 37. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (3) CREDIT RISK (CONTINUED)

#### Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters.

The main types of collateral obtained are as follows:

- ▶ for policy loans, cash value of policies;
- ▶ for reverse repurchase transactions, bills, loans and negotiable securities;
- ▶ for commercial lending, charges over real estate properties, inventories, equity investments and trade receivables, etc.;
- ▶ for retail lending, residential properties over mortgages.

Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding balance. In general, the Group does not occupy repossessed properties for business use.

### (4) LIQUIDITY RISK

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

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

The banking business of the Group is exposed to potential liquidity risk. The Group monitors the sourcing and usage of funds, deposit to loan ratio, and quick ratio on a daily basis. Moreover, when adopting various liquidity risk management measurement benchmarks, the Group will compare the expected results against the ones derived from stress tests, critically assess the potential impact to the future liquidity risk, and formulate remedial actions according to specific situations. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, maintaining stable deposits, etc.

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 37. 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 and remaining contractual maturity profile of derivative cash flows and credit commitment.

(in RMB million)	30 June 2016						Total (Unaudited)
	Repayable on demand (Unaudited)	Less than 3 months (Unaudited)	3 to 12 months (Unaudited)	1 to 5 years (Unaudited)	Over 5 years (Unaudited)	Undated (Unaudited)	
Cash and amounts due from banks and other financial institutions	110,766	183,582	134,945	84,546	-	-	513,839
Balances with the Central Bank and statutory deposits	34,170	1,324	6,947	4,872	-	240,526	287,839
Fixed maturity investments	19,975	387,176	273,847	933,144	1,226,255	-	2,840,397
Equity and other investments	10,382	7,735	32,933	17,230	6,678	322,134	397,092
Loans and advances to customers	48,664	364,227	498,390	452,334	176,100	-	1,539,715
Premium receivables	2,110	12,875	12,779	5,681	50	-	33,495
Accounts receivable	1,581	5,745	4,591	6,712	-	-	18,629
Finance lease receivable	-	4,642	14,250	51,874	-	-	70,766
Other assets	4,899	10,038	8,298	847	2,532	-	26,614
	<b>232,547</b>	<b>977,344</b>	<b>986,980</b>	<b>1,557,240</b>	<b>1,411,615</b>	<b>562,660</b>	<b>5,728,386</b>
Due to banks and other financial institutions	126,603	152,981	86,566	63,427	20,452	-	450,029
Other financial liabilities held for trading	199	10,963	12,170	-	-	-	23,332
Assets sold under agreements to repurchase	-	101,268	1,173	-	-	-	102,441
Customer deposits and payables to brokerage customers	729,164	470,352	432,421	293,570	1,531	-	1,927,038
Accounts payable	583	674	7,155	7	-	-	8,419
Insurance payables	50,187	2,743	1,370	7	-	-	54,307
Insurance and Investment contract liabilities for policyholders	-	53,436	(9,452)	(80,068)	1,485,858	-	1,449,774
Policyholder dividend payable	36,944	-	-	-	-	-	36,944
Bonds payable	-	172,308	126,259	66,557	53,128	-	418,252
Other liabilities	17,155	24,154	104,647	767	-	-	146,723
	<b>960,835</b>	<b>988,879</b>	<b>762,309</b>	<b>344,267</b>	<b>1,560,969</b>	<b>-</b>	<b>4,617,259</b>
Derivative cash flows							
Derivative financial instruments settled on a net basis	-	120	93	230	-	-	443
Derivative financial instruments settled on a gross basis							
- Cash inflow	102,875	281,730	159,779	10,535	5,578	-	560,496
- Cash outflow	(110,685)	(281,921)	(159,842)	(10,696)	(5,477)	-	(568,621)
	<b>(7,810)</b>	<b>(191)</b>	<b>(63)</b>	<b>(161)</b>	<b>101</b>	<b>-</b>	<b>(8,125)</b>
Credit Commitments	-	251,107	296,869	74,325	47,302	-	669,603

## 37. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (4) LIQUIDITY RISK (CONTINUED)

31 December 2015							
(in RMB million)	Repayable on demand (Audited)	Less than 3 months (Audited)	3 to 12 months (Audited)	1 to 5 years (Audited)	Over 5 years (Audited)	Undated (Audited)	Total (Audited)
Cash and amounts due from banks and other financial institutions	109,689	129,783	84,026	142,797	-	-	466,295
Balances with the Central Bank and statutory deposits	47,034	936	2,812	9,658	-	240,687	301,127
Fixed maturity investments	20,220	325,463	265,504	826,180	1,166,340	-	2,603,707
Equity and other investments	5,613	13,480	4,025	22,546	348	334,940	380,952
Loans and advances to customers	30,310	353,370	453,655	414,918	140,400	-	1,392,653
Premium receivables	2,698	11,752	10,458	9,119	45	-	34,072
Accounts receivable	949	5,614	5,329	5,575	-	-	17,467
Finance lease receivable	-	6,333	17,792	45,002	-	-	69,127
Other assets	6,001	22,006	14,778	1,633	-	-	44,418
	222,514	868,737	858,379	1,477,428	1,307,133	575,627	5,309,818
Due to banks and other financial institutions	137,824	152,168	76,594	56,259	16,437	-	439,282
Other financial liabilities held for trading	-	7,488	1,108	-	-	-	8,596
Assets sold under agreements to repurchase	-	119,371	49	-	-	-	119,420
Customer deposits and payables to brokerage customers	614,864	428,955	474,080	250,151	2,599	-	1,770,649
Accounts payable	1,195	3,502	40	-	-	-	4,737
Insurance payables	44,896	2,850	412	3	-	-	48,161
Insurance and Investment contract liabilities for policyholders	-	31,689	21,130	(66,215)	1,379,479	-	1,366,083
Policyholder dividend payable	33,028	-	-	-	-	-	33,028
Bonds payable	-	106,434	99,253	27,467	59,214	-	292,368
Other liabilities	11,721	26,403	96,022	14,905	-	-	149,051
	843,528	878,860	768,688	282,570	1,457,729	-	4,231,375
Derivative cash flows							
Derivative financial instruments settled on a net basis	-	(53)	1	127	-	-	75
Derivative financial instruments settled on a gross basis							
- Cash inflow	38,999	287,317	141,921	10,136	469	-	478,842
- Cash outflow	(37,281)	(286,116)	(140,638)	(9,870)	(364)	-	(474,269)
	1,718	1,201	1,283	266	105	-	4,573
Credit commitments	4,473	243,925	300,488	58,664	29,976	-	637,526

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 24.

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 37. RISK AND CAPITAL MANAGEMENT (CONTINUED)

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

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

### (6) OPERATIONAL RISK

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

### (7) CAPITAL MANAGEMENT

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

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

The Group complied with the externally imposed capital requirements as at 30 June 2016 and no changes were made to its capital base, objectives, policies and processes from the previous year.

## 38. CASH AND CASH EQUIVALENTS

<small>(in RMB million)</small>	<small>30 June 2016 (Unaudited)</small>	<small>31 December 2015 (Audited)</small>
Cash and amounts due from banks and other financial institutions		
Cash on hand	<b>3,599</b>	4,125
Term deposits	<b>397</b>	1,415
Due from banks and other financial institutions	<b>149,011</b>	102,217
Placements with banks and other financial institutions	<b>53,386</b>	73,966
Surplus reserve deposits with the Central Bank	<b>30,978</b>	46,910
Bonds	<b>2,820</b>	3,223
Assets purchased under reverse repurchase agreements and others	<b>65,928</b>	101,469
	<b>306,119</b>	333,325

## 39. SIGNIFICANT RELATED PARTY TRANSACTIONS

### (1) THE COMPANY'S RELATED PARTIES WHERE SIGNIFICANT INFLUENCE EXISTS INCLUDE CERTAIN SHAREHOLDERS SET OUT BELOW:

Name of related parties	Relationship with the Company
Charoen Pokphand Group Co., Ltd. ("CP Group")	Parent of shareholders
Shenzhen Investment Holdings Co., Ltd.	Shareholder

As at 30 June 2016, CP Group held 9.59% (31 December 2015: 9.59%) equity interests in the Company and was the largest shareholder of the Company.

### (2) OTHER RELATED PARTIES

Name of related party	Relationship with the Company
Lufax	Associate

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

For the six-month period ended 30 June (in RMB million)	2016 (Unaudited)	2015 (Unaudited)
CP Group		
Goods purchased from	12	7
Rental income from	15	15
Premiums income from	2	-
Claims expenses to	1	-
Lufax		
Premiums income from	6	9
Interest income from	20	10
Interest expenses to	1,036	-
Fees and commission expenses to	719	249
Other income from	266	56
Other expenses to	92	-

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

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Lufax		
Customer deposits and payables to brokerage customers	13,036	2,457
Borrowings	19,394	29,224
Loans and advances to customers	2,567	350
Other liabilities	2,688	455
Other receivables	2,121	2,201
Interest payables	893	44
Interest receivables	6	4

In addition to transactions and balances stated above, the Group transferred 100% share holding of Gem Alliance Limited to Lufax, which issued convertible bonds amounting to US\$1,953.8 million to the Group as the consideration. The details are disclosed in Note 3 (3) 1).

# Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2016

## 40. COMMITMENTS

### (1) CAPITAL COMMITMENTS

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

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Contracted, but not provided for	8,785	9,794
Authorized, but not contracted for	3,416	3,364
	<b>12,201</b>	13,158

### (2) OPERATING LEASE COMMITMENTS

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

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within 1 year	5,705	5,004
1 to 5 years	12,975	11,889
More than 5 years	2,670	2,731
	<b>21,350</b>	19,624

### (3) CREDIT COMMITMENTS

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Financial guarantee contracts		
Bank acceptances	376,569	400,736
Guarantees issued	101,819	104,655
Letters of credit issued	99,728	73,892
Subtotal	<b>578,116</b>	579,283
Unused limit of credit cards and irrevocable loan commitments	91,487	58,243
Total	<b>669,603</b>	637,526
Credit risk weighted amounts of credit commitments	<b>237,417</b>	226,879

As at 30 June 2016, apart from the above irrevocable credit commitments, revocable loan commitments granted by the Group amounted to RMB2,230.0 billion (31 December 2015: RMB2,204.2 billion). Since these commitments are revocable under certain conditions or would be automatically revoked when the creditability of the borrower deteriorates, the total commitment amounts do not necessarily represent future cash requirements. Credit commitments disclosed in the table above do not include the financial guarantee contracts treated as insurance by the Group.

## 40. COMMITMENTS (CONTINUED)

### (4) OPERATING LEASE RENTAL RECEIVABLES

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

(in RMB million)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within 1 year	1,035	1,038
1 to 5 years	2,385	2,694
More than 5 years	2,200	2,147
	<b>5,620</b>	5,879

## 41. CONTINGENT LIABILITIES

Owing to the nature of the insurance and financial services business, the Group is involved in assessing 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 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 of a loss is low or remote.

As at 30 June 2016, there were a number of legal proceedings outstanding against Ping An Bank with total claimed amount of RMB2,355 million (31 December 2015: RMB838 million).

For the 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.

## 42. EVENTS AFTER THE REPORTING PERIOD

On 17 August 2016, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for Interim Dividend of 2016, and declared an interim cash dividend of RMB0.20 per share for 2016 as stated in Note 14.

## 43. COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform to the interim condensed consolidated financial information's presentation.

## 44. APPROVAL OF THE FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorized for issue by the Board of Directors of the Company on 17 August 2016.

# Definition

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

Ping An, Company, the Company, Group, the Group, Ping An Group	Ping An Insurance (Group) Company of China, Ltd.
Ping An Life	Ping An Life Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Property & Casualty	Ping An Property & Casualty Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Health	Ping An Health Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Annuity	Ping An Annuity Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Trust	China Ping An Trust Co., Ltd., a subsidiary of the Company
Ping An Securities	Ping An Securities Company, Ltd., a subsidiary of Ping An Trust
Ping An Asset Management	Ping An Asset Management Co., Ltd., a subsidiary of the Company
Ping An Bank	Ping An Bank Co., Ltd., a subsidiary of the Company
SDB, Original SDB, 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 Hong Kong	China Ping An Insurance (Hong Kong) Company Limited, a subsidiary of Ping An Overseas Holdings
Ping An Financial Leasing	Ping An International Financial Leasing Co., Ltd., a subsidiary of the Company
Ping An Asset Management (Hong Kong)	Ping An of China Asset Management (Hong Kong) Company Limited, a subsidiary of Ping An Overseas Holdings
Ping An Futures	Ping An Futures Co., Ltd., a subsidiary of Ping An Securities

Ping An Caizhi	Ping An Caizhi Investment Management Company Limited, a subsidiary of Ping An Securities
Ping An Pioneer Capital	Ping An Pioneer Capital Co., Ltd., a subsidiary of Ping An Securities
Ping An Securities (Hong Kong)	Ping An of China Securities (Hong Kong) Company Limited, a subsidiary of Ping An Securities
Ping An-UOB Fund	Ping An-UOB Fund Management Company Limited, a subsidiary of Ping An Trust
Ping An Financial Technology	Shenzhen Ping An Financial Technology Consulting Co., Ltd., a subsidiary of the Company
Ping An Direct	Ping An Direct Consulting Co., Ltd., a subsidiary of Ping An Financial Technology
Lufax Holding	Lufax Holding Company Limited, an associate of the Company
Lufax	Shanghai Lujiazui International Financial Assets Commodity Exchange Co., Ltd., a subsidiary of Lufax Holding
Gem Alliance Limited	Gem Alliance Company Limited, a subsidiary of Lufax Holding
Puhui Financial	The companies under Gem Alliance Limited with the business including financing guarantee, commercial factoring and micro-credit loan
QEX	Shenzhen Qianhai Financial Asset Exchange Company Limited, a subsidiary of Gem Alliance Limited
E-wallet, Ping An Pay	Original Ping An Pay Intelligence Technology Co., Ltd., a subsidiary of Ping An Financial Technology. In June, 2016, its name was changed to "PingAn E-wallet Electronic Commerce Company Limited"
Wanlitong	Shenzhen Wanlitong Internet & Information Technology Co., Ltd., a subsidiary of Ping An Financial Technology
PA Haofang	Ping An Haofang (Shanghai) E-commerce Co., Ltd., a subsidiary of Ping An Financial Technology
Ping An Doctor, Ping An Health Cloud	Ping An Health Cloud Co., Ltd., a subsidiary of Ping An Financial Technology
One Account Management Services	Shanghai Yee Account Internet Technology Co., Ltd., a subsidiary of Ping An Financial Technology

# Definition

CSRC	China Securities Regulatory Commission
CIRC	China Insurance Regulatory Commission
CBRC	China Banking Regulatory Commission
Ministry of Finance	Ministry of Finance of the People's Republic of China
PBOC	The People's Bank of China
HKEx	The Stock Exchange of Hong Kong Limited
SSE	the Shanghai Stock Exchange
HKEx Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SSE Listing Rules	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
Corporate Governance Code	the Corporate Governance Code as contained in Appendix 14 to the HKEx Listing Rules, 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.

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