PING AN
Insurance · Banking · Investment

中国平安保险(集团)股份有限公司
Ping An Insurance (Group) Company of China, Ltd.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2318)

ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2009

CHAIRMAN'S STATEMENT

The Chinese economy has shown signs of recovery in the first half of 2009 despite a challenging global economic outlook, and is now in the crucial period whereby it is poised to steady recovery. Leveraging favourable conditions amid the changing market environment, Ping An Insurance (Group) Company of China, Ltd. ("Ping An", "the Group", or "the Company") drove the business forward into profitable yet sustainable growth and also aimed to exceed the industry average. Three of our businesses – insurance, banking and investment – are particularly well-positioned to capitalize on future growth momentum. At the same time, we have captured a rare market opportunity and taken a significant step forward in our strategy of building a leading international integrated financial services model through the strategic investment in Shenzhen Development Bank Co., Ltd. ("SDB", "Shenzhen Development Bank").

For the six months ended June 30, 2009, the Company realized a net profit of RMB5,441 million, representing a decrease compared to the same period of last year. There are three primary reasons for the decrease. Direct profit contribution from realized equity investment gains and dividend income decreased compared with the same period last year. The sharp increase in the life insurance first-year premiums also affected near-term profitability. In addition, the tax provisions were recorded in the period. However, all of our core businesses saw strong growth, underpinning advancement in our core competences. Our insurance premium growth rate, for example, far exceeded the market average and the value of one-year new business of our life insurance and net assets of the Company both increased significantly. These achievements lay solid foundations for our future expansion. Looking back over the period, Ping An's outstanding achievements included:

- **Rapid yet measured growth in our insurance business with market share increases in premium income from both the property & casualty insurance and life insurance businesses.** For our life insurance business, we have continued our strategy of "Reaching New Heights", which involved setting higher operating targets. By expanding sales channels in both individual life insurance and bancassurance, first-year premium income from individual life insurance grew by 35.7%, contributing to an increase in total premium income of 35.5%. This substantially exceeded the market average, resulting in an addition of 2.8 percentage points in market share from the end of 2008. Driven by the principle of "Surpassing Targets Healthily", our property and casualty insurance business achieved an increase of 0.9 percentage points in market share compared to the end of 2008. Our annuity business progressed smoothly across three major indicators, namely annuity payments, assets entrusted and assets under investment management, all ranking at the top among annuity companies.

- **Vigorous response to market rebounds, optimized asset allocation, achieved remarkable performance on corporate bonds underwriting business and asset management in trust business.** Ping An Asset Management Co., Ltd. strengthened the interaction between research and investment team, made staged progress in the construction of its system platform and made significant improvements in the quality of its customer service. Ping An Securities Company, Ltd. ("Ping An Securities") was awarded the "Best Underwriting Sponsor for SME in 2008" by the Shenzhen Stock Exchange. It underwrote 6 corporate bonds in the first half of the year, the best performance in Ping An Securities' history. Assets held in trust under the management of China Ping An Trust & Investment Co., Ltd. ("Ping An Trust") amounted to RMB81,267 million, a significant increase of 67.5% from the end of 2008.

- **Banking business saw fast growth, accumulated number of credit cards in circulation exceeded 2 million, 67% of new credit cards issuance was contributed by cross-selling.** The total assets of Ping An Bank Co., Ltd. rose to approximately RMB200 billion representing an increase of 35.3% as compared to the end of 2008. We rolled out a series of innovative services for all the banking business sectors, with several service standards the best among the industry. We launched a number of new credit card products such as the Car-owner's Credit Card and Insurance Credit Card. In May, we launched a pilot in Beijing where credit cards were issued without a physical branch presence. The accumulated credit cards in circulation exceeded 2 million by the end of the reporting period, and 67% of our new credit cards issuance in the first half of the year was brought from cross-selling. Network expansion achieved a further breakthrough with the successful opening of the Guangzhou and Hangzhou branches. Despite rapid growth, we held the non-performing loan ratio at 0.46%, which was among the best in the industry.

- **Investment in Shenzhen Development Bank represented a strategic leap forward in the process of building an integrated financial services platform.** This transaction will provide an opportunity for us to forge a deeper cooperation with a national commercial bank whose nationwide banking network will provide supplementary to ours, thus enriching our sales channels further. It will enhance our integrated financial services through a wider range of services and products to a larger customer base, more cross-selling opportunities instrumental to synergy creation. Investment in SDB has profound importance to Ping An in building the integrated financial strategy.

In the first half of 2009, the Company maintained its leading position in brand value and won widespread acclaim from domestic and overseas rating institutions and media on integrated strength, corporate governance and corporate social responsibility. Awards we received include:

- In the "Most Responsible Enterprise in China" list jointly issued by *News China* and Chinese Red Cross Foundation in January 2009, Ping An was granted its third consecutive award of "the Most Responsible Enterprise";

- In April 2009, Ping An was named as a Forbes 500 Listed Company for the third time with its rank jumping by 152 places to the 141st from last year;

- In May 2009, the Company ranked the eighth as the Best Managed Company in China in the ninth appraisal of "the Best Managed Company in Asia" hosted by *Financial Asia*, an authoritative financial magazine in the Asia-Pacific region. Ping An was the only Chinese insurance company that was awarded such a prize;

- In June 2009, the Company was awarded the 2009 Outstanding Performance Award for the third consecutive year by *Corporate Governance Asia*, a well-known magazine.

China's economy has shown signs of recovery. However, there are still some uncertainties and instabilities that will impact the economic fundamentals and also the equity market. The complexity of the environment we are operating in and the volatility of the capital market will continue to affect our performance in the second half of the year. We have taken full consideration and well prepared for these uncertainties. We will continue to focus on improving our competitiveness across all business segments and ensuring steady growth in our insurance businesses. We also intend to propel rapid growth in our banking and investment businesses and strengthen the integrated financial services platform via deepened cross selling initiatives for greater synergies. We will push our strategy in building the integrated financial services platform by steadily progressing execution of the investment in SDB and drive long-term enterprise value.

Looking forward, we believe the long-term growth trend enjoyed by China's economy continues to represent an exciting opportunity, and for this reason the potential for financial and insurance industry remains attractive. Capitalizing on favorable market opportunities, we will continue to implement our strategy of building an integrated financial services platform, adhering to the established business plan, with balanced development of our three core businesses- insurance, banking and investment. With increasingly improved competitiveness across all our businesses, we believe that our leading platform based on the concept of "one customer, one account, multiple products and one-stop services" and enhanced advantages of being an integrated financial services provider will deliver reliable earnings improvement and long-term value to our shareholders, customers and society.

KEY FINANCIAL AND OPERATION INFORMATION

Overview

Consolidated Results

For the six months ended June 30, 2009, the Company realized a net profit of RMB5,441 million, representing a decrease compared to the same period last year. This was primarily due to the less direct profit contribution from realized equity investment gains as well as dividend income compared to the same period last year. Meanwhile, the sharp increase in the life insurance first-year premium income also affected near-term profitability. In addition, the tax provisions were recorded in the period. Although there was a decrease in net profit as compared with the same period last year, the company achieved robust growth across all major businesses. Total premium income recorded an increase far exceeding market average. Value of one-year life insurance new business and net assets both increased significantly. The Group's overall competence has been enhanced. All of these are paving the way for our long-term development.

For the six months ended June 30, (in RMB million)	**2009**	2008
Total income	**79,439**	63,633
Total expenses	**(70,952)**	(53,289)
Profit before tax	**8,487**	10,344
Net profit	**5,441**	9,719

Net Profit by Business Segment

For the six months ended June 30, (in RMB million)	2009	2008
Life insurance	**4,642**	8,325
Property and casualty insurance	**4**	339
Banking	**577**	795
Securities	**367**	401
Other businesses(1)	**(149)**	(141)
Net profit	**5,441**	9,719

(1) "Other businesses" mainly includes corporate, trust business and asset management business, etc.

Investment Portfolio of Insurance Funds

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

The table below shows the investment income of the Group's insurance funds:

For the six months ended June 30, (in RMB million)	2009	2008
Net investment income	**8,746**	10,228
Net realized and unrealized gains	**5,562**	411
Impairment losses	**(270)**	(1,510)
Others	**(114)**	106
Total investment income	**13,924**	9,235
Net investment yield (%)(1)	**3.7**	3.8
Total investment yield (%)(1)	**4.8**	3.6

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

Our net investment income decreased by 14.5% to RMB8,746 million in the six months ended June 30, 2009 from RMB10,228 million in the same period 2008. Net investment yield decreased to 3.7% in the six months ended June 30, 2009 from 3.8% in the same period 2008. This was primarily due to the significantly reduced dividend income from our equity investments, which was partially offset by the increase in interest income from our fixed maturity investments.

In the first half of 2009, impairment loss on the available-for-sale equity investments in our investment portfolio of insurance funds was RMB270 million, a significant decrease compared with that in the same period of 2008.

Total investment income increased by 50.8% to RMB13,924 million in the six months ended June 30, 2009 from RMB9,235 million in the same period 2008. This was mainly due to the significant increase in net realized and unrealized gains, which came as a result of stock market fluctuations. Total investment yield increased to 4.8% in the six months ended June 30, 2009 from 3.6% in the same period 2008.

Investment income presented above includes income from investment portfolios of traditional life, participating and universal life insurance funds. Due to the nature of different product features, a large portion of investment income from participating and universal life insurance funds would be accrued as policyholders' reserves, policyholder dividends and interest credited to policyholder contract deposits, thus the contribution to the Company's net profit would be different from traditional life insurance products. In the first half of 2009, the investment income from our traditional life insurance funds decreased as compared to the same period last year, which was one of main reasons why our net profit decreased as compared to the first half of 2008.

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

	June 30, 2009		December 31, 2008	
(in RMB million)	**Carrying Value**	**%**	Carrying Value	%
Fixed maturity investments				
Term deposits[1]	**91,186**	**17.8%**	84,412	18.2%
Bond investments[1]	**287,938**	**56.0%**	286,791	61.7%
Other fixed maturity investments[1]	**4,485**	**0.9%**	3,725	0.8%
Equity investments				
Equity investment funds[1]	**23,957**	**4.7%**	13,443	2.9%
Equity securities	**25,388**	**4.9%**	22,929	4.9%
Infrastructure investments	**7,341**	**1.4%**	5,509	1.2%
Cash, cash equivalents and others	**73,282**	**14.3%**	47,856	10.3%
Total investments	**513,577**	**100.0%**	464,665	100.0%

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

In the first half of 2009, China's stimulus plan to tackle the global economic crisis and maintain steady and rapid economic growth has started to take effect. The Chinese economy has shown signs of recovery, and the A-share market has rallied substantially. Following an in-depth study of the macro economic climate, the Company actively seized opportunities to increase its equity investments to enhance its total investment income. Meanwhile, in view of the record-low bond yields which were relatively unattractive, the Company lowered the proportion of its fixed income asset holdings.

We have proactively optimized our asset allocation in response to the new economic trend, the percentage of fixed maturity investments out of total investments decreased to 74.7% as at June 30, 2009 from 80.7% as at December 31, 2008, and that of equity investments increased from 7.8% to 9.6%.

In the second half of 2009, we will further refine our investment strategies, maintain investment flexibility and proactively adjust our assets allocation to counter the change in the capital market. Meanwhile, we will further expand our investment channels and extend non-capital market investments to achieve long-term and stable investment returns.

General and Administrative Expenses

For the six months ended June 30, (in RMB million)	2009	2008
Business tax and surcharges	**1,601**	1,670
Other general and administrative expenses	**11,708**	6,883
Total	**13,309**	8,553

General and administrative expenses increased by 55.6% to RMB13,309 million in the six months ended June 30, 2009 from RMB8,553 million in the same period 2008, mainly due to the rapid growth of our businesses, as well as increased marketing inputs and investment in strategic initiatives. In addition, other general and administrative expenses included operating costs and administrative expenses from XJ Group Corporation ("XJ Group") amounting to RMB1,841 million in the first half of 2009.

Income Tax

For the six months ended June 30, (in RMB million)	2009	2008
Current income tax	**2,744**	644
Deferred income tax	**302**	(19)
Total	**3,046**	625

Current income tax rose to RMB2,744 million in the six months ended June 30, 2009 from RMB644 million in the same period 2008. This was primarily because of two factors. Firstly, there was an increase in taxable income from subsidiaries as a result of change in the tax deduction policy regarding commission expenses, and also a significant decrease in dividend income from equity investment funds, which was entitled to certain tax exemption. Secondly, relevant tax provisions have been made based on results of the tax inspection.

Deferred income tax increased to RMB302 million in the six months ended June 30, 2009 from RMB-19 million in the same period 2008. This was primarily due to the rise in the taxable temporary differences, as a result of the appreciation in the fair value of financial assets.

The State Administration of Taxation has completed their regular inspection of the Group's tax affairs for fiscal years ended December 31, 2004, 2005 and 2006. We have made relevant tax provisions based on the result of the inspection as well as our current understanding of the tax laws. As at June 30, 2009, the total provisions of corporate income tax, business tax and individual income tax, etc. made for fiscal years ended December 31, 2004, 2005 and 2006 amounted to RMB1,018 million, among which RMB682 million was made by Ping An Property & Casualty Insurance Company of China, Ltd. and RMB326 million by Ping An Life Insurance Company of China, Ltd. ("Ping An Life"). The tax provisions made in the first half of 2009 were RMB871 million, among which RMB812 million was corporate income tax.

Insurance Business

Life Insurance Business

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

For the six months ended June 30, (in RMB million)	2009	2008
Gross written premiums and policy fees	**46,010**	39,521
Individual life insurance	**40,253**	32,991
Including: new business	**11,811**	9,043
renewal business	**28,442**	23,948
Bancassurance	**2,125**	1,112
Group insurance	**3,632**	5,418
Premium deposits	**27,911**	15,036
Individual life insurance	**13,737**	9,293
Including: new business	**5,244**	3,526
renewal business	**8,493**	5,767
Bancassurance	**14,174**	5,743
Gross written premiums, policy fees and premium deposits	**73,921**	54,557

	June 30, 2009	December 31, 2008
Market share of gross written premiums, policy fees and premium deposits[(1)]	**16.8%**	14.0%

(1) Based on our financial data calculated in accordance with China Accounting Standards ("CAS") and the PRC insurance industry data published by China Insurance Regulatory Commission ("CIRC").

	June 30, 2009	December 31, 2008
Number of customers		
Individual (in thousands)	**38,310**	36,492
Corporate (in thousands)	**518**	458
Total (in thousands)	**38,828**	36,950
Persistency ratio		
13-month	**90.9%**	91.6%
25-month	**88.8%**	86.2%
Agent productivity		
First-year premiums per agent per month	**7,356**	5,423
New individual life insurance policies per agent per month	**1.2**	1.1
Distribution network		
Number of individual life sales agents	**393,576**	355,852
Number of group sales representatives	**3,075**	3,366
Bancassurance outlets	**47,934**	39,878

Property and Casualty Insurance Business

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

For the six months ended June 30, (in RMB million)	2009	2008
Automobile insurance	**13,378**	10,225
Non-automobile insurance	**4,418**	3,650
Accident and health insurance	**968**	796
Total gross written premiums	**18,764**	14,671

	June 30, 2009	December 31, 2008
Market share of gross written premiums[1]	**11.8%**	10.9%

(1) Based on our financial data calculated in accordance with CAS and the PRC insurance industry data published by the CIRC.

	June 30, 2009	December 31, 2008
Number of customers		
Individual (in thousands)	**8,935**	8,206
Corporate (in thousands)	**1,564**	1,611
Total (in thousands)	**10,499**	9,817
Distribution network		
Number of direct sales representatives	**11,219**	10,656
Number of insurance agents	**13,714**	13,461

	For the six months ended June 30, 2009	For the year ended December 31, 2008
Combined ratio:		
Expense ratio	**38.3%**	35.5%
Loss ratio	**61.7%**	66.5%
Combined ratio	**100.0%**	102.0%

Banking Business

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

For the six months ended June 30, (in RMB million)	**2009**	2008
Interest income	**3,065**	3,376
Interest expenses	**(1,557)**	(1,391)
Net interest income	**1,508**	1,985
Net interest spread[(1)]	**1.7%**	3.0%

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

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

(in RMB million)	**June 30, 2009**	December 31, 2008
Corporate loans	**59,862**	44,754
Discounted bills	**17,921**	3,784
Retail loans	**26,361**	23,948
Total loans	**104,144**	72,486

(in RMB million)	**June 30, 2009**	December 31, 2008
Pass	**102,522**	69,210
Special mention	**1,145**	2,885
Substandard	**291**	176
Doubtful	**110**	180
Loss	**76**	35
Total loans	**104,144**	72,486
Total non-performing loans	**477**	391
Non-performing loan ratio	**0.46%**	0.54%
Impairment provision balance	**664**	601
Provision coverage ratio	**139.2%**	153.7%

Investment Business

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

For the six months ended June 30, (in RMB million)	2009	2008
Securities business		
Operating income	863	960
Net profit	367	401
Trust business[(1)]		
Operating income	413	792
Net profit	192	639

(1) The above figures are presented at company level, where interests in subsidiaries are accounted for at cost.

FINANCIAL STATEMENTS

A. Prepared in accordance with International Financial Reporting Standards ("IFRS")

Interim Consolidated Income Statement
For the six months ended June 30, 2009

For the six months ended June 30, (in RMB million)	*Notes*	2009 (Unaudited)	2008 (Audited)
Gross written premiums and policy fees	4	64,774	54,192
Less: Premiums ceded to reinsurers		(3,706)	(3,344)
Net written premiums and policy fees		61,068	50,848
Change in unearned premium reserves		(4,278)	(2,734)
Net earned premiums		56,790	48,114
Reinsurance commission income		904	760
Interest income of banking operation	5	3,065	3,369
Fees and commission income of non-insurance operations		1,029	1,282
Investment income	6	14,682	9,275
Share of profits of associates and joint ventures		52	41
Other income		2,917	792
Total income		79,439	63,633

For the six months ended June 30, (in RMB million)	*Notes*	**2009 (Unaudited)**	2008 (Audited)
Change in deferred policy acquisition costs		**8,123**	5,316
Claims and policyholders' benefits		**(54,137)**	(40,619)
Commission expenses of insurance operations		**(9,843)**	(7,257)
Interest expenses of banking operation	*5*	**(1,141)**	(1,265)
Fees and commission expenses of non-insurance operations		**(123)**	(118)
Loan loss provisions, net of reversals		**(85)**	(16)
Foreign exchange losses		**(17)**	(525)
General and administrative expenses		**(13,309)**	(8,553)
Finance costs		**(420)**	(252)
Total expenses		**(70,952)**	(53,289)
Profit before tax	*7*	**8,487**	10,344
Income taxes	*8*	**(3,046)**	(625)
Profit for the period		**5,441**	9,719
Attributable to:			
– Owners of the parent		**5,222**	9,487
– Non-controlling interests		**219**	232
		5,441	9,719
		RMB	RMB
Earnings per share attributable to owners of the parent:			
– basic	*11*	**0.71**	1.29
– diluted	*11*	**0.71**	1.29

Interim Consolidated Statement of Comprehensive Income
For the six months ended June 30, 2009

For the six months ended June 30, **(in RMB million)**	*Notes*	**2009** **(Unaudited)**	2008 (Audited)
Profit for the period		**5,441**	9,719
Other comprehensive income			
Exchange differences on translating of foreign operations		**72**	(28)
Available-for-sale financial assets		**8,422**	(47,403)
Shadow accounting adjustments		**568**	9,819
Income tax relating to components of other comprehensive income		**(1,830)**	7,607
Other comprehensive income/(loss) for the period, net of tax	*9*	**7,232**	(30,005)
Total comprehensive income/(loss) for the period		**12,673**	(20,286)
Attributable to:			
– Owners of the parent		**12,445**	(20,221)
– Non-controlling interests		**228**	(65)
		12,673	(20,286)

Interim Consolidated Statement of Financial Position
As at June 30, 2009

(in RMB million)	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
ASSETS		
Balances with central bank and statutory deposits	**28,879**	25,963
Cash and amounts due from banks and other financial institutions	**129,376**	105,279
Fixed maturity investments	**365,243**	344,449
Equity investments	**74,106**	54,599
Derivative financial assets	**6**	17
Loans and advances to customers	**105,517**	74,160
Investments in associates and joint ventures	**8,744**	5,468
Premium receivables	**5,520**	4,412
Accounts receivable	**2,715**	–
Inventories	**1,887**	–
Reinsurers' share of insurance liabilities	**9,485**	8,872
Policyholder account assets in respect of insurance contracts	**38,335**	30,749
Policyholder account assets in respect of investment contracts	**4,294**	3,979
Deferred policy acquisition costs	**58,722**	50,599
Investment properties	**7,065**	6,389
Property and equipment	**9,315**	8,287
Intangible assets	**14,106**	10,279
Deferred tax assets	**5,016**	6,876
Other assets	**17,088**	14,341
Total assets	**885,419**	754,718

(in RMB million)	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
EQUITY AND LIABILITIES		
Equity		
Share capital	**7,345**	7,345
Reserves	**61,500**	54,277
Retained profits	**26,551**	21,329
Equity attributable to owners of the parent	**95,396**	82,951
Non-controlling interests	**6,397**	2,745
Total equity	**101,793**	85,696
Liabilities		
Due to banks and other financial institutions	**36,676**	24,192
Assets sold under agreements to repurchase	**33,419**	41,124
Derivative financial liabilities	**21**	265
Customer deposits and payables to brokerage customers	**123,536**	94,991
Insurance payables	**14,083**	13,701
Insurance contract liabilities	**532,767**	462,341
Investment contract liabilities for policyholders	**8,049**	6,636
Policyholder dividend payable	**13,525**	12,012
Income tax payable	**1,677**	2,274
Subordinated debts	**4,990**	–
Deferred tax liabilities	**1,806**	998
Other liabilities	**13,077**	10,488
Total liabilities	**783,626**	669,022
Total equity and liabilities	**885,419**	754,718

Interim Consolidated Statement of Changes in Equity

For the six months ended June 30, 2009

	Equity attributable to owners of the parent									
		Reserves								
For the six months ended June 30, 2009 (in RMB million)	**Share capital (Unaudited)**	**Share premium (Unaudited)**	**Translation of foreign operations (Unaudited)**	**Available-for-sale financial assets (Unaudited)**	**Shadow accounting adjustments (Unaudited)**	**Surplus reserve fund (Unaudited)**	**General reserve (Unaudited)**	**Retained profits (Unaudited)**	**Non-controlling interests (Unaudited)**	**Total equity (Unaudited)**
As at January 1, 2009	**7,345**	**51,907**	**(23)**	**(1,031)**	**(3,096)**	**6,125**	**395**	**21,329**	**2,745**	**85,696**
Total comprehensive income for the period	**–**	**–**	**72**	**6,739**	**412**	**–**	**–**	**5,222**	**228**	**12,673**
Changes in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,424**	**3,424**
As at June 30, 2009	**7,345**	**51,907**	**49**	**5,708**	**(2,684)**	**6,125**	**395**	**26,551**	**6,397**	**101,793**

		Equity attributable to owners of the parent									
			Reserves								
For the six months ended June 30, 2008 (in RMB million)	*Notes*	Share capital (Audited)	Share premium (Audited)	Translation of foreign operations (Audited)	Available-for-sale financial assets (Audited)	Shadow accounting adjustments (Audited)	Surplus reserve fund (Audited)	General reserve (Audited)	Retained profits (Audited)	Non-controlling interests (Audited)	Total equity (Audited)
As at January 1, 2008		7,345	51,907	(42)	24,792	(4,903)	7,629	1,939	23,155	2,029	113,851
Total comprehensive income/(loss) for the period		–	–	(28)	(37,403)	7,723	–	–	9,487	(65)	(20,286)
Appropriations to surplus reserve fund		–	–	–	–	–	710	–	(710)	–	–
Dividend declared	*10*	–	–	–	–	–	–	–	(3,673)	(49)	(3,722)
Changes in subsidiaries		–	–	–	–	–	–	–	–	577	577
As at June 30, 2008		7,345	51,907	(70)	(12,611)	2,820	8,339	1,939	28,259	2,492	90,420

Supplementary information

1. Corporate information

Ping An Insurance (Group) Company of China, Ltd. was incorporated in Shenzhen, the People's Republic of China on March 21, 1988. The business scope of the Company includes investing in financial and insurance enterprises, supervising and managing various domestic and overseas businesses of subsidiaries, and utilizing funds. The Company and its subsidiaries are collectively named as the Group. The Group mainly provides integrated financial products and services, including life insurance, property and casualty insurance, trust business, securities business, banking business and other services. The business mentioned is not regarded as highly seasonal.

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

2. Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of new standards and interpretations as of 1 January 2009, noted below:

- IFRS 2 *Share-based Payment-Vesting Conditions and Cancellations*

  The standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

- IFRS 7 *Financial Instruments: Disclosures*

  The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures.

- IFRS 8 *Operating Segments*

  This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. Adoption of this Standard did not have any significant effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 *Segment Reporting*.

- IAS 1 (Revised) *Presentation of Financial Statements*

  The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

- IAS 23 (Revised) *Borrowing Costs*

  The standard has been revised to require capitalization of borrowing costs on qualifying assets. The adoption of this revised standard did not have any significant impact on the financial position or performance of the Group.

- IAS 32 *Financial Instruments: Presentation* and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation*

  The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

- IFRIC 13 *Customer Loyalty Programmes*

  This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognized as revenue over that the award credits are redeemed. The Group maintains a loyalty point programme which allows customers to accumulate points when they purchase products from the Group. The points can then be redeemed for free products, subject to a minimum number of points being obtained.

  The Group has historically allocated consideration received between the products sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying statistical analysis. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed. The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

- IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement*

  These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

  The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. As the Group did not have hedges of a net investment in a foreign operation, it has had no significant impact on the financial position or performance of the Group.

Improvements to IFRS

In May 2008, the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- IAS 1 *Presentation of Financial Statements:* Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analyzed whether Management's expectation of the period of realization of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.

- IAS 16 *Property, Plant and Equipment:* Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

- IAS 23 *Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one-the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

- IAS 38 *Intangible Assets:* Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

  The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

The amendments to the following standards below did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 16 Property, Plant and Equipment
- IAS 18 Revenue
- IAS 19 Employee Benefits
- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 31 Interests in Joint ventures
- IAS 34 Interim Financial Reporting
- IAS 36 Impairment of Assets
- IAS 39 Financial Instruments: Recognition and Measurement

3. Segment information

Business activities of the Group are first segregated by product and type of service: insurance activities, banking activities, securities activities and corporate activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided between life insurance and property and casualty insurance.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is based on net profit.

The segment analysis for the six months ended June 30, 2009 is as follows:

(in RMB million)	Life insurance (Unaudited)	Property and casualty insurance (Unaudited)	Banking (Unaudited)	Securities (Unaudited)	Corporate (Unaudited)	Others (Unaudited)	Elimination (Unaudited)	Total (Unaudited)
Income statement								
Gross written premiums and policy fees	46,010	18,764	–	–	–	–	–	64,774
Less: Premiums ceded to reinsurers	(904)	(2,802)	–	–	–	–	–	(3,706)
Change in unearned premium reserves	(328)	(3,950)	–	–	–	–	–	(4,278)
Net earned premiums	44,778	12,012	–	–	–	–	–	56,790
Reinsurance commission income	124	780	–	–	–	–	–	904
Interest income of banking operation	–	–	3,065	–	–	–	–	3,065
Fees and commission income of non-insurance operations	–	–	207	671	–	151	–	1,029
Investment income/(loss)	13,799	637	321	255	(415)	563	(478)	14,682
Including: Intersegment Investment income	393	21	–	(2)	37	29	(478)	–
Share of profits/(losses) of associates and joint ventures	(119)	–	–	–	–	171	–	52
Other income	805	57	18	2	–	2,731	(696)	2,917
Including: Intersegment other income	212	4	–	–	–	480	(696)	–
Total income	59,387	13,486	3,611	928	(415)	3,616	(1,174)	79,439
Change in deferred policy acquisition costs	7,126	997	–	–	–	–	–	8,123
Claims and policyholders' benefits	(46,725)	(7,412)	–	–	–	–	–	(54,137)
Commission expenses of insurance operations	(7,750)	(2,309)	–	–	–	–	216	(9,843)
Interest expenses of banking operation	–	–	(1,557)	–	–	–	416	(1,141)
Fees and commission expenses of non-insurance operations	–	–	(21)	(65)	–	(39)	2	(123)
Loan loss provisions, net of reversals	–	–	(69)	–	–	(16)	–	(85)
Foreign exchange gains/(losses)	(25)	(6)	15	–	(1)	–	–	(17)
General and administrative expenses	(5,242)	(4,152)	(1,257)	(407)	(107)	(2,681)	537	(13,309)
Finance costs	(73)	(22)	–	–	–	(328)	3	(420)
Total expenses	(52,689)	(12,904)	(2,889)	(472)	(108)	(3,064)	1,174	(70,952)
Profit/(loss) before tax	6,698	582	722	456	(523)	552	–	8,487
Income taxes	(2,056)	(578)	(145)	(89)	(71)	(107)	–	(3,046)
Profit/(loss) for the period	4,642	4	577	367	(594)	445	–	5,441

The segment analysis for the six months ended June 30, 2008 is as follows:

(in RMB million)	Life insurance (Audited)	Property and casualty insurance (Audited)	Banking (Audited)	Securities (Audited)	Corporate (Audited)	Others (Audited)	Elimination (Audited)	Total (Audited)
Income statement								
Gross written premiums and policy fees	39,521	14,671	–	–	–	–	–	54,192
Less: Premiums ceded to reinsurers	(605)	(2,739)	–	–	–	–	–	(3,344)
Change in unearned premium reserves	(421)	(2,313)	–	–	–	–	–	(2,734)
Net earned premiums	38,495	9,619	–	–	–	–	–	48,114
Reinsurance commission income	103	657	–	–	–	–	–	760
Interest income of banking operation	–	–	3,376	–	–	–	(7)	3,369
Including: Intersegment interest income of banking operation	–	–	7	–	–	–	(7)	–
Fees and commission income of non-insurance operations	–	–	101	912	–	288	(19)	1,282
Including: Intersegment commission income of non-insurance operations	–	–	–	–	–	19	(19)	–
Investment income/(loss)	8,768	990	(127)	103	(624)	345	(180)	9,275
Including: Intersegment investment income	187	7	–	(19)	79	(74)	(180)	–
Share of profits of associates and joint ventures	27	–	–	–	–	14	–	41
Other income	659	29	14	3	–	339	(252)	792
Including: Intersegment other income	106	1	–	–	–	145	(252)	–
Total income	48,052	11,295	3,364	1,018	(624)	986	(458)	63,633
Change in deferred policy acquisition costs	4,966	350	–	–	–	–	–	5,316
Claims and policyholders' benefits	(33,922)	(6,697)	–	–	–	–	–	(40,619)
Commission expenses of insurance operations	(5,934)	(1,405)	–	–	–	–	82	(7,257)
Interest expenses of banking operation	–	–	(1,391)	–	–	–	126	(1,265)
Fees and commission expenses of non-insurance operations	–	–	(14)	(58)	–	(46)	–	(118)
Loan loss provisions, net of reversals	–	–	(9)	–	–	(7)	–	(16)
Foreign exchange losses	(403)	(37)	(1)	(4)	(62)	(18)	–	(525)
General and administrative expenses	(3,785)	(3,177)	(986)	(456)	48	(436)	239	(8,553)
Finance costs	(52)	–	–	–	–	(200)	–	(252)
Total expenses	(39,130)	(10,966)	(2,401)	(518)	(14)	(707)	447	(53,289)
Profit/(loss) before tax	8,922	329	963	500	(638)	279	(11)	10,344
Income taxes	(597)	10	(168)	(99)	299	(70)	–	(625)
Profit/(loss) for the period	8,325	339	795	401	(339)	209	(11)	9,719

4. Gross written premiums and policy fees

For the six months ended June 30, (in RMB million)	**2009 (Unaudited)**	2008 (Audited)
Gross written premiums, policy fees and premium deposits (as reported in accordance with CAS)	**92,685**	69,228
Less: Premium deposits allocated to policyholder contract deposits	**(25,897)**	(10,272)
Premium deposits allocated to policyholder accounts	**(2,014)**	(4,764)
Gross written premiums and policy fees	**64,774**	54,192
Long term life business gross written premiums and policy fees	**42,780**	36,540
Short term life business gross written premiums	**3,230**	2,981
Property and casualty business gross written premiums	**18,764**	14,671
Gross written premiums and policy fees	**64,774**	54,192

5. Net interest income of banking operation

For the six months ended June 30, (in RMB million)	**2009 (Unaudited)**	2008 (Audited)
Interest income of banking operation		
Loans and advances to customers	**2,179**	2,274
Balances with central bank	**133**	146
Bonds	**591**	633
Amounts due from banks and other financial institutions	**162**	316
Total	**3,065**	3,369
Interest expenses of banking operation		
Customer deposits	**893**	996
Due to banks and other financial institutions	**248**	269
Total	**1,141**	1,265
Net interest income of banking operation	**1,924**	2,104

6. Investment income

For the six months ended June 30, (in RMB million)	**2009 (Unaudited)**	2008 (Audited)
Net investment income	**8,836**	10,259
Realized gains	**4,266**	10,520
Unrealized gains/(losses)	**1,875**	(9,919)
Impairment losses	**(295)**	(1,585)
Total	**14,682**	9,275

(1) **Net investment income**

For the six months ended June 30, (in RMB million)	**2009 (Unaudited)**	2008 (Audited)
Interest income on fixed maturity investments of non-banking operation		
Bonds		
– Held-to-maturity	**2,693**	2,488
– Available-for-sale	**3,045**	1,929
– Carried at fair value through profit or loss	**245**	296
Term deposits		
– Loans and receivables	**1,711**	1,223
Current accounts		
– Loans and receivables	**538**	401
Others		
– Loans and receivables	**52**	184
Dividend income on equity investments		
Equity investment funds		
– Available-for-sale	**77**	2,250
– Carried at fair value through profit or loss	**87**	508
Equity securities		
– Available-for-sale	**267**	955
– Carried at fair value through profit or loss	**12**	68
Operating lease income from investment properties	**212**	139
Interest expense of non-banking operation	**(103)**	(182)
Total	**8,836**	10,259

(2) **Realized gains**

For the six months ended June 30, (in RMB million)	**2009 (Unaudited)**	2008 (Audited)
Fixed maturity investments		
– Available-for-sale	**1,777**	3
– Carried at fair value through profit or loss	**228**	18
Equity investments		
– Available-for-sale	**3,277**	9,228
– Carried at fair value through profit or loss	**(799)**	1,023
Derivative financial instruments		
– Carried at fair value through profit or loss	**(217)**	248
Total	**4,266**	10,520

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

For the six months ended June 30, (in RMB million)	**2009 (Unaudited)**	2008 (Audited)
Fixed maturity investments		
– Carried at fair value through profit or loss	**(316)**	(126)
Equity investments		
– Carried at fair value through profit or loss	**1,958**	(9,526)
Derivative financial instruments		
– Carried at fair value through profit or loss	**233**	(267)
Total	**1,875**	(9,919)

(4) Impairment losses

For the six months ended June 30, (in RMB million)	**2009 (Unaudited)**	2008 (Audited)
Fixed maturity investment		
– Available-for-sale	**–**	(75)
Equity investments		
– Available-for-sale	**(295)**	(1,510)
Total	**(295)**	(1,585)

7. Profit before tax

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

For the six months ended June 30, (in RMB million)	**2009 (Unaudited)**	2008 (Audited)
Employee costs	**4,211**	2,444
Provision for insurance guarantee fund	**282**	219
Depreciation of investment properties	**118**	77
Depreciation of property and equipment	**521**	273
Amortization of intangible assets	**278**	211
Gains on disposal of settled assets	**(20)**	–
Loss/(gain) on disposal of investment properties, property and equipment	**(1)**	3
Impairment losses on property and equipment, and intangible assets	**–**	1
Provision/(reversal) of provision for doubtful debts, net	**76**	(63)
Operating lease payments in respect of land and buildings	**618**	398

The employee costs reversed for the scheme of share appreciation rights during the period amount to RMB92 million (six months ended 30 June 2008: expense reversal of RMB1,068 million).

8. Income taxes

For the six months ended June 30, (in RMB million)	**2009 (Unaudited)**	2008 (Audited)
Current income taxes	**2,744**	644
Deferred income taxes	**302**	(19)
Total	**3,046**	625

Please refer to Note 13. (2) for details of provision charged to the income statement for the six months ended June 30, 2009 for the years ended December 31, 2004, 2005 and 2006.

9. Other comprehensive income/(loss)

For the six months ended June 30, (in RMB million)	2009 (Unaudited)	2008 (Audited)
Exchange differences on translating of foreign operations	**72**	(28)
Available-for-sale financial assets		
Add: Gains/(losses) arising during the period	**13,181**	(39,757)
Less: Reclassification adjustments for losses included in income statement	**(4,759)**	(7,646)
	8,422	(47,403)
Shadow accounting adjustments		
Add: Gains arising during the period	**1,748**	7,111
Less: Reclassification adjustments for gains/(losses) included in income statement	**(1,180)**	2,708
	568	9,819
Other comprehensive income/(loss)	**9,062**	(37,612)
Income tax relating to other comprehensive income/(loss)	**(1,830)**	7,607
Total other comprehensive income/(loss)	**7,232**	(30,005)

For the six months ended June 30, (in RMB million)	**2009**			2008		
	Before-tax (Unaudited)	**Income tax (Unaudited)**	**Net-of-tax (Unaudited)**	Before-tax (Audited)	Income tax (Audited)	Net-of-tax (Audited)
Exchange differences on translating of foreign operations	**72**	**–**	**72**	(28)	–	(28)
Available-for-sale financial assets	**8,422**	**(1,678)**	**6,744**	(47,403)	9,625	(37,778)
Shadow accounting adjustments	**568**	**(152)**	**416**	9,819	(2,018)	7,801
Other comprehensive income/(loss)	**9,062**	**(1,830)**	**7,232**	(37,612)	7,607	(30,005)

10. Dividends

For the six months ended June 30, (in RMB million)	2009 (Unaudited)	2008 (Audited)
Final dividend on ordinary shares declared for 2008: nil (2007: RMB0.50 per share)	**–**	3,673
Interim dividends on ordinary shares approved (not recognized as a liability as at June 30) for 2009: RMB0.15 per share (2008: RMB0.20 per share)	**1,102**	1,469

11. Earnings per share

Earnings per share is calculated by dividing the Group's net profit attributable to ordinary shareholders by the weighted average number of outstanding shares.

For the six months ended June 30,	2009 (Unaudited)	2008 (Audited)
Net profit attributable to ordinary shareholders (in RMB million)	**5,222**	9,487
Weighted average number of outstanding shares of the Company (million shares)	**7,345**	7,345
Basic earnings per share (in RMB)	**0.71**	1.29
Diluted earnings per share (in RMB)	**0.71**	1.29

12. Contingent liabilities

Owing to the nature of the insurance and financial service business, the Group has to make 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 of any legal advice.

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

13. Other significant events

(1) On June 12, 2009, Ping An Life, a subsidiary of the Company, entered into a share subscription agreement with Shenzhen Development Bank pursuant to which it conditionally agreed to subscribe for not less than 370,000,000 but not more than 585,000,000 new SDB shares, based on its average market price for the 20 consecutive trading days preceding the date of announcement of the resolutions of SDB's board of directors approving the transaction. On the same day, the Company entered into a share purchase agreement with NEWBRIDGE ASIA AIV III L.P. ("NEWBRIDGE"), the existing largest shareholder of SDB, pursuant to which the Company conditionally agreed to purchase from NEWBRIDGE 520,414,439 SDB shares, representing approximately 16.76% of the issued share capital of SDB as at June 12, 2009. The consideration for such acquisition shall be satisfied by the Company, at the election of NEWBRIDGE, by way of the cash consideration of RMB11,449,117,658 or 299,088,758 of the Company's H shares. The above deals were approved by the shareholders of SDB on June 29, 2009 and the specific mandate to issue the new H shares was approved by shareholders of the Company at the Extraordinary General Meeting and the class meeting of H shareholders and A shareholders, respectively, on August 7, 2009. The transactions are subject to regulatory approvals.

(2) The State Administration of Taxation has completed their regular inspection of the Group's tax affairs for fiscal years ended December 31, 2004, 2005 and 2006. The Group has made relevant tax provisions based on the results of the inspection and the Group's current understanding of the tax laws. As at June 30, 2009, the total amount of provision for corporate income tax, business tax and individual income tax, etc. made arising from this tax inspection amounted to RMB1,018 million, of which RMB147 million was charged to the income statement for the year ended December 31, 2008 and RMB871 million (RMB812 million of which is corporate income tax) was charged to the income statement for the six months ended June 30, 2009.

14. Post balance sheet events

(1) On July 17, 2009, China Electric Power Research Institute ("CEPRI"), Ping An Trust and XJ Group entered into an agreement for CEPRI to inject additional capital into XJ Group. The capital injection is still in the course of related procedures required by laws and regulations, and will not be effective or completed until the approving by related governmental departments. Upon completion of this capital injection, CEPRI and Ping An Trust will hold 60% and 40% of equity interest in XJ Group respectively. In addition, Ping An Trust will exchange its 40% equity interest in XJ Group with CEPRI for direct equity interest in XJ Electric Co., Ltd. ("XJ Electric") that are currently held by XJ Group. Ping An Trust will eventually hold equity shares of XJ Electric.

(2) On August 14, 2009, the directors approved 2009 interim dividend distribution of RMB0.15 per ordinary share totaling RMB1,102 million.

B. Prepared in accordance with CAS

Interim Consolidated Income Statement
For the six months ended June 30, 2009

For the six months ended June 30, (in RMB million)	2009 (Unaudited)	2008 (Audited)
I. Operating income		
Premium income	**92,685**	69,228
Including: reinsurance premium income	**70**	59
Less: Premium ceded to reinsurers	**(3,706)**	(3,344)
Change in unearned premium reserves	**(4,278)**	(2,535)
Net earned premiums	**84,701**	63,349
Interest income of banking operations	**3,065**	3,369
Interest expenses of banking operations	**(1,141)**	(1,265)
Net interest income of banking operations	**1,924**	2,104
Fees and commission income of non-insurance operations	**1,029**	1,282
Fees and commission expense of non-insurance operations	**(123)**	(118)
Net fees and commission income of non-insurance operations	**906**	1,164
Investment income	**13,887**	23,445
Fair value gains and losses	**6,615**	(18,759)
Foreign exchange losses	**(17)**	(525)
Other income	**2,852**	707
Total operating income	**110,868**	71,485
II. Operating expenses		
Surrenders	**(6,117)**	(6,840)
Claims paid	**(15,859)**	(17,505)
Less: Reinsurers' share of claims paid	**1,629**	1,106
Change in insurance contract liabilities	**(57,792)**	(21,776)
Less: Reinsurers' share of insurance contract liabilities	**(69)**	1,311
Policyholder dividends	**(2,238)**	(4,162)
Expenses for reinsurance accepted	**(16)**	(11)
Fees and commission expense of insurance operations	**(9,827)**	(7,246)
Business tax and surcharges	**(1,625)**	(1,702)
General and administrative expenses	**(9,415)**	(6,013)
Less: Reinsurers' share of expenses	**904**	760
Financial expenses	**(420)**	(252)
Other expenses	**(2,236)**	(444)
Impairment losses	**(456)**	(1,539)
Total operating expenses	**(103,537)**	(64,313)

For the six months ended June 30, (in RMB million)		**2009 (Unaudited)**	2008 (Audited)
III.	**Operating profit**	**7,331**	7,172
	Add: Non-operating income	**77**	27
	Less: Non-operating expenses	**(98)**	(80)
IV.	**Profit before tax**	**7,310**	7,119
	Less: Income taxes	**(2,752)**	191
V.	**Net profit**	**4,558**	7,310
	Attributable to:		
	Owners of the parent	**4,347**	7,102
	Non-controlling interests	**211**	208
		4,558	7,310
VI.	**Earnings per share (RMB)**		
	Basic earnings per share	**0.59**	0.97
	Diluted earnings per share	**0.59**	0.97
VII.	**Other comprehensive income/(loss)**	**7,232**	(30,005)
VIII.	**Total comprehensive income/(loss)**	**11,790**	(22,695)
	Attributable to:		
	Owners of the parent	**11,570**	(22,606)
	Non-controlling interests	**220**	(89)
		11,790	(22,695)

Interim Consolidated Balance Sheet
As at June 30, 2009

(in RMB million)	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
ASSETS		
Cash on hand and at bank	**77,329**	52,445
Balances with clearing companies	**1,100**	1,177
Placements with banks and other financial institutions	**1,397**	304
Held-for-trading financial assets	**69,785**	65,486
Derivative financial assets	**6**	17
Financial assets purchased under agreements to resell	**25,378**	13,084
Interest receivables	**8,471**	6,931
Premium receivables	**5,699**	4,554
Accounts receivables	**2,715**	–
Due from reinsurers	**2,231**	2,733
Reinsurers' share of insurance contract liabilities	**11,895**	11,354
Policy loans	**4,485**	3,725
Loans and advances to customers	**105,517**	74,160
Refundable deposits	**179**	108
Inventories	**1,887**	–
Term deposits	**85,233**	83,003
Available-for-sale financial assets	**212,794**	212,236
Held-to-maturity investments	**154,897**	126,502
Long-term equity investments	**9,723**	6,025
Goodwill	**1,114**	617
Statutory deposits	**6,020**	5,860
Investment properties	**7,224**	6,551
Fixed assets	**8,688**	7,641
Intangible assets	**12,833**	9,500
Deferred tax assets	**5,920**	7,767
Other assets	**7,700**	5,860
Total assets	**830,220**	707,640

(in RMB million)	**June 30, 2009 (Unaudited)**	December 31, 2008 (Audited)
LIABILITIES AND EQUITY		
LIABILITIES		
Short-term borrowings	**4,959**	3,071
Due to banks and other financial institutions	**20,512**	17,204
Guarantee deposits	**16,579**	7,413
Placements from banks and other financial institutions	**2,757**	33
Derivative financial liabilities	**21**	265
Financial assets sold under agreements to repurchase	**34,839**	41,334
Customer deposits	**99,328**	80,649
Payables to brokerage customers	**7,629**	6,929
Notes payable	**457**	–
Accounts payable	**1,431**	–
Accounts received in advance	**1,437**	–
Premiums received in advance	**1,302**	2,210
Commission payable	**1,480**	1,243
Due to reinsurers	**3,827**	3,571
Salaries and welfare payable	**1,937**	2,156
Taxes payable	**2,604**	3,073
Interest payable	**906**	975
Claims payable	**6,961**	6,222
Policyholder dividends payable	**13,525**	12,012
Investment contract liabilities for policyholders	**7,867**	6,420
Insurance contract liabilities	**482,176**	420,064
Long-term borrowings	**8,448**	3,884
Subordinated debts	**4,990**	–
Deferred tax liabilities	**1,000**	472
Other liabilities	**6,565**	6,971
Total liabilities	**733,537**	626,171
EQUITY		
Share capital	**7,345**	7,345
Capital reserve	**55,246**	48,095
Surplus reserve fund	**6,125**	6,125
General reserve	**395**	395
Retained profits	**21,167**	16,820
Foreign currency translation differences	**49**	(23)
Equity attributable to owners of the parent	**90,327**	78,757
Non-controlling interests	**6,356**	2,712
Total equity	**96,683**	81,469
Total liabilities and equity	**830,220**	707,640

C. Reconciliation of GAAP differences between CAS and IFRS

The material GAAP differences between CAS and IFRS in preparing financial statements are as follows:

Reconciliation of GAAP Differences for Net Profit and Equity

Consolidated net profit **For the six months ended June 30** **(in RMB million)**	*Notes*	**2009**	2008
Prepared in accordance with CAS		**4,347**	7,102
Unearned premium reserves	*(1)*	**–**	(199)
Policyholders' reserves	*(2)*	**(6,946)**	(1,888)
Deferred policy acquisition costs	*(3)*	**8,123**	5,316
Deferred tax	*(4)*	**(294)**	(816)
Non-controlling interests and others		**(8)**	(28)
Prepared in accordance with IFRS		**5,222**	9,487

Consolidated equity **(in RMB million)**	*Notes*	**June 30, 2009**	December 31, 2008
Prepared in accordance with CAS		**90,327**	78,757
Unearned premium reserves	*(1)*	**–**	–
Policyholders' reserves	*(2)*	**(51,865)**	(44,920)
Deferred policy acquisition costs	*(3)*	**58,722**	50,599
Deferred tax	*(4)*	**(1,710)**	(1,417)
Non-controlling interests and others		**(78)**	(68)
Prepared in accordance with IFRS		**95,396**	82,951

Non-controlling interests have been deducted from the above amounts.

Notes:

(1) Before July 1, 2008, under CAS, unearned premium reserves of the Group are provided using actuarial valuation results (1/365 method), and should be no less than 50% of the retained premium for the current period (1/2 method) as for life insurance subsidiaries of the Group. Under IFRS, unearned premium reserves are provided using actuarial valuation results (1/365 method). According to the CIRC's new actuarial regulations effective from July 1, 2008, life insurance subsidiaries used the same actuarial valuation results (1/365 method) for provision of unearned premium reserves under both CAS and IFRS.

(2) Under CAS, policyholders' reserves are provided in accordance with related actuarial regulations promulgated by CIRC. Under IFRS, policyholders' reserves are provided in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.

(3) Under CAS, handling costs and commission expenses of acquiring new policies are recognized in the income statement when incurred. Under IFRS, handling costs and commission expenses of acquiring new policies are deferred and amortized over the expected life of the insurance contracts at a constant percentage of expected premiums or at a constant percentage of the present value of estimated gross profits expected to be realized over the life of the insurance contracts by product type, in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.

(4) The above differences between CAS and IFRS are temporary differences in accordance with IAS 12 Income Taxes. The Group recognizes deferred tax assets and liabilities on the basis of the above differences and the tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Foreign currency denominated assets held by the Group are exposed to foreign currency risks. These assets include monetary assets such as deposits and bonds held in foreign currencies, and non-monetary assets measured at fair value such as our stocks and funds held in foreign currencies. The Group's foreign currency denominated liabilities are also exposed to fluctuations in exchange rates. These liabilities include monetary liabilities, such as loans, customer's deposits and claim reserves denominated in foreign currencies and non-monetary liabilities measured at fair value. The exposures to fluctuations in exchange rates from the above assets and liabilities offset each other.

The Group uses sensitivity analysis to estimate its risk exposure. Foreign currency risk sensitivity is estimated 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 liabilities measured at fair value.

As at June 30, 2009 (in RMB million)	**Decrease in profit**	**Decrease in equity**
Net exposure to fluctuations in exchange rates assuming a simultaneous and uniform 5% depreciation 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 against the Renminbi	**619**	**1,013**

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.

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

Components of Economic Value

(in RMB million)	**June 30, 2009**	December 31, 2008
Risk discount rate	**Earned Rate/11.5%**	Earned Rate/11.5%
Adjusted net asset value	**90,574**	79,016
Adjusted net asset value of life insurance business	**36,744**	25,800
Value of in-force insurance business written prior to June 1999	**(10,310)**	(11,340)
Value of in-force insurance business written since June 1999	**75,993**	66,859
Cost of holding the required solvency margin	**(13,628)**	(11,676)
Embedded value	**142,628**	122,859
Embedded value of life insurance business	**88,799**	69,643

(in RMB million)	**June 30, 2009**	December 31, 2008
Risk discount rate	**11.5%**	11.5%
Value of one year's new business	**12,170**	10,039
Cost of holding the required solvency margin	**(1,938)**	(1,498)
Value of one year's new business after cost of solvency	**10,231**	8,541
Value of first half year's new business after cost of solvency	**6,246**	4,556

Notes: (1) Figures may not be additive due to rounding.

(2) In the table above, the assumptions used to calculate the value of first half year's new business in 2008 are the same with current assumptions used to calculate the new business value. If the 2008 mid-year valuation's assumptions were used, the value of first half year's new business in 2008 would be RMB4,911 million.

OTHER INFORMATION

Purchase, sale, or redemption of listed shares

Neither the Company, nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed shares from January 1, 2009 to June 30, 2009.

Audit committee

The Company has established an Audit Committee in compliance with the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process, internal audit and control procedures. The Audit Committee, comprising five Independent Non-executive Directors, namely Mr. Tang Yunwei, Mr. Chow Wing Kin Anthony, Mr. Zhang Hongyi, Mr. Chen Su, and Mr. Chung Yu-wo Danny and one Non-executive Director, namely Mr. Ng Sing Yip, 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 interim accounts of the Company.

Compliance with the Code on Corporate Governance Practices of the Listing Rules

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices for any part of the period from January 1, 2009 to June 30, 2009 except that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and Chief Executive Officer of the Company.

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

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

Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company were set out under the paragraph headed "Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules" in the Corporate Governance Report on pages 69 to 70 of the Company's 2008 Annual Report dated April 8, 2009.

Interim Dividend and Closure of Register

The Board declared that an interim dividend of RMB0.15 (equivalent to HK$0.1701) per share for the six months ended June 30, 2009 will be paid to shareholders of the Company. Holders of H shares whose names are on the Company's register of members of H shares on September 1, 2009 (the "Record Date") will be entitled to the interim dividend. The registration date and arrangements in relation to the rights of holders of A shares to receive the interim dividend for the period ended June 30, 2009 will be separately announced in the PRC.

According to the Articles of Association of the Company, dividends will be denominated and declared in Renminbi. Dividends on A shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong dollars. The relevant exchange rate will be the average middle exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of the interim dividends (RMB0.8818 equivalent to HK$1.00).

In order to determine the list of holders of H shares who are entitled to receive the interim dividend for the period ended June 30, 2009, the Company's register of members of H shares will be closed from Tuesday, September 1, 2009 to Monday, September 7, 2009, both days inclusive, during which period no transfer of H shares will be effected. In order to qualify for the interim dividend, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on Monday, August 31, 2009. The address of the transfer office of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The Company has appointed Bank of China (Hong Kong) Trustees Limited as the receiving agent in Hong Kong (the "Receiving Agent") and will pay to the Receiving Agent the interim dividend declared for payment to holders of H shares. The interim dividend will be paid by the Receiving Agent and relevant cheques will be despatched on or before September 9, 2009 to holders of H Shares whose names appear on the register of members of the Company on the Record Date by ordinary post at their own risk.

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 2009 interim dividends to non-resident enterprise holders of H shares, including Hong Kong Securities Clearing Company Nominees Limited, as listed on the Company's register of members of H shares on the Record Date; after the legal opinion is provided by the resident enterprise shareholders within the stipulated time frame and upon the Company's confirmation of such opinion, the Company will not withhold any enterprise income tax when it distributes 2009 interim dividends to resident enterprise holders of H shares listed on the Company's register of members of H shares on the Record Date.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company's register of members of H shares which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold the said 10% enterprise income tax, it shall submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Monday, August 31, 2009 a legal opinion, issued by a PRC qualified lawyer (inscribed with the seal of the applicable law firm), that establishes its resident enterprise status. The Company will also not withhold any individual income tax for natural person holders of H shares listed on the Company's register of members of H shares on the Record Date.

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

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

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

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

Shenzhen, PRC, August 14, 2009

As at the date of this announcement, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi, Cheung Chi Yan Louis, Wang Liping and Jason Bo Yao; the Non-executive Directors are Lin Lijun, Hu Aimin, Chen Hongbo, Wong Tung Shun Peter, Ng Sing Yip, Clive Bannister and Li Zhe; and the Independent Non-executive Directors are Chow Wing Kin Anthony, Zhang Hongyi, Chen Su, Xia Liping, Tang Yunwei, Lee Ka Sze Carmelo and Chung Yu-wo Danny.