Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended December 31, 2011.

PRINCIPAL ACTIVITIES
The principal activities of the Group comprise the provision of a wide range of financial products and services with a focus on the three core businesses namely, insurance, banking and investment. There were no significant changes in the nature of the Group’s principal activities during the year.

MAJOR CUSTOMERS
In the year under review, operating income from the Group’s five largest customers accounted for less than 1% of the total operating income for the year.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company’s issued share capital) had any beneficial interest in the Group’s five largest customers.

SUMMARY FINANCIAL INFORMATION
A summary of the published results, assets and liabilities of the Group for the last five financial years is set out in “Five-Year Summary”.

RESULTS AND APPROPRIATIONS
The Group’s results in 2011 are set out in the section titled “FINANCIAL STATEMENTS”.

As stated in the 2011 audited financial statements of the Group prepared under CAS, net profit attributable to shareholders of the parent company was RMB19,475 million and net profit of the Company was RMB22,831 million. Pursuant to the Articles of Association and other relevant requirements, the Company shall make appropriation to the statutory surplus reserve fund based on 10% of the net profit of the Company as shown in the financial statements under CAS before determining the profit available for distribution to shareholders in the year 2011. Appropriation to the statutory surplus reserve fund may cease to apply if the balance of the statutory surplus reserve fund reached an amount equal to 50% of the registered capital of the Company. After making the above profit distribution and taken into account the retained profit carried forward from last year, according to the Articles of Association and other relevant requirements, the profit available for distribution to shareholders was RMB22,630 million.

The Company had distributed an interim dividend of RMB0.15 (including tax) per share for 2011, which amounted to a total of RMB1,187,421,313.80. The Company proposes to distribute a final dividend of RMB0.25 (tax inclusive) per share in cash for 2011, which will amount to RMB1,979,035,523.00 based on a total share capital of 7,916,142,092 shares, with the remaining retained profit being carried forward to 2012.
The above proposal will be implemented upon approval at 2011 Annual General Meeting.

The Company has no plan to capitalize from capital reserve and surplus reserve.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash dividend amount (including tax)</th>
<th>Net profit attributable to shareholders of the parent company</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>4,204</td>
<td>17,311</td>
<td>24.3</td>
</tr>
<tr>
<td>2009</td>
<td>3,395</td>
<td>13,883</td>
<td>24.5</td>
</tr>
<tr>
<td>2008</td>
<td>1,469</td>
<td>1,418</td>
<td>103.6</td>
</tr>
</tbody>
</table>

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

DISTRIBUTABLE RESERVES
As at December 31, 2011, the Company’s reserves available for distribution totalled RMB22,630 million, of which RMB1,979 million has been proposed as a final dividend for the year. The retained profits were carried forward to 2012. In addition, the Company’s capital reserve and surplus reserve fund, in the amount of RMB90,488 million, may be distributed by a future capitalization issue.

MANAGEMENT DISCUSSION AND ANALYSIS
For management discussion and analysis, please refer to the section headed “Management Discussion and Analysis”.

PARTICULARS ON INVESTMENT DURING THE REPORTING PERIOD
On June 17, 2011, the Company completed the direct issuance of 272 million H Shares to JINJUN LIMITED at a price of HK$71.50 per share, with net proceeds totalling RMB16,134 million. As at the end of the reporting period, all the proceeds raised from this issuance were completely used to replenish the capital of the Company. The non-raised fund of the Company mainly comes from its core insurance business. The Company has been strictly following the relevant requirements of CIRC on the application of insurance fund. All investment in relation to insurance fund was conducted in the normal course of operation.

SHARE CAPITAL
The change in the share capital of the Company in 2011 and the share capital structure of the Company as at December 31, 2011 are set out in “Changes in the Share Capital and Shareholders’ Profile”.

RESERVES
Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the “Consolidated Statement of Changes in Equity”, respectively.

CHARITABLE DONATIONS
Charitable donations made by the Company during 2011 totalled RMB24 million.
PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES
Details of movements in investment properties and property and equipment of the Group during the year are set out in notes 28 and 29 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS
There are no provisions regarding pre-emptive rights under the PRC Company Law or the Articles of Association, which would oblige the Company to issue new shares to its existing shareholders in proportion to their existing shareholdings.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY
Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company’s listed shares during the year.

DIRECTORS AND SUPERVISORS
The information about Directors and Supervisors of the Company during 2011 and as at the date of this annual report are set out in “Corporate Governance Report” and “Report of the Supervisory Committee”.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT
Biographical details of Directors, Supervisors and members of the senior management are set out in “Directors, Supervisors, Senior Management and Employees”.

DIRECTORS’ AND SUPERVISORS’ SERVICE CONTRACTS AND REMUNERATION
On April 8, 2009, as considered and approved by the 25th Meeting of the 7th Session of the Board of Directors and the 12th Meeting of the 5th Session of the Supervisory Committee of the Company, the Company entered into service contracts with all Directors of the 8th Session of the Board of Directors and all Supervisors of the 6th Session of the Supervisory Committee, respectively on July 1, 2009, and entered into service contracts with the newly appointed Director, Mr. Guo Limin, and the Supervisor representing the employees, Mr. Sun Jianping, on March 3, 2010 and March 31, 2010, respectively. The Company also entered into service contracts with newly appointed Supervisor representing the employees, Mr. Xiao Jiyan, and Director, Mr. Woo Ka Biu on May 23, 2011 and August 17, 2011, respectively. Terms, duties, remuneration expenses and confidentiality duties of Directors and Supervisors, and commencement and termination of contracts were specified in the service contracts. As of December 31, 2011, no Directors or Supervisors had a service contract with the Company which was not terminable by the Company within one year without payment of compensation other than statutory compensation.

Details of remuneration of the Directors and Supervisors for the year ended December 31, 2011 are set out in note 48 to the financial statements.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN MATERIAL CONTRACTS
No Directors or Supervisors had a material interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during 2011.

DIRECTORS’ AND SUPERVISORS’ INTERESTS AND SHORT POSITIONS IN SHARES
Details of Directors’ and Supervisors’ interests and short positions in shares are set out in the section titled
“Directors, Supervisors, Senior Management and Employees”.

DIRECTORS’ AND SUPERVISORS’ RIGHTS TO ACQUIRE SHARES
At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, Supervisors or their respective spouse or minor children, nor were any such rights exercised by them, or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN A COMPETING BUSINESS
During 2011 and up to the date of this annual report, the following Director is considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group, as defined in the Listing Rules, as set out below:

Mr. Wong Tung Shun Peter, a Non-executive Director of the Company, is currently the Chief Executive of HSBC, a Group Managing Director and a member of the Group Management Board of HSBC, and a Chairman of HSBC Bank (China) Company Limited which is the largest among foreign banks in mainland China and offers a wide range of banking and financial services by an ever-expanding network. As SDB and Ping An Bank, subsidiaries of the Company, are primarily engaged in commercial banking business in the PRC as approved by the CBRC, the authorized banking business of HSBC has, to a certain extent, overlapped and thus may compete with that of SDB and Ping An Bank.

Save as disclosed, as far as the Directors are aware, none of the Directors and Supervisors had any competing interest in a business, which competes or is likely to compete, either directly or indirectly, with the Group’s business.

BOARD COMMITTEES
The Company has established a Strategy and Investment Committee, an Audit and Risk Management Committee, a Remuneration Committee and a Nomination Committee. For details regarding these Board committees, please see the relevant sections in the “Corporate Governance Report”.

THE WORK OF THE BOARD OF DIRECTORS
The work of the Board of Directors is set out under “Corporate Governance Report”.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES
For details regarding substantial shareholders’ and other persons’ interests and short positions in shares and underlying shares, please refer to section entitled “Changes in the Share Capital and Shareholders’ Profile”.

CONTINUING CONNECTED TRANSACTIONS
For details regarding continuing connected transactions, please refer to section entitled “Significant Events”.

POST BALANCE SHEET EVENTS
Details of the significant post balance sheet events of the Group are set out in note 54 to the financial statements.
COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES CONTAINED IN APPENDIX 14 TO 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, 2011 to December 31, 2011 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. Further details of the Company’s arrangements and considered reasons for the Company’s intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out under the section headed “Corporate Governance Report”.

ESTABLISHMENT AND IMPLEMENTATION OF THE ADMINISTRATION SYSTEM FOR INSIDER INFORMATION AND REGISTRATION

The Company set up the Insider Information Registration System at the 4th Meeting of the 8th Session of the Board held in October 2009 and performed tracking and management on insider trading of shares of the Company in accordance with the relevant requirements of the regulatory authorities such as CSRC and those prescribed under relevant systems. The Company and relevant personnel were not subject to supervisory measures or administrative penalties due to implementation of the Insider Information Registration and Management System or suspect of conducting insider trading.

AUDITORS

According to the resolutions of the 2010 shareholders’ meeting of the Company, the Company re-appointed Ernst & Young Hua Ming as the PRC auditors of the Company for financial statements prepared in accordance with PRC Accounting Standards and Ernst & Young as the international auditors of the Company for financial statements prepared in accordance with International Financial Reporting Standards (hereinafter refer to “Ernst & Young”) in 2011. As of the end of the reporting period, Ernst & Young has been providing audit services to the Company for ten consecutive years. The resolution on the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the annual general meeting to be held on Wednesday, June 27, 2012 for approval.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, being March 15, 2012, at all times during the year ended December 31, 2011, not less than 20% of the issued share capital of the Company (being the minimum public float applicable to the shares of the Company) was held in public hands.

By order of the Board of Directors

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
March 15, 2012