Report of the Board of Directors
All members of the Board of 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, 2012.

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”.

IMPLEMENTATION OF CASH DIVIDEND POLICY AND PROFIT DISTRIBUTION PROPOSAL DURING THE REPORTING PERIOD
Cash Dividend Policy
According to rule 213 of the Articles of Association, the Company shall attach importance to the reasonable investment returns of investors in terms of its profit distribution. The profit distribution policy of the Company shall maintain its continuity and stability. The accumulated profit to be distributed in cash for any three consecutive years shall not be less than 30% of the average annual distributable profit realized in the three years, provided that the annual distributable profits of the Company (namely profits after tax of the Company after covering the losses and making contributions to the revenue reserve) are positive in value and such distributions are in compliance with the prevailing laws and regulations and the requirements of regulatory authorities for solvency ratio. In determining the specific ratio of distribution of cash dividend, the Company shall take into account its profit, cash flow, solvency and operation and business development requirements. The board of directors of the Company shall be responsible for formulating and implementing a distribution plan according to the provisions of these Articles of Association.
In preparing profit distribution plans, the board of directors of the Company shall listen and absorb views and advice from shareholders (in particular, the minority shareholders), independent directors and independent supervisors through various ways. Independent directors of the Company shall express their independent opinions on the profit distribution plans. When a specific cash dividends distribution plan is put forward for consideration at a general meeting, a variety of channels shall be provided for communication and opinion exchange with shareholders (in particular, the minority shareholders), whose opinions and demands shall be fully heard and prompt response shall be given to any issues the minority shareholders are concerned.

Where adjustment to our profit distribution policy is required due to the applicable national laws and regulations and new rules promulgated by the CSRC regarding profit distribution policies of listed companies or significant changes in the external business environment and/or operating situations of the Company, it shall be done for the purpose of safeguarding the shareholders’ interests and in strict compliance with the decision-making process. To this end, the board of directors of the Company shall work out an adjustment plan based on the operating situations of the Company and the relevant regulations of the CSRC, and then submit the same to the general meeting for consideration and approval. Implementation of the adjustment plan is conditional upon approval by shareholders (including their proxies) holding more than two-thirds of voting rights present at the general meeting.

**Implementation of Profit Distribution Proposal**

The 2011 annual profit distribution proposal of the Company was considered and passed at the 2011 Annual General Meeting of the Company held on June 27, 2012, the Company will pay in cash the 2011 final dividend of RMB0.25 (tax inclusive) per share, in a total amount of RMB1,979,035,523, based on its total share capital of 7,916,142,092 by the date of the Annual General Meeting. The record date for the distribution of dividends was July 13, 2012. The dividend distribution date was July 27, 2012.

The interim profit distribution proposal for 2012 was considered and passed by the 2nd meeting of the 9th session of the Board of Directors of the Company held on August 23, 2012, the Company will pay in cash the interim dividend of RMB0.15 (tax inclusive) per share for 2012, in a total amount of RMB1,187,421,313.80, based on its total share capital of 7,916,142,092. The Independent Non-executive Directors of the Company had agreed with the distribution proposal unanimously. The record date of A Shares for the distribution of dividends was September 25, 2012, and the record date of H Shares was October 3, 2012. The dividend distribution date was October 22, 2012.

The above profit distribution proposal was in line with the Articles of Association and relevant deliberation procedures and had fully protected the legitimate interests of medium and small investors. The announcement on the resolution of the general meeting and the board meeting were published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on June 28, 2012 and August 24, 2012, respectively. The announcements regarding the distribution of 2011 final dividend and 2012 interim dividend of the Company were published on the websites of SSE and HKEx, and in China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily printed on July 10, 2012 and September 20, 2012,
respectively. The implementation of the above-mentioned distribution proposals have been completed.

ANNUAL RESULTS AND PROFIT DISTRIBUTION

The Group’s results in 2012 are set out in the section titled “FINANCIAL STATEMENTS”.

As stated in the 2012 audited financial statements of the Group prepared under CAS, the net profit attributable to shareholders of the parent company was RMB20,050 million and net profit of the parent Company was RMB7,355 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. 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 taking 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 RMB26,819 million.

The Company had distributed an interim dividend of RMB0.15 (tax inclusive) per share for 2012, which amounted to a total of RMB1,187,421,313.80. The Company proposes to distribute a final dividend of RMB0.30 (tax inclusive) per share in cash for 2012, which will amount to RMB2,374,842,627.60 based on a total share capital of 7,916,142,092 shares, with the remaining retained profit being carried forward to 2013.

The above proposal will be implemented upon approval at the 2012 Annual General Meeting. The profit distribution proposal is in line with the Articles of Association and relevant deliberation procedures and fully protects the legitimate interests of medium and small investors. The Independent Non-executive Director has made independent opinion to agree with the profit distribution proposal.

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 issued for each share (RMB)</th>
<th>Cash dividend amount (RMB)</th>
<th>Net profit attributable to shareholders (RMB)</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
DISTRIBUTABLE RESERVES
As at December 31, 2012, the Company’s reserves available for distribution totalled RMB26,819 million, of which RMB2,375 million has been proposed as a final dividend for the year. The retained profits were carried forward to 2013. 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
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.

EQUITY INVESTMENT DURING THE REPORTING PERIOD
For equity investment during the reporting period, please refer to the section headed “Significant Events”.

<table>
<thead>
<tr>
<th></th>
<th>during the year (in RMB yuan)</th>
<th>(including tax)¹</th>
<th>shareholders of the parent company (in RMB million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>0.40</td>
<td>3,166</td>
<td>19,475</td>
</tr>
<tr>
<td>2010</td>
<td>0.55</td>
<td>4,204</td>
<td>17,311</td>
</tr>
<tr>
<td>2009</td>
<td>0.45</td>
<td>3,395</td>
<td>13,883</td>
</tr>
</tbody>
</table>

¹ Cash dividends include interim dividend and final dividend of the year.
² Profit distribution for each year has been completed during their corresponding years.
SHARE CAPITAL
The change in the share capital of the Company in 2012 and the share capital structure of the Company as at December 31, 2012 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 2012 totalled RMB49 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 Company Law of the PRC 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 reporting period.

DIRECTORS AND SUPERVISORS
The information about Directors and Supervisors of the Company are set out in “Corporate Governance Report” and “Report of the Supervisory Committee”.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT
Biographical details of Directors, Supervisors and Senior Management are set out in “Directors, Supervisors, Senior Management and Employees”.
DIRECTORS’ AND SUPERVISORS’ SERVICE CONTRACTS AND REMUNERATION
According to the resolutions of the 25th Meeting of the 7th Session of the Board of Directors and the 2nd Meeting of the 7th Session of the Supervisory Committee of the Company, the Company entered into service contracts with all Directors of the 9th Session of the Board of Directors and all Supervisors of the 7th Session of the Supervisory Committee, respectively in July 2012 and August 2012. 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, 2012, 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, 2012 are set out in note 49 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 2012.

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 2012 and up to the date of this annual report, the following person 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 HKEx Listing Rules, as set out below:

Mr. Wong Tung Shun Peter, a former Non-executive Director of the Company, is the Chief Executive of HSBC, a Group Managing Director of HSBC Holdings and a member of the Group
Management Board, 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 Ping An Bank, a subsidiary of the Company, is 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 Ping An Bank. As at December 7, 2012, Mr. Wong Tong Shun Peter had resigned as a Non-executive Director of the Company, therefore the abovementioned competing business no longer exists.

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”.

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 55 to the financial statements.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE CONTAINED IN APPENDIX 14 TO THE HKEX LISTING RULES

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the former Corporate Governance Code for any part of the period from January 1, 2012 to March 31, 2012 and the applicable Code Provisions set out in the revised Corporate Governance Code for any part of the period from April 1, 2012 to December 31, 2012, 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, and some Non-executive Directors (including Independent Non-executive Directors) failed to attend certain general meetings. 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”. Details regarding attendance of the Directors of the Company at general meetings during the year are set out under “Shareholders and General Meeting” in “Corporate Governance Report”.

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

Details of the establishment and implementation of the administration system for insider information and registration are set out in “Establishment and Perfection of Corporate Governance System” to “Corporate Governance Report”.

**AUDITORS**

According to the resolutions of the 2011 Annual General Meeting of the Company, the Company re-appointed Ernst & Young Hua Ming LLP 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”), and appointed Ernst & Young as the auditors of the company for internal control in 2012. As of the end of the reporting period, Ernst & Young has been providing audit services to the Company for eleven consecutive years.

**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 14, 2013, at all times during the year ended December 31, 2012, 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