

PINGAN

Finance · Technology

Expertise Makes Life Simple



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Cautionary Statements Regarding Forward-Looking Statements

To the extent any statements made in this Report contain information that is not historical, these statements are essentially forward-looking. These forward-looking statements include but are not limited to projections, targets, estimates and business plans that the Company expects or anticipates may or may not occur in the future. Words such as "potential", "estimates", "expects", "anticipates", "objective", "intends", "plans", "believes", "will", "may", "should", variations of these words and similar expressions are intended to identify forward-looking statements.

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

Introduction

Ping An strives to become a world-leading technology-powered retail financial services group.

Ping An continues to develop "finance + technology" as its core businesses. While ensuring steady growth in its main financial businesses, Ping An increases its investments in technology and accelerates "finance + ecosystem" empowerment to transform and upgrade its main businesses. Ping An employs technologies to drive revenue growth, improve efficiency, enhance risk management, and cut operating costs of its financial businesses. Moreover, Ping An leverages a broad array of innovative technologies to develop its five ecosystems, namely financial services, health care, auto services, real estate services, and smart city services, to optimize customer acquisition and promote integrated financial services. The core of Ping An's integrated financial business model is "one customer, multiple products, and one-stop services." Ping An leverages its local advantages while adhering to global corporate governance and business management standards. By empowering financial services with technologies, empowering ecosystems with technologies, and empowering financial services with ecosystems, Ping An provides financial products and services for 210 million retail customers and 560 million internet users. While remaining focused on retail business, Ping An extends its "1+N" philosophy to its corporate business to tap synergies among Ping An's multiple corporate-facing business units. Capitalizing on these synergies, Ping An seeks to strengthen the customer value and contributions of its corporate business by implementing an innovative corporate integrated financial business model.

Introduction

- **Ping An achieved steady business results.** Ping An accelerated its transformation toward online operations and enhanced risk management to minimize the impact of COVID-19. In the first half of 2020, operating profit attributable to shareholders of the parent company rose by 1.2% year on year to RMB74,310 million, culminating in a 21.6% annualized operating ROE.
- **Ping An continues to pay dividends to shareholders.** Despite the short-term adverse impact on economic growth, Ping An attaches importance to shareholder returns and will pay an interim dividend of RMB0.80 per share in cash, up 6.7% year on year.
- **Retail customer development continued to yield strong results.** As of June 30, 2020, retail customers increased by 4.6% from the beginning of 2020 to 210 million. In the first half of 2020, Ping An acquired 18.09 million new customers, of whom 35.4% were sourced from internet users within the Group's five ecosystems. Contracts per customer rose by 1.9% from the beginning of 2020 to 2.69.
- **Value contributions from corporate business cross-selling grew steadily.** Ping An continued to extend its "1+N" integrated financial business model to the corporate business and took a segmented approach to customer development, providing strategic customers with integrated "commercial banking + investment banking + investment" services while serving small and micro-business customers online. In the first half of 2020, the new financing scale achieved through corporate business cross-selling climbed by 170.2% year on year. The written premium of the corporate channel achieved through cross-selling grew by 168.4% year on year.
- **Ping An Life proactively utilized technology to minimize the impact of COVID-19 and advance its reform.** In quick response to the epidemic, Ping An Life established an industry-leading online operations model. Ping An Life's sales agents recovered in the second quarter of 2020, with the number of sales agents increasing by 1.2% from March 31, 2020. In the first half of 2020, operating profit after tax of the life and health insurance business rose by 6.4% year on year to RMB51,535 million. Meanwhile, Ping An Life steadily advanced multiple reform projects to ensure sustainable, high-quality, and healthy growth.
- **The property and casualty insurance business grew steadily.** In the first half of 2020, Ping An Property & Casualty's premium income grew by 10.5% year on year despite the COVID-19 epidemic. Ping An Property & Casualty maintained better-than-industry business quality, with a combined ratio of 98.1%. As of June 30, 2020, the "Ping An Auto Owner" app had over 109 million registered users, up 17.8% year to date. In June 2020, the app had over 27 million monthly active users.
- **Ping An Bank maintained stable business operations and strengthened provisions.** Amid the COVID-19 epidemic, Ping An Bank quickly resumed business by advancing online digital operations. In the first half of 2020, revenue increased by 15.5% year on year to RMB78,328 million. As of June 30, 2020, the provision coverage ratio rose by 31.81 pps to 214.93% from the beginning of 2020.
- **Revenue of online health care services surged.** During the peak of the COVID-19 epidemic, Ping An Good Doctor's online platform was accessed over 1.11 billion times. In the first half of 2020, Ping An Good Doctor's revenue of online health care services grew strongly by 106.8% year on year to RMB695 million.

- Ping An continued to develop its technological capabilities.** As of June 30, 2020, Ping An's technology patent applications increased by 4,625 year to date to 26,008. Ping An topped the 2020 global fintech patent ranking list for the second consecutive year with over 1,500 applications in the area. Ping An won multiple international honors in AI, healthtech and other fields. OneConnect's Gamma Lab topped the rankings in two sub-tasks at the Document Visual Question Answering (DocVQA) competition held by the Conference on Computer Vision and Pattern Recognition 2020 (CVPR 2020).
- Ping An diligently fulfilled its social responsibilities.** Ping An furthered sustainable development, and built the AI-ESG smart management platform to enable responsible investments. MSCI upgraded Ping An's ESG rating

to A. As of June 30, 2020, Ping An's responsible investments amounted to RMB1.18 trillion. The Company focused its efforts on targeted poverty alleviation, and provided RMB24,905 million for industrial poverty alleviation through Ping An Rural Communities Support. Amid the COVID-19 epidemic, Ping An rapidly acted to offer insurance protection, healthtech support, and donations, and donated supplies and cash totaling more than RMB175 million.

- Ping An's brand value continued to increase.** In 2020, the Company ranked 21st in the Fortune Global 500 list, 7th in the Forbes Global 2000 list, 38th in the BrandZ™ Top 100 Most Valuable Global Brands list, and 1st among global insurance brands for the fifth time.

Total Assets (in RMB million)



Operating Profit Attributable to Shareholders of the Parent Company (in RMB million)



Basic Operating EPS (in RMB)



New Business Value of Life and Health Insurance Business (in RMB million)



Total Revenue (in RMB million)



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



Interim Dividend per Share (in RMB)



Embedded Value of Life and Health Insurance Business (in RMB million)



Chairman's Statement

TO COPE WITH CHANGE, WE MUST REFORM. TO ACCOMPLISH OUR MISSION, WE MUST REMAIN TRUE TO OUR ORIGINAL ASPIRATIONS.

So far 2020 has been challenging, having witnessed a complex fast-changing macro-environment, the dramatic impact of COVID-19, and highly volatile global markets. History shows that turbulence leads to great change and crisis breeds opportunities. At Ping An, 2020 is a year of reform for its life insurance business amid huge internal and external challenges. In this interim report, we are providing details of our reform progress in answer to the concerns of investors.

In pursuing reform and innovation, it is critical to remain true to our original aspirations. As the saying goes, “you reap what you sow.” By holding true to our original aspirations we will accomplish our mission. We have made tremendous progress in realizing these aspirations. As one of the trailblazers in China's insurance industry, Ping An is breaking through old market conventions to provide customers with diverse insurance products and integrated financial services. Ping An serves the real economy and people's livelihoods with cutting-edge technologies and products to protect the safety of thousands of families and make life easier. Seizing the strategic opportunity brought by a once-in-a-century change, Ping An strives to become a role model for Chinese financial companies and a benchmark for technology innovators, in doing so making contributions to national rejuvenation.

With challenges come opportunities, and now is the time for reform. Since its inception in 1994, our life insurance business has been growing strongly, benefiting from the favorable times, regulatory policies, and solid foundations laid in our early days. In recent years, however, we have identified huge challenges threatening the healthy, sustainable development of the traditional life insurance business model; we have entered a new era of market development. The evolving macro-environment, consumer demands and demographic dividends as well as advancing

technology applications have all raised new and higher requirements for the life insurance industry. To create something new, one must reform the obsolete. We urgently need to adjust and upgrade our internal management, product design, and channel development practices. We must carry out an all-encompassing reform for our life insurance business. We spent two to three years developing a reform strategy, and found a way to shift gears in the life insurance business. Now is the time for us to make changes, lay a solid foundation for future growth, and build platforms for sustainable high-quality development.

To accomplish our mission, we must remain true to our original aspirations. We had to clearly identify the problems before launching our reform. In following our original aspirations, to “meet customer demands” and “make life easier with expertise,” we have identified four reform directions, namely teams, products, management, and culture. First, we will reform our sales teams because the mixed competencies of our sales agents call for better management and training. Second, we will reform our products by improving the “products + services” framework and empowering sales and operations through the “products + technologies” strategy. Third, we will reform our management to be more visionary in long-term planning and more patient with intensive cultivation. Fourth, we will reform our culture by prioritizing quality, aiming high, remaining alert to crises, and embracing technologies.

With clear aims, the reform will become one of our major corporate development milestones. I am the head of a task force dedicated to steering Ping An Life's reform. We aim to become not only the largest life insurer, but also a market leader, an industry benchmark, the customers' first choice, and a world-leading life insurer. The world's centuries-old traditional life insurance business model is undergoing comprehensive change. By advancing reform, Ping An is leading a revolution in the centuries-old approaches to the sales and operations of the life insurance sector.

The reform cannot be finished overnight. At the heart of Ping An Life's efforts to build platforms for long-term sustainable growth are digital operations established under a "channel + product" strategy. The challenges facing life insurers have raised wide concern in the industry. Traditional insurers and internet insurance players are all stepping up their own reforms. Some drive growth by expanding their sales forces; some pursue higher productivity and better performance; and some take advantage of the internet, technologies, and innovative models. We plan to build platforms for long-term sustainable, healthy growth through product strategies, channel development and data-driven operations, providing customers with responsive, convenient, reliable and intuitive financial services.

We take a customer-centric approach to product reform. As times change, so do the needs and habits of insurance consumers, who exhibit huge and growing differences in demands, preferences, attributes, and sophistication. Therefore, we need to take a customer-centric approach to meeting demands with more forward-looking product strategies, rather than the traditional "one-product-fits-all" approach to life insurance marketing. We differentiate ourselves from rivals by leveraging the Group's strengths in integrated financial services to build a "life insurance +" product portfolio. To meet customers' diverse needs in daily life, we have developed ecosystems around their daily life scenarios, integrating our products with services, including health care, healthy lifestyles, elderly care, and education.

We empower our sales agents with technology, to build a high-productivity, high-income, high-quality agent force, and reform our sales channels. In sales management, we optimize our basic management to empower sales agents with multi-product sales skills. In team management, we optimize our organizational development paths under the basic management procedure for sales agents, conduct group-specific team management, and strictly implement the Company's discipline and culture. In training management, we invest more heavily in training and upgrade the training models. We provide sales agents with highly personalized training resources, product-related resources, digital marketing resources, strong back-office support and business development tools. In the short term,

we will focus on "team expansion + productivity promotion," thus improving agent recruitment and enhancing agents' sales skills to increase their productivity. In the long term, we will build a high-productivity, high-income, high-quality agent force.

We are digitizing our life insurance business for all-around data-driven operations. In this regard, we have built a "headquarters brain" that anticipates trends, makes timely decisions, and takes action ahead of others by predicting, tracking and intervening in operations in an effective and timely manner. With the "headquarters brain," we are increasing our capability in managing operations, making predictions, and applying technologies. In data-driven management, we boost management efficiency by adopting "standard, refined, automatic, and smart" operations processes. In data-driven marketing, we raise customer reach rates and pursue sales targets through approaches including content marketing, social marketing, event marketing, and service marketing. To ensure sustainable, high-quality and healthy development, Ping An Life remains committed to value creation, reshaping the Ping An spirit and adhering to its core business philosophies: "strength over scale" and "quality over quantity."

The reform projects are progressing steadily and paying off gradually. Ping An Life's reform initiative began as a product and channel adjustment exercise in 2018, and became the all-encompassing reform program that is seen now in November 2019. So far, we have completed the top-level design of most of the projects, launched pilot programs at branches for nearly half of the projects, and started to implement projects across the Group. Despite the unprecedented difficulty and rare depth of the reform, we are filled with confidence because we have unique advantages in achieving our aspirations. With over 25 years of business experience, our life insurance management team has global vision, professional expertise, and diverse skills. Our sales force is highly competent, with industry-leading productivity. Our diverse integrated financial product portfolio provides sales agents with abundant opportunities to increase income and develop careers. Equipped with world-leading technologies, our sales agents are fully empowered to develop business. That is why we are confident that most of the reform projects will be implemented this year.

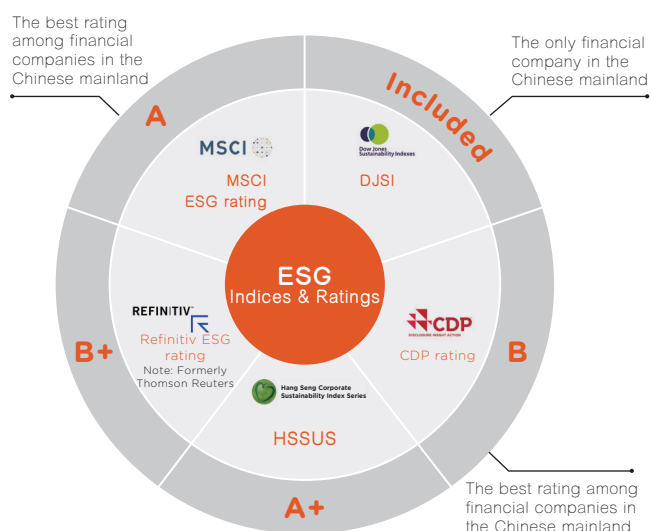
Chairman's Statement

In the first half of 2020, the Company maintained stable operations through reforms and business development. Despite the complex, challenging environment and headwinds, the Company maintained stable operations through key measures including transformation toward online operations and enhancement of risk management under the “finance + technology” and “finance + ecosystem” strategies. Operating profit attributable to shareholders of the parent company for the first half of 2020 increased by 1.2% year on year to RMB74,310 million. The annualized operating ROE was 21.6%. Despite the short-term adverse impact on economic growth, Ping An attaches importance to shareholder returns and will pay an interim dividend of RMB0.80 per share in cash, up 6.7% year on year. Retail customer development continued to yield strong results thanks to ecosystem development. As of June 30, 2020, retail customers increased by 4.6% from the beginning of 2020 to 210 million. In the first half of 2020, Ping An acquired 18.09 million new customers, of whom 35.4% were sourced from internet users within the Group's five ecosystems. Contracts per customer rose by 1.9% from the beginning of 2020 to 2.69. The value contributions from corporate business cross-selling grew steadily under the integrated financial business model of “one customer, multiple products, and one-stop services.” Ping An takes a segmented approach to customer development, providing strategic customers with integrated “commercial banking + investment banking + investment” services, while serving small and micro-business customers online. In the first half of 2020, the new financing scale achieved through corporate business cross-selling climbed by 170.2% year on year. The written premium of the corporate channel achieved through cross-selling grew by 168.4% year on year.

Our core financial businesses withstood severe tests as we rapidly responded to COVID-19 and transformed toward online operations. Amid the COVID-19 epidemic, Ping An Life conducted the reform program while maintaining business growth, and rapidly established an industry-leading online operations model. As of June 30, 2020, Ping An Life's sales agents increased by 1.2% from March 31, 2020 to 1.145 million. Ping An Property & Casualty's business grew as the premium income increased by 10.5% year on year, with a combined ratio of 98.1%, indicating better-than-industry business quality. As of June 30, 2020, the “Ping An Auto

Owner” app had over 109 million registered users, up 17.8% from the beginning of 2020. In June 2020, the app had over 27 million monthly active users. Ping An Bank maintained stable business operations and strengthened provisions. Amid the COVID-19 epidemic, Ping An Bank quickly resumed business by advancing online digital operations. In the first half of 2020, revenue increased by 15.5% year on year to RMB78,328 million. As of June 30, 2020, the provision coverage ratio rose by 31.81 pps from the beginning of 2020.

We continued to enhance our technological capabilities, and fought COVID-19 with our health technology. As of June 30, 2020, Ping An's technology patent applications increased by 4,625 from the beginning of 2020 to 26,008. Ping An topped the 2020 global fintech patent ranking list for the second consecutive year with over 1,500 fintech patent applications in the area. During the peak of the COVID-19 epidemic, Ping An Good Doctor's online platform was accessed over 1.11 billion times. In the first half of 2020, Ping An Good Doctor's revenue of online health care services grew strongly by 106.8% year on year to RMB695 million.



The effect of sustainable development transformation driven by ESG is remarkable. In recent years, Ping An's global mainstream ESG ratings have continuously improved as it became the best among Chinese peers and joined the world's upper-middle bracket.

At critical moments, businesses should fulfill their social responsibilities.

Amid the COVID-19 epidemic, Ping An acted rapidly to make charitable donations, offer insurance protection, serve the real economy, and provide healthtech support. The cash and supplies donated by Ping An in the first half of 2020 totaled more than RMB175 million in value. Ping An adheres to the philosophy of sustainable development. As of June 30, 2020, Ping An's responsible investment amounted to RMB1.18 trillion. The Company focused its efforts on targeted poverty alleviation, and continued Ping An Rural Communities Support, providing RMB24,905 million for industrial poverty alleviation. Ping An's brand value and reputation rose steadily. In 2020, the Company ranked 21st in the Fortune Global 500 list, seventh in the Forbes Global 2000 list, 38th in the BrandZ™ Top 100 Most Valuable Global Brands list, and first among global insurance brands for the fifth time.



Amid the COVID-19 epidemic in 2020, Ping An HealthKconnect and Ping An Healthcare Diagnostics Center dispatched to Wuhan a vehicle equipped with a mobile computed tomography scanner to ease local pressure.

Looking into the second half of the year, the impact of COVID-19 on China's economy will continue due to the harsh situation in certain regions. In the short term, major economic indicators will improve as risks are mitigated and social normalcy is restored. However, in the medium and long term, uncertainties will remain due to the international environment and economic situation.

Adversity makes one stronger. There is no growth without pain. The more difficult the reform is, the more resolute we are.

Today, reform is Ping An's biggest historic mission and direction. We will uphold the faith in reform, walk the walk, and tackle difficulties and challenges with a strong sense of mission and responsibility. We will address the root causes of deep-seated problems while maintaining daily operations and advancing reform and transformation. We will make the reform a resounding success by building platforms for long-term sustainable, high-quality development, providing customers and society with reassuring, reliable insurance protection, and contributing our wisdom to the life insurance industry in China and beyond.

Chairman

Shenzhen, China
August 27, 2020

Financial Highlights

(in RMB million)	For the six months ended June 30, 2020/ As of June 30, 2020	For the six months ended June 30, 2019/ As of December 31, 2019	Change
CUSTOMER DEVELOPMENT			
Number of internet users (in million)	560.21	515.50	8.7%, YTD
Number of retail customers (in million)	209.62	200.48	4.6%, YTD
Number of contracts per customer (contract)	2.69	2.64	1.9%, YTD
Operating profit per customer (in RMB)	310.20	348.77	-11.1%, YoY
Proportion of retail customers holding multiple contracts with different subsidiaries (%)	37.3	36.8	0.5 pps, YTD
Proportion of the Group's new customers sourced from internet users within the Group's five ecosystems (%)	35.4	31.4	4.0 pps, YoY
THE GROUP			
Operating profit attributable to shareholders of the parent company	74,310	73,464	1.2%, YoY
Operating ROE (annualized, %)	21.6	24.6	-3.0 pps, YoY
Basic operating earnings per share (in RMB)	4.20	4.12	1.9%, YoY
Interim dividend per share (in RMB)	0.80	0.75	6.7%, YoY
Net profit attributable to shareholders of the parent company	68,683	97,676	-29.7%, YoY
Equity attributable to shareholders of the parent company	701,972	673,161	4.3%, YTD
Group comprehensive solvency margin ratio (%)	230.8	229.8	1.0 pps, YTD
Total assets	8,848,631	8,222,929	7.6%, YTD
Total liabilities	7,926,460	7,370,559	7.5%, YTD
LIFE AND HEALTH INSURANCE BUSINESS			
Operating return on embedded value (annualized, %)	18.7	28.4	-9.7 pps, YoY
Embedded value	805,374	757,490	6.3%, YTD
Value of first half year's new business	31,031	41,052	-24.4%, YoY
Operating profit	51,535	48,433	6.4%, YoY
Residual margin	962,333	918,416	4.8%, YTD
Comprehensive solvency margin ratio - Ping An Life (%)	231.8	231.6	0.2 pps, YTD
PROPERTY AND CASUALTY INSURANCE BUSINESS			
Operating profit	8,274	10,039	-17.6%, YoY
Combined ratio (%)	98.1	96.6	1.5 pps, YoY
Comprehensive solvency margin ratio (%)	241.3	259.2	-17.9 pps, YTD
BANKING BUSINESS			
Net profit	13,678	15,403	-11.2%, YoY
Net interest margin (annualized, %)	2.59	2.62	-0.03 pps, YoY
Cost-to-income ratio (%)	27.30	29.46	-2.16 pps, YoY
Non-performing loan ratio (%)	1.65	1.65	-, YTD
Provision coverage ratio for loans more than 60 days overdue (%)	228.44	190.34	38.10 pps, YTD
Core tier 1 capital adequacy ratio (%)	8.93	9.11	-0.18 pps, YTD
ASSET MANAGEMENT BUSINESS			
Net profit of trust business	1,653	1,874	-11.8%, YoY
Net profit of securities business	1,565	1,252	25.0%, YoY
TECHNOLOGY BUSINESS			
Operating profit	4,045	3,274	23.5%, YoY

Note: Certain figures have been reclassified or restated to conform to the presentation for the relevant periods.

Customer Development

- Impacted by the COVID-19 epidemic, the Group's retail operating profit declined by 2.3% year on year to RMB65,025 million in the first half of 2020. Retail business accounted for 87.5% of the Group's operating profit attributable to shareholders of the parent company.
- The Group's retail business results grew steadily. Ping An Group had 210 million retail customers⁽¹⁾ as of June 30, 2020, up 4.6% year to date. In the first half of 2020, 18.09 million new customers were acquired, of whom 35.4% were sourced from internet users within the Group's five ecosystems. Contracts per customer rose by 1.9% from the beginning of 2020 to 2.69. Amid continuous expansion of the customer base, the Group's retail cross-selling continued to develop. A total of 78.28 million retail customers held multiple contracts with different subsidiaries, up 6.2% year to date. The Group's cross-selling penetration rate rose by 0.5 pps year to date to 37.3%. The Group's user development capability continued to increase. As of June 30, 2020, the Group's internet users⁽²⁾ increased by 8.7% year to date to 560 million, of whom 376 million have yet to become its customers. Five of Ping An's portfolio of apps have achieved more than 100 million registered users, respectively.
- The Group's corporate business achieved a steady increase in value contribution. Ping An made progress in extending the philosophy of integrated finance, namely "one customer, multiple products and services" to its corporate business. The Group's corporate business achieved a significant growth in scale. In the first half of 2020, the written premium of the corporate channel achieved through cross-selling rose by 168.4% year on year. The new financing scale achieved through corporate business cross-selling increased by 170.2% year on year. As of June 30, 2020, the outstanding balance of retail assets referred by corporate business was RMB1.34 trillion while the underlying assets invested by insurance funds sourced from corporate business was RMB498,504 million, up RMB59,049 million year to date.

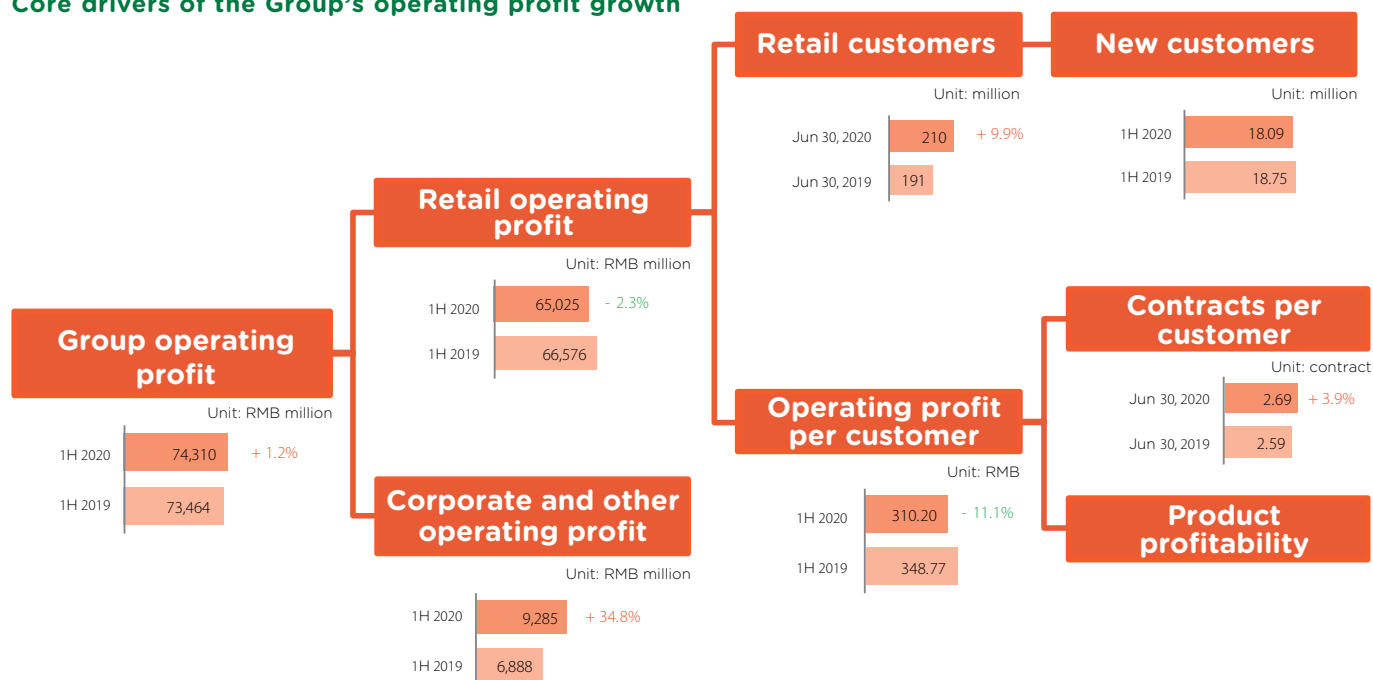
CUSTOMER DEVELOPMENT STRATEGY

Under a customer-centric philosophy and the integrated finance strategy, Ping An has been dedicated to the development of both retail and corporate customers. Ping An's retail business adheres to the philosophy of "one customer, multiple products, and one-stop services." Under the "finance + technology" and "finance + ecosystem" strategies, Ping An focuses on five ecosystems, namely financial services, health care, auto services, real estate services, and smart city services. Ping An provides customers with diverse products and excellent services by empowering financial services with technologies, empowering ecosystems with technologies, and empowering financial services with ecosystems. Ping An's abilities to continuously expand the retail customer base, steadily increase contracts per customer, and maintain stable product profitability have become the internal drivers of Ping An's strong retail business growth. In corporate business, Ping An focuses on strategic customers and small and micro-business customers with tiered customer development. Ping An satisfies customer demands for integrated financial services under a "1+N" service model (one customer + N products). Ping An uses technologies to improve customer experiences and reduce costs. Moreover, Ping An serves the real economy and offers inclusive finance services under the integrated financial business model.

- Notes: (1) Retail customers refer to retail customers holding valid financial products with the core financial companies of the Group. At the end of 2019, we revised the definition of retail customers by removing customers with complimentary insurance only from retail customers to provide a more objective representation of the size of valuable customers. Moreover, we restated the data for the comparable periods of 2017, 2018, and 2019.
- (2) Internet users refer to unique registered users with accounts on internet service platforms (including webpage platforms and mobile apps) of the technology companies and core financial companies of the Group. At the end of 2019, we revised the definition of internet customers by removing the unique users of suspended internet platforms from internet users. Moreover, we restated the data for the comparable periods of 2017, 2018, and 2019.

Customer Development

Core drivers of the Group's operating profit growth



Note: Group operating profit is the operating profit attributable to shareholders of the parent company. Figures may not match the calculation due to rounding.

RETAIL CUSTOMER DEVELOPMENT

Retail operating profit slightly decreased

In the first half of 2020, retail operating profit fell 2.3% year on year to RMB65,025 million. The decline was primarily driven by unfavorable factors including the difficulties in offline business processing and rising risks in retail consumer finance due to the COVID-19 epidemic.

Retail customers and internet users increased steadily

Ping An continued to optimize its products, channels, and scenarios to deliver excellent customer experiences. As of June 30, 2020, the Group had 210 million retail customers, up 4.6% from the beginning of 2020. In the first half of 2020, the Company acquired 18.09 million new customers, 6.40 million or 35.4% of whom were sourced from internet users within the Group's five ecosystems. Moreover, Ping An continued to promote the migration and conversion between customers and users by improving service experiences on online platforms. As a result, the proportion of customers sourced from internet users increased steadily.

Retail customer mix

(in million)	June 30, 2020	December 31, 2019	Change (%)
Life insurance ⁽¹⁾	64.78	63.00	2.8
Auto insurance ⁽¹⁾	51.21	50.23	2.0
Retail banking	73.92	69.25	6.7
Credit card	58.59	56.71	3.3
Securities, fund and trust	51.40	47.08	9.2
Others ⁽²⁾	57.34	50.31	14.0
The Group	209.62	200.48	4.6

- Notes: (1) The numbers of customers of insurance companies are based on holders of in-force policies.
 (2) Others include other investments, lending and insurance products.
 (3) The numbers of retail customers of separate business lines do not add up to the total due to the removal of duplicates.
 (4) The number of customers as of June 30, 2020 is not equal to the sum of customers as of December 31, 2019 and new customers in the Reporting Period due to customer attrition.

Online retail customers

(in million)	June 30, 2020		December 31, 2019	
	Persons	% of customers	Persons	% of customers
Number of retail customers who were also internet users	184.56	88.0	173.74	86.7
Number of retail customers who were also app users	179.60	85.7	168.23	83.9

Ping An provides internet users with one-stop services, constantly improves online user experiences, and aligns services more closely with user needs. As of June 30, 2020, the Group had 560 million internet users, up 8.7% from the beginning of 2020. App users increased to 510 million, up 8.5% from the beginning of 2020. Five of Ping An's portfolio of apps have achieved more than 100 million registered users, respectively. On average, each internet user used 2.07 online service features from Ping An. Meanwhile, yearly active users⁽¹⁾ reached 307 million as user activity and stickiness increased due to efficient internet user development.

Note: (1) The number of yearly active users refers to the number of active users in the 12 months to the end of the Reporting Period.

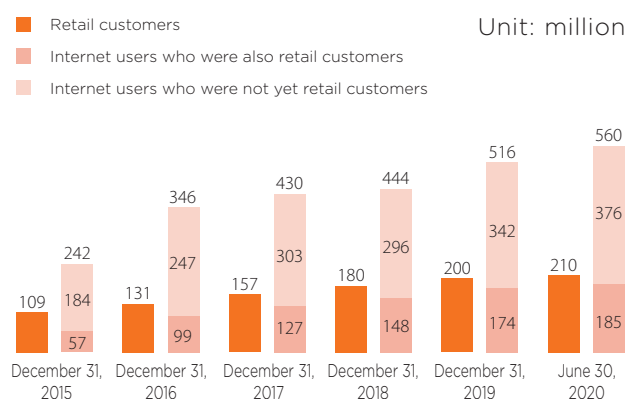
Number of internet users

(in million)	June 30, 2020	December 31, 2019	Change (%)
Internet users	560.21	515.50	8.7
Technology companies	389.43	356.43	9.3
Core financial companies	405.85	369.72	9.8
App users	510.14	470.01	8.5
Technology companies	276.74	249.75	10.8
Core financial companies	380.62	345.42	10.2

Note: Internet users and app users of the Group include the users of technology companies and core financial companies, excluding duplicates.

Ping An continues to convert internet users into customers. As of June 30, 2020, retail customers who were also internet users increased by 6.2% year to date to 185 million. Of the Group's 560 million internet users, 376 million had not yet become its customers, indicating large potential for user conversion. The Group will continue to leverage traditional channels and scenario-based selling in ecosystems to acquire retail customers. Moreover, Ping An will strengthen cross-selling penetration to increase contracts per customer and steadily boost the value of retail customers.

Retail customer and internet user structure

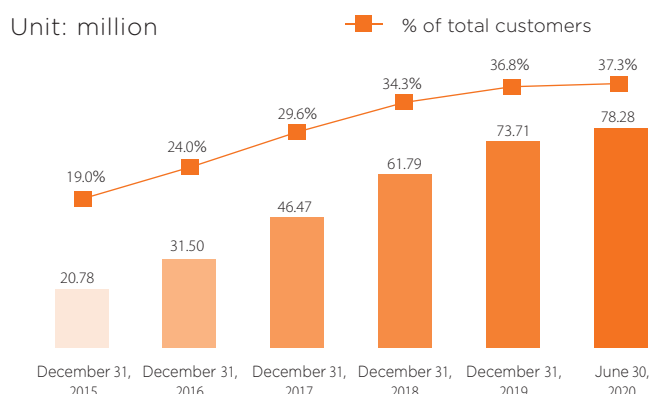


Note: Figures may not match the calculation due to rounding.

Retail cross-selling continued to increase

Ping An continues to promote cross-selling under the integrated financial business strategy. As a result, contracts per customer increase year by year. In the first half of 2020, 17.31 million customer migrations occurred between core financial companies of Ping An. As of June 30, 2020, 78.28 million or 37.3% of retail customers held multiple contracts with different subsidiaries, up 0.5 pps from the beginning of 2020 amid continuous expansion of customer base. Contracts per customer grew by 1.9% year to date to 2.69.

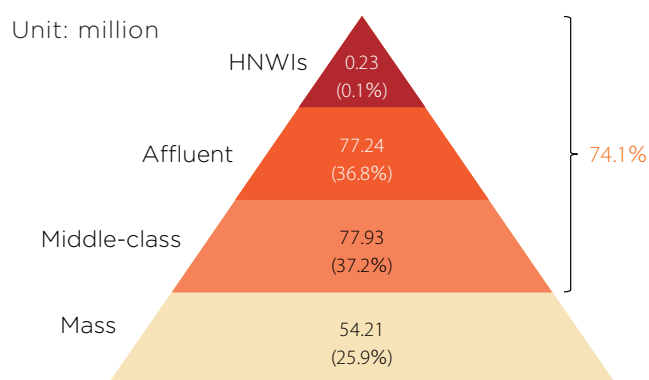
Number of retail customers holding multiple contracts with different subsidiaries



Customer Development

Ping An has gained better insights into customers from its long-term customer development. The wealthier customers are, the more contracts they hold and the more valuable they are. As of June 30, 2020, the Group had 155 million middle-class or higher-level retail customers, accounting for 74.1% of the total. On average, each high net worth individual (HNWI) held 12.37 contracts, far more than affluent customers.

Retail customer wealth structure and proportion



Retail customers and contracts per customer by segment

	Number of customers (in million)	Contracts per customer
HNWIs	0.23	12.37
Affluent	77.24	3.67
Middle-class	77.93	2.32
Mass	54.21	1.76
The Group	209.62	2.69

Notes: (1) Mass customers are those with annual income below RMB100,000, middle-class customers RMB100,000-240,000, and affluent customers above RMB240,000. HNWIs have personal assets of RMB10 million or more.
(2) Figures may not match the calculation due to rounding.

Cross-selling between insurance businesses continued to grow strongly. In the first half of 2020, the premium incomes of Ping An Property & Casualty, Ping An Annuity and Ping An Health achieved through the agent channel of Ping An Life rose by 8.5%, 3.1% and 68.3% respectively.

Premium income from cross-selling by Ping An Life's agents

For the six months ended June 30 (in RMB million)	2020		2019	
	Channel contribution Amount	Percentage (%)	Channel contribution Amount	Percentage (%)
Ping An Property & Casualty	23,332	16.2	21,501	16.5
Short-term insurance business of Ping An Annuity	4,981	39.0	4,830	41.4
Ping An Health	3,393	69.3	2,016	66.1

Going forward, Ping An will continue to focus on retail customers, strengthen technological capabilities, and use innovative products and better services to improve customer experiences. In this way, the Company will boost both retail customer value and corporate value.

CORPORATE CUSTOMER DEVELOPMENT Tiered customer development under a "1+N" service model of the corporate business

In corporate business, Ping An focuses on strategic customers as well as small and micro-business customers under a customer-centric philosophy. Ping An taps customer demand and promotes customer value by conducting tiered customer development under a "1+N" service model (one customer + N products).

In respect of services for strategic customers, Ping An targets customers in industries that contribute significantly to people's livelihoods as well as facilitate long-term economic development. The Company provides strategic customers with comprehensive tailor-made solutions combining "commercial banking + investment banking + investment" and "financing + intelligence" to satisfy customer demands for financing and management. Taking advantage of insurance fund investment in infrastructure, the Company provides offerings along industry chains and across ecosystems to increase customer stickiness and value as well as acquire more customers through existing ones.

In respect of services for small and micro-business customers, Ping An makes financing more accessible by reshaping supply chain finance and innovating credit enhancement with technologies including the Internet of Things (IoT) and blockchain. Moreover, Ping An makes financing more affordable by introducing superfast online review and streamlining credit approval processes. The financial needs of small and micro-business customers tend to be simple and standardized. The Company scales up its financial business and seizes market share by acquiring small and micro-business customers in batches with standard products and technologies. In the first half of 2020, the Group built a group-wide customer development framework and a middle office management framework for corporate business to accelerate the online operations of customer reach and review of insurance products.

Significant results of customer development: continued growth in business scale and steady increases in value contributions

Under the corporate integrated financial business strategy, the corporate customer base continued to grow, customer services improved steadily, and the business scale increased significantly. In the first half of 2020, corporate premiums achieved through cross-selling⁽¹⁾ grew by 34.1% year on year to RMB8,033 million, in which the written premium of the corporate channel⁽²⁾ rose by 168.4% year on year. The new financing scale achieved through corporate business cross-selling⁽³⁾ increased by 170.2% year on year to RMB272,959 million. As a source of high-quality customers and assets, the corporate business contributed to the steady growth of the retail business, and sourced assets for the investment of insurance funds. As of June 30, 2020, the outstanding balance of retail assets referred by corporate business was RMB1.34 trillion, up 8.9% from the beginning of 2020. In the first half of 2020, the underlying assets invested by insurance funds sourced from corporate business⁽⁴⁾ grew by RMB59,049 million to RMB498,504 million, with the increment expanding by 35.8% year on year.

Performance of corporate integrated finance

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
Corporate premiums achieved through cross-selling ⁽¹⁾	8,033	5,991	34.1
Including: Written premium of the corporate channel ⁽²⁾	2,590	965	168.4
New financing scale achieved through corporate business cross-selling ⁽³⁾	272,959	101,034	170.2

- Notes: (1) The corporate premiums achieved through cross-selling refer to written premiums of insurance policies sold by the Group to corporate customers through cross-selling.
- (2) Written premium of the corporate channel refers to the written premium of the integrated financial business less that of the life insurance channel.
- (3) The new financing scale achieved through corporate business cross-selling refers to the scale of new financing projects achieved by the Group's member companies through cross-selling.
- (4) The underlying assets invested by insurance funds sourced from corporate business refer to the assets sourced by the Group's core financial companies, including Ping An Asset Management, Ping An Securities, and Ping An Trust, for the allocation of the Group's insurance funds.

Performance of integrated finance realized through Ping An Bank

As an engine of the Group's corporate business, Ping An Bank has advantageous distribution channels. In the first half of 2020, the premiums and financing referred by Ping An Bank rose by 271.0% and 147.6% year on year respectively.

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
Premiums referred by Ping An Bank ⁽¹⁾	1,896	511	271.0
Financing referred by Ping An Bank ⁽²⁾	220,612	89,088	147.6

- Notes: (1) Premiums referred by Ping An Bank refer to the premiums of Ping An's group insurance products distributed through Ping An Bank.
- (2) Financing referred by Ping An Bank refers to the scale of financing projects referred by Ping An Bank for other member companies of the Group through cross-selling.

Going forward, Ping An's corporate customer development will remain focused on strategic customers and small and micro-business customers. By enhancing the "1 + N" service model, Ping An will improve customer services, strengthen risk management, maximize corporate customer value, and create greater value for customers.

Technology-Powered Business Transformation

- Ping An continued to invest heavily in research and development (R&D) to build leading technological capabilities and further develop its five ecosystems. As of June 30, 2020, Ping An's patent applications increased by 4,625 year to date to 26,008. Ping An ranked first on the global fintech patent ranking list for the second consecutive year.
- Ping An made significant progress in developing its five ecosystems, which encompass financial services, health care, auto services, real estate services, and smart city services. Within its ecosystems, Ping An has an array of online and technology-powered offline businesses which interact to provide comprehensive scenarios, services and synergies for its 560 million internet users as of June 30, 2020. Empowering its main financial businesses with technology, Ping An achieved AI-driven product sales of RMB176.3 billion in the first half of 2020. Moreover, Ping An deployed advanced analytics engines to improve the quality and efficiency of risk management.
- Ping An won multiple international honors in AI, healthtech and other fields. OneConnect's Gamma Lab topped the rankings in two sub-tasks at the Document Visual Question Answering (DocVQA) competition held by the Conference on Computer Vision and Pattern Recognition 2020 (CVPR 2020).

THE GROUP'S "FINANCE + TECHNOLOGY" AND "FINANCE + ECOSYSTEM" STRATEGIES

Ping An continues to execute the "finance + technology" and "finance + ecosystem" strategies.

Ping An continues to invest heavily in R&D to build leading technological capabilities, which have been widely utilized to empower its main financial businesses and accelerate the development of its five ecosystems, namely financial services, health care, auto services, real estate services, and smart city services. Ping An applies an array of technologies to diverse scenarios to increase efficiency, cut costs, enhance risk management, develop excellent products, and boost revenue. Moreover, Ping An offers leading innovative products and services to external clients to develop and empower business ecosystems with advanced technologies.

Ping An continues to focus on developing core technologies and securing proprietary intellectual property rights, and invest heavily in R&D.

As of June 30, 2020, Ping An had a first-class technology team of nearly 110,000 technology employees, including over 3,000 scientists. Moreover, Ping An's eight research institutes and 57 laboratories have partnered with top universities including Peking University, Tsinghua University, and Fudan University as well as leading research institutes to realize technological breakthroughs. As of June 30, 2020, Ping An's patent applications increased by 4,625 year to date to 26,008, more than most other international financial institutions'. Of these applications, nearly 96% were for inventions, and 6,307 were filed under the Patent Cooperation Treaty (PCT) and abroad. Among the 2020 Global Fintech Patent Ranking List Top 100 released in June 2020, Ping An ranked top in the world for the second consecutive year by filing more than 1,500 patent applications. In 2019, Ping An ranked second globally by published digital healthtech patent applications. Ping An ranked eighth globally by international patent applications filed under PCT for 2019.

Ping An won multiple international honors in AI, healthtech and other fields for technological breakthroughs in the first half of 2020. Ping An was top-ranked at Stanford Question Answering Dataset 2.0 (SQuAD 2.0) of Stanford University, a test of machine reading comprehension, for the third time, and ranked first by the total score in 11 sub-tasks of the General Language Understanding Evaluation (GLUE) benchmark. OneConnect's Gamma Lab topped the rankings in two sub-tasks at the Document Visual Question Answering (DocVQA) competition held by the Conference on Computer Vision and Pattern Recognition 2020 (CVPR 2020). The OCR technology is capable of recognizing multiple languages including simplified Chinese, traditional Chinese, and English. The technology has been used over 100,000 times, saving existing clients 90% of time for data entry and 75% of labor cost under the same task conditions. Furthermore, Ping An actively published medical papers in authoritative journals, including one published with Jinling Hospital in *EbioMedicine*, a sub-journal of *The Lancet*, and one on endoscopic image quality in *Scientific Reports*, a sub-journal of *Nature*. A research paper on ICU sepsis prediction co-authored by Ping An, the General Hospital of the People's Liberation Army, and Cornell University was published in *Critical Care Medicine*, a top international journal of critical care medicine.

Amid the COVID-19 epidemic, Ping An quickly resumed production through proprietary technologies. Ping An enabled its nearly 400,000 employees to work from home and attend online audio and video meetings on its self-developed platform, which could accommodate over 300 attendees in a single meeting. Moreover, the "Zhi Niao" app facilitated concurrent live broadcast viewing by over one million life insurance sales agents, recording nearly three million views per day. In the meantime, Ping An strengthened its main products and service capabilities with technologies, offering services without delay while fighting the epidemic.

EMPOWERING MAIN FINANCIAL BUSINESSES WITH TECHNOLOGIES

From the perspective of transforming and upgrading Ping An's main businesses, technology benefits are reflected in greater profitability, stronger risk management, and higher business efficiency. In the first half of 2020, AI-driven sales reached RMB176.3 billion, up 104% year on year, including RMB105.9 billion in product sales driven by AI in service processes, which represented 57.9% of the total sales from platform synergies.

In respect of profitability improvement, Ping An leverages technologies to optimize business processes, boost operational efficiency, and improve customer experiences. Ping An boosts productivity by empowering service representatives with AI. In the first half of 2020, the average daily productivity of service representatives increased by 15% year on year from 114.5 times of services per person to 131.3 times of services per person. As of June 30, 2020, Ping An's self-developed robots covered over 2,000 scenarios. These robots provided services 860 million times in the first half of 2020, up 82% year on year, representing 82% of the customer service workloads. Ping An Property & Casualty leverages technologies including AI robots to provide online, paperless, automatic smart insurance policy and claims services. As of June 30, 2020, 99.3% of the policy services of Ping An Property & Casualty were processed online, and 99.8% were paperless. Ping An processed 2.49 million end-to-end online family auto insurance claims; such claims accounted for 82.6% of total family auto insurance claims in June.

In respect of risk management, Ping An employs cutting-edge analytics engines to enhance the quality and efficiency of risk management. In the first half of 2020, AI helped collect RMB290 billion of loans per month on average (including RMB260 billion in the M0 stage and RMB30 billion in the M1 stage) and increased the balance of loans under management per capita by 15% from the beginning of 2020 to RMB62 million. Ping An dynamically monitors corporate credit risks with its smart alert technology, and gave over 3,000 warnings in the first half of 2020 with an accuracy rate of over 92%, involving a total risk exposure of nearly RMB40 billion.

Technology-Powered Business Transformation

In respect of efficiency improvement, Ping An accelerates the application of new technologies to business scenarios including life insurance and banking to improve productivity. Ping An Life pioneered a smart customer-visit assistant that facilitates audio/video communication, sales proposal explanation and smart robot assistance, enabling agents to interact with customers through remote audio/video communication in the online AI Reception Room, which was used 7.72 million times in the first half of 2020. Moreover, Ping An continued to upgrade AI Training, a smart training toolkit, to provide agents with training in diverse scenarios including product knowledge and segment-specific sales practice. AI Training has been used 7.55 million times since it went live, being endorsed by 99% of the agents. In AI-enabled retail banking, Ping An Bank issued 4.1753 million new credit cards in the first half of 2020, nearly 90% of which were automatically approved by AI. As of June 30, 2020, unmanned customer services accounted for 88.5% of Ping An Bank's AI-processed customer service workloads, up 2.4 pps from the beginning of 2020.

DEVELOPMENT OF PING AN'S ECOSYSTEMS **Financial Services Ecosystem**

Ping An's financial services ecosystem provides diverse financial services including insurance, banking and investment to facilitate seamless connection and closed-loop transactions in various financial service scenarios. Ping An has built multiple financial innovation platforms including Lufax Holding, OneConnect and E-wallet to satisfy customers' comprehensive financial demands, linking assets to funds through "open platforms + open marketplaces." As of June 30, 2020, the app users of Ping An's core financial companies increased by 35.2 million year to date to 381 million.

In traditional financial services, Ping An leverages synergies between ecosystems to provide smart, online-merge-offline and one-stop services in comprehensive scenarios. **In retail business,** as of June 30, 2020, Ping An provided 210 million retail customers with over 10,000 financial products. Ping

An launched the Fortune Festival 2020 to satisfy customers' demands for diverse, one-stop financial services and improve customer service experiences. In the first half of 2020, Ping An achieved RMB3.41 trillion in transaction volume during the festival. The festival attracted over 44.77 million participants, 5.58 million of whom became Ping An's new retail customers. **In corporate business,** Ping An supports the real economy by providing corporate and financial institution customers with insurance, financing and investment services. In the first half of 2020, Ping An provided 4,729 corporate customers and key construction projects with disaster and loss prevention services. As of June 30, 2020, the year-to-date insured sum of corporate property and casualty insurance exceeded RMB12 trillion, and the balance of corporate loans granted by Ping An Bank to various corporate customers stood at RMB1,090,653 million.

In fintech, Ping An combines financial services industry expertise with cutting-edge technologies to boost service efficiency and enable business management. **In services for financial institutions,** OneConnect facilitated RMB47.4 billion of loans in the first half of 2020. As of June 30, 2020, OneConnect had served 630 banks and 100 insurance companies in total, including all of China's major banks, 99% of its city commercial banks, and 53% of its insurance companies, collectively reaching hundreds of millions of end-customers. **In services for retail customers and merchants,** E-wallet had provided over 280 million retail users with financial and consumption services including wealth management, shopping, payment, and loyalty point management as of June 30, 2020. E-wallet also empowers 2.1 million business customers by providing solutions for payment and customer loyalty management. Amid the COVID-19 epidemic, E-wallet proactively contributed to the resumption of work and production by tapping the mobile payment scenarios of day-to-day consumption and launching services including an online donation platform, a rural aid program, services for at-home consumption and corporate catering.

Health Care Ecosystem

Ping An has built a comprehensive health care ecosystem of “patients-providers-payers.” As of June 30, 2020, the health care ecosystem covered over 370 cities, 17,000 medical providers, and 346 million users. Taking Ping An Good Doctor as a portal, Ping An serves online and offline retail customers through various companies including Ping An Life, Ping An Annuity, and Ping An Health. Ping An empowers medical regulators and medical service participants through the smart city business. Ping An also empowers payers including Healthcare Security Administrations and commercial insurers through Ping An HealthKconnect’s smart health care services platform.

As to patients, Ping An Good Doctor provides over 346 million users with one-stop health care services. Ping An Good Doctor provides users with timely, high-quality online-merge-offline health care services through its in-house full-time medical staff and AI-based medical system. These services include 24/7 online consultation, health management, prescription, registration, second medical opinions, and 1-hour drug delivery. With its in-house full-time medical team of 1,836 members, Ping An Good Doctor had over 346 million users as of June 30, 2020 and processed a total of nearly 825 million online medical consultations in the first half of 2020. Ping An Good Doctor empowers ecosystem partners with high-quality resources including AI and medical services. Furthermore, Ping An Good Doctor has partnered with over 3,700 hospitals, including nearly 2,000 tier 3 hospitals, and over 111,000 pharmacies in 371 cities across China.

As to medical service providers, Ping An provides medical regulators and medical service providers with a smart integrated platform covering all the steps before, during and after medical services.

Ping An’s smart health care services cover over 17,000 medical institutions, providing comprehensive services including integrated regulatory platforms, AI-based disease prediction, medical image recognition, and AskBob, a consultation/treatment assistant tool. AskBob was used 22.04 million times by approximately 413,000 doctors in the first half of 2020.

As to payers, Ping An HealthKconnect strives to be a smart technology company that fully empowers the health care ecosystem. Ping An HealthKconnect empowers Healthcare Security Administrations through its Smart Social Health Insurance (SHI) Integrated Platform. Ping An HealthKconnect also provides integrated medical management solutions covering hospitals, doctors, pharmacies, and insured members. Moreover, Ping An HealthKconnect empowers commercial insurers in terms of insurance product design, risk management, and marketing channels. So far, Ping An HealthKconnect has won platform construction project bids in multiple provinces.

Technology-Powered Business Transformation

Auto Services Ecosystem

Ping An has built a comprehensive auto services ecosystem covering auto showcasing, purchase, and use. Ping An serves auto owners and empowers automakers, auto dealers and auto repair shops through companies including Autohome, Ping An Property & Casualty, Ping An Bank, and Ping An Financial Leasing.

As to retail customers, in June 2020, Autohome had 38 million daily active users on mobile devices. Ping An Property & Casualty's "Ping An Auto Owner" app had over 109 million registered users as of June 30, 2020, and over 27 million monthly active users in June. Ping An Bank actively promotes its auto owner credit cards which integrate the auto owners' benefits, transaction services, and financial services to provide auto owners with high-quality, one-stop service experiences.

As to businesses, over 17,000 auto dealers and 25 automakers bought Ping An's data products in the first half of 2020. In the first half of 2020, Ping An Bank's new auto loans amounted to RMB96,196 million. Ping An Financial Leasing's auto lease business volume amounted to RMB19,150 million.

Smart City Ecosystem

Ping An's smart city ecosystem is committed to promoting sustainable city development with technologies, aiming to fully extend a new generation of smart city services across China in government services, business development, and citizen services. As of June 30, 2020, Ping An's smart city business served 118 cities, nearly 600,000 enterprises, and over 87 million citizens. Amid the COVID-19 epidemic, Ping An leveraged big data and AI to predict the epidemiological trends and the work and production resumption progress, playing a unique role in helping cities promptly respond to public health emergencies and effectively prevent and control the epidemic.

In respect of government services, Ping An helps local governments increase their efficiency in fiscal, performance and environmental management through its integrated smart government service platform. In fiscal management, Ping An's smart fiscal system is serving more than 4,000 administrative units, businesses and public institutions, and enabling the management of over RMB6 trillion in assets. In performance management, Ping An's smart government system has been deployed in 25 cities and 52 commissions, offices and bureaus throughout China. The system has helped local governments analyze more than 400 themes and over 10,000 metrics, and review and archive over 200,000 structured policies. In environmental management, Ping An's smart environmental management system helped the Shenzhen Municipal Government monitor and supervise 100% of the monitored metrics of approximately 80,000 polluting enterprises in seven major industries, covering 230 pollutants and processing over 10 billion pieces of data.

In respect of business development, Ping An has built an integrated smart business platform from the perspectives of planning, services and supervision to provide comprehensive services to nearly 600,000 enterprises and optimize the business environment. In industry planning, Ping An covers more than 150 cities across China, 34 analysis themes, and over 4,500 economic metrics, facilitating industry analysis and forecast. In enterprise services, Ping An launched a work and production resumption index platform for the government to monitor the resumption of work and production across the country and evaluate the impact of COVID-19 on the economy and enterprises, enabling policy formulation and promoting economic recovery. Ping An assisted over 300,000 enterprises in over 10 cities in their resumption of work and production, applications for masks, handling of government affairs, and applications for subsidies. In enterprise supervision, Ping An's smart market supervision platform covers over 600 supervisory scenarios and over 8,000 risk points. The accuracy rate of early warning is over 90% and the accuracy rate of risk identification is as high as 85%. Moreover, Ping An has enabled the video-based remote review for administrative licensing, shortening the review cycle of food business licensing from seven days to one hour.

In respect of people's livelihoods, Ping An's integrated smart citizen service platform improves daily life experiences of citizens in terms of convenience, health, and culture. The platform provides over 87 million citizens with over 5,000 online services, accessed 129 million times in June 2020 and 1.18 billion times since its go-live. In daily services for citizens, Ping An enabled the governments of 17 cities to provide over 5,000 online services, including 400 instant 24/7 AI-approved services. In health services, Ping An provided smart health care services through over 17,000 medical institutions in 90 cities. Ping An provided smart medical imaging services nearly 50 million times through nearly 600 medical institutions. Ping An provided over two million patients with chronic disease management services through more than 500 hospitals. AskBob, Ping An's self-developed consultation/treatment assistant tool, helped approximately 413,000 doctors improve their consultation/treatment efficiency and capacity, with a peak of over 81,000 monthly active users. In education empowerment, Ping An provided vocational education services for over 50 million users and over 1,300 administrative and business entities through approximately 110,000 high-quality course sessions, which were broadcast over 54 million times. Moreover, Ping An gave over two million live broadcasts, attracting nearly 300 million views. Ping An provided youth education services for over six million users, with courses broadcast over 26 million times. Ping An also provided adult English teaching for over 11 million users, with courses broadcast 32 million times.

Business Analysis

Performance Overview

- In the first half of 2020, the annualized operating ROE was 21.6% with operating profit attributable to shareholders of the parent company rising 1.2% year on year to RMB74,310 million.
- In the first half of 2020, the annualized ROE was 19.8% with net profit attributable to shareholders of the parent company falling by 29.7% year on year to RMB68,683 million.
- In the first half of 2020, the Group's basic operating earnings per share rose by 1.9% year on year to RMB4.20.

CONSOLIDATED RESULTS

Ping An offers a wide range of financial products and services via various distribution channels under a uniform brand. Ping An engages in the financial business through subsidiaries including Ping An Life, Ping An Property & Casualty, Ping An Annuity, Ping An Health, Ping An Bank, Ping An Trust, Ping An Securities, Ping An Asset Management, and Ping An Financial Leasing. Ping An engages in the technology business through subsidiaries, associates and jointly controlled entities including Lufax Holding, OneConnect, Ping An Good Doctor, Ping An HealthKonnnect, and Autohome.

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

	2020	2019	Change (%)
Operating profit attributable to shareholders of the parent company	74,310	73,464	1.2
Basic operating earnings per share (in RMB)	4.20	4.12	1.9
Operating ROE (unannualized, %)	10.8	12.3	-1.5 pps
Operating ROE (annualized, %)	21.6	24.6	-3.0 pps
Interim dividend per share (in RMB)	0.80	0.75	6.7
Net profit attributable to shareholders of the parent company	68,683	97,676	(29.7)
ROE (unannualized, %)	9.9	16.3	-6.4 pps
ROE (annualized, %)	19.8	32.6	-12.8 pps

Note: Annualized operating ROE = unannualized operating ROE for the first half of the year x 2; annualized ROE = unannualized ROE for the first half of the year x 2.

OPERATING PROFIT OF THE GROUP

Due to the long-term nature of the main part of the life and health insurance business, the measure of operating profit has been used to more appropriately evaluate business performance. Operating profit after tax is based on net profit from financial statements, excluding items that are of short-term, volatile or one-off nature, including:

- Short-term investment variance, which is the variance between the actual investment return of the life and health insurance business and the EV long-run investment return assumption, net of the associated impact on insurance and investment contract liability. The investment return of the life and health insurance business is locked at 5% after excluding the short-term investment variance;
- The impact of discount rate⁽¹⁾ change is the effect on insurance contract liability of the life and health insurance business due to changes in the discount rate; and
- The impact of one-off non-operating items is the impact of material items that management considered to be non-operating incomes and expenses, which in the first half of 2019 refers to the one-off impact of the decrease in the income tax for 2018 factored into the income tax for 2019 as a result of the Company's insurance subsidiaries implementing the *Circular on Pre-tax Deduction of Fee and Commission Expense for Insurers* issued by the Ministry of Finance and the State Administration of Taxation on May 29, 2019.

Note: (1) Refer to the significant accounting policies in the notes of the Company's 2019 Annual Report for the information about the discount rate.

The operating profit after tax which excludes fluctuations of the above non-operating items can provide a clearer and more objective representation of the Company's business performance and trend.

The COVID-19 outbreak in early 2020 interrupted production and consumption, dealing a huge blow to almost all industries. Amid the pandemic-induced unfavorable conditions, including difficulties in offline operations, rising credit risk, volatile equity markets and falling interest rates, the Company adopted measures including accelerated transformation toward online operations to mitigate the impact of COVID-19. Meanwhile, domestic and foreign stock markets fluctuated sharply in the first half of 2020, being much weaker than in the same period last year, with varying performance in different sectors. Moreover, fair value gains and losses became more volatile as the Company implemented IFRS 9, resulting in a decrease in investment income. In the first half of 2020, the Group's net profit attributable to shareholders of the parent company declined by 29.7% year on year to RMB68,683 million. However, the Group's operating profit attributable to shareholders of the parent company rose by 1.2% year on year to RMB74,310 million. The basic operating earnings per share was RMB4.20, up 1.9% year on year. Affected by agents' difficulty in offline visits arising from the COVID-19 epidemic, a slowdown in new business growth, and volatile policy persistency ratios, the life and health insurance business's operating profit attributable to shareholders of the parent company amounted to RMB51,127 million, up 6.6% year on year.

For the six months ended June 30 (in RMB million)	2020								
	Life and health insurance business	Property and casualty insurance business	Banking business	Trust business	Securities business	Other asset management business	Technology business	Other businesses and elimination	The Group
Net profit attributable to shareholders of the parent company	45,500	8,234	7,927	1,651	1,509	2,671	3,438	(2,247)	68,683
Net profit attributable to non-controlling interests	388	40	5,751	2	56	549	607	(108)	7,285
Net profit (A)	45,888	8,274	13,678	1,653	1,565	3,220	4,045	(2,355)	75,968
Excluding:									
Short-term investment variance ⁽¹⁾ (B)	(1,987)	-	-	-	-	-	-	-	(1,987)
Impact of discount rate change (C)	(3,660)	-	-	-	-	-	-	-	(3,660)
Impact of one-off material non-operating items (D)	-	-	-	-	-	-	-	-	-
Operating profit (E=A-B-C-D)	51,535	8,274	13,678	1,653	1,565	3,220	4,045	(2,355)	81,615
Operating profit attributable to shareholders of the parent company	51,127	8,234	7,927	1,651	1,509	2,671	3,438	(2,247)	74,310
Operating profit attributable to non-controlling interests	408	40	5,751	2	56	549	607	(108)	7,305

Business Analysis

Performance Overview

2019

For the six months ended June 30 (in RMB million)	Life and health insurance business	Property and casualty insurance business	Banking business	Trust business	Securities business	Other asset management business	Technology business	Other businesses and elimination	The Group
Net profit attributable to shareholders of the parent company	70,322	11,837	8,934	1,871	1,199	3,913	2,802	(3,202)	97,676
Net profit attributable to non-controlling interests	707	58	6,469	3	53	489	472	(189)	8,062
Net profit (A)	71,029	11,895	15,403	1,874	1,252	4,402	3,274	(3,391)	105,738
Excluding:									
Short-term investment variance ⁽¹⁾ (B)	13,000	-	-	-	-	-	-	-	13,000
Impact of discount rate change (C)	999	-	-	-	-	-	-	-	999
Impact of one-off material non-operating items (D)	8,597	1,856	-	-	-	-	-	-	10,453
Operating profit (E=A-B-C-D)	48,433	10,039	15,403	1,874	1,252	4,402	3,274	(3,391)	81,286
Operating profit attributable to shareholders of the parent company	47,958	9,990	8,934	1,871	1,199	3,913	2,802	(3,202)	73,464
Operating profit attributable to non-controlling interests	475	49	6,469	3	53	489	472	(189)	7,822

Notes: (1) Short-term investment variance is the variance between the actual investment return and the EV long-run investment return assumption (5%), net of the associated impact on insurance and investment contract liability.

(2) The life and health insurance business represents the results of three subsidiaries, namely Ping An Life, Ping An Annuity, and Ping An Health. The property and casualty insurance business represents the results of Ping An Property & Casualty. The banking business represents the results of Ping An Bank. The trust business represents the results of Ping An Trust and Ping An New Capital. The securities business represents the results of Ping An Securities. The other asset management business represents the results of subsidiaries that engage in asset management business including Ping An Asset Management, Ping An Financial Leasing, and Ping An Overseas Holdings. The technology business represents the results of subsidiaries, associates and jointly controlled entities that engage in technology business including Lufax Holding, OneConnect, Ping An Good Doctor, Ping An HealthKconnect, and Autohome. Eliminations include offsets against cross-shareholding among business lines.

(3) Figures may not match the calculation due to rounding.

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

(in RMB million)	June 30, 2020	December 31, 2019	Change (%)
Life and health insurance business	262,750	246,069	6.8
Property and casualty insurance business	99,146	92,548	7.1
Banking business	174,689	169,814	2.9
Asset management business	102,372	96,218	6.4
Including: Trust business	20,829	20,581	1.2
Securities business	31,050	30,256	2.6
Other asset management business	50,493	45,381	11.3
Technology business	90,886	85,737	6.0
Other businesses and elimination	(27,871)	(17,225)	61.8
The Group	701,972	673,161	4.3

OPERATING ROE (UNANNUALIZED)

For the six months ended June 30 (%)	2020	2019	Change (pps)
Life and health insurance business	19.6	21.9	(2.3)
Property and casualty insurance business	8.6	12.4	(3.8)
Banking business	4.6	6.3	(1.7)
Asset management business	5.8	7.0	(1.2)
Including: Trust business	8.4	9.9	(1.5)
Securities business	4.9	4.2	0.7
Other asset management business	5.5	7.6	(2.1)
Technology business	4.1	3.7	0.4
Other businesses and elimination	N/A	N/A	N/A
The Group	10.8	12.3	(1.5)

OPERATING ROE (ANNUALIZED)

For the six months ended June 30 (%)	2020	2019	Change (pps)
Life and health insurance business	39.2	43.8	(4.6)
Property and casualty insurance business	17.2	24.8	(7.6)
Banking business	9.3	12.6	(3.3)
Asset management business	11.6	14.0	(2.4)
Including: Trust business	16.8	19.8	(3.0)
Securities business	9.8	8.4	1.4
Other asset management business	11.0	15.2	(4.2)
Technology business	8.2	7.4	0.8
Other businesses and elimination	N/A	N/A	N/A
The Group	21.6	24.6	(3.0)

Note: Annualized operating ROE = unannualized operating ROE for the first half of the year x 2.

Business Analysis

Life and Health Insurance Business

- In the first half of 2020, operating profit after tax of the life and health insurance business (Life & Health) rose by 6.4% year on year to RMB51,535 million, with a 39.2% annualized operating ROE.
- New business value (NBV) of the life and health insurance business for the first half of 2020 dropped by 24.4% year on year to RMB31,031 million, impacted by the COVID-19 epidemic. Amid the epidemic, Ping An Life made an agile response by optimizing product strategies and promoting the sales of simple, marketable online products with lower NBV margins to accumulate customer resources and new momentum for post-epidemic development when offline sales resume.
- Ping An Life leveraged technologies to innovate and upgrade online operations. As of June 30, 2020, sales agents increased by 1.2% from March 31, 2020. The deep reform aims to enable Ping An Life to achieve long-term sustainable growth as a world-leading life insurer.

BUSINESS OVERVIEW

The Company conducts its life and health insurance business through Ping An Life, Ping An Annuity, and Ping An Health.

The Company proactively responds to challenges by upgrading the online operating models. Based on enhanced compliance and risk management, the Company continues to further its customer-centric “product+” and “technology+” strategies to solidify its business foundation for long-term sustainable growth. In the first half year of 2020, Ping An’s traditional offline operations were hindered and high-value protection business was impacted by the COVID-19 epidemic. As a result, NBV of the life and health insurance business dropped by 24.4% year on year to RMB31,031 million and the NBV margin was down 8.0 pps year on year. The Company remains focused on protection products, but adopted an epidemic-specific product strategy to boost the sales of simple, marketable online products with lower NBV margins and accumulate customer resources for post-epidemic customer conversion. Despite short-term volatility in new businesses in the first half of 2020, profits attributable to core operations remained resilient. Operating profit after tax of the life and health insurance business rose by 6.4% year on year to RMB51,535 million, with an annualized operating ROE of 39.2%.

The COVID-19 epidemic strengthened people’s health protection awareness, stimulated the demand for health insurance, and accelerated the shift toward online consumption. In addition, the government has adopted policies to encourage the development of commercial health insurance as well as the integration and innovation of health management services and health insurance. Leveraging cutting-edge technologies, Ping An will promote the healthy development of businesses including health insurance.

Key Indicators

(in RMB million)	For the six months ended June 30, 2020/ As of June 30, 2020	For the six months ended June 30, 2019/ As of December 31, 2019	Change (%)
NBV	31,031	41,052	(24.4)
NBV margin (%)	36.7	44.7	-8.0 pps
First-year premium used to calculate NBV	84,548	91,908	(8.0)
Embedded value	805,374	757,490	6.3
Operating ROEV (annualized, %)	18.7	28.4	-9.7 pps
Operating profit after tax	51,535	48,433	6.4
Operating ROE (annualized, %)	39.2	43.8	-4.6 pps
Net profit	45,888	71,029	(35.4)

PING AN LIFE'S REFORM

In recent years, the traditional life insurance business model has faced huge challenges threatening its healthy, sustainable development. The evolving macro-environment, consumer demands and demographic dividends as well as advancing technology applications have raised new and higher requirements for the life insurance industry. Looking ahead, the life insurance business urgently needs comprehensive transformations although its development prospect remains bright. Ping An Life has taken the lead in introducing a series of reform projects to carry out the “channel + product” strategy, aiming to build platforms for long-term sustainable, healthy growth through product strategies, channel development, and data-driven operations. For product strategies, Ping An Life remains customer-centric and has leveraged the Group's strengths in integrated finance to build a “life insurance+” product portfolio, providing differentiated products and services and improving competitiveness. For channel strategies, in the short term, Ping An Life will focus on “team expansion + productivity promotion,” improving agent recruitment and enhancing agents' sales skills to increase their productivity; in the long term, Ping An Life will build a high-productivity, high-income, high-quality agent force. Meanwhile, Ping An Life is digitizing its life insurance business for all-around data-driven operations. In data-driven operations, Ping An Life has built a “headquarters brain” that anticipates trends, makes timely decisions, and takes action ahead of others by predicting, tracking and intervening in operations in an effective and timely manner. In data-driven management, Ping An Life boosts management efficiency by adopting standard, refined, automatic, and smart operations management processes. In data-driven marketing, Ping An Life raises customer reach rates and pursues sales targets through approaches including content marketing, social marketing, event marketing, and service marketing. In addition, Ping An Life remains committed to value creation to ensure its sustainable, high-quality and healthy development.

Ping An Life strives to be a world-leading life insurer, and accelerate the reform and transformation by leveraging its four core advantages. Firstly, Ping An Life has a management team with over 25 years of experience, global vision, professional expertise, and diverse skills. Secondly, Ping An Life has a highly competent sales force with industry-leading productivity. Thirdly, Ping An Life has a strong

integrated financial product portfolio to support growth in agent income and provide agents with better career planning. Fourthly, Ping An Life has world-leading technological strengths which empower agents to develop business. Ping An Life ranked seventh in the 2020 global fintech patent ranking list with 152 fintech patent applications.

Ping An Life's reform is still underway. Supported by the Group, Ping An Life will go all out to lead a revolution in the world's centuries-old approaches to the sales and operations of life insurance as a market leader, an industry benchmark, customers' first choice, and a world-leading life insurer.

CHANNEL DEVELOPMENT

Ping An Life provides customers with life insurance products through its nationwide service network of 42 branches (including seven telemarketing centers) and over 3,300 business outlets.

Life agent channel development. In the first half of 2020, the COVID-19 epidemic hindered the traditional offline business development of Ping An Life's agents, affecting the sales of high-value protection products. Team management, training and customer reach were impaired, and the productivity of agents decreased. Agent channel NBV declined 23.5% year on year to RMB27,705 million in the first half of 2020, while NBV per agent dropped 14.7% year on year in the first half of 2020. During the epidemic, Ping An faced challenges in selling sophisticated long-term protection products that require face-to-face visits. The agent channel NBV margin reached 55.2%, down 3.7 pps year on year. Under a quality-focused agent development strategy, Ping An Life tightened agent recruitment criteria through AI and other technologies to enhance basic agent management, integrated technologies with staffing, training and customer development, and promoted online operations to empower the agent force. Moreover, Ping An Life implemented special appraisal policies to stabilize the agent force, and launched a series of team care and support policies to protect the agents' rights, interests and compensation during the peak period of the epidemic. As of June 30, 2020, Ping An Life's sales agents decreased by 1.9% from the beginning of 2020 due to the COVID-19 epidemic. However, the number of sales agents gradually recovered in the second quarter, up 1.2% from March 31, 2020 as the recruitment environment improved. Meanwhile, Ping An Life further improved the quality of its sales agents and had over 100,000

Business Analysis

Life and Health Insurance Business

high-potential talented agents⁽¹⁾ as of June 30, 2020, up 1.9% from a year ago. In the first half of 2020, new recruits with college degrees or above accounted for 33.9% of all the new agents, up 5.6 pps year on year.

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
Agent productivity and income			
Agent channel NBV	27,705	36,197	(23.5)
Average number of agents per month (in million)	1.108	1.235	(10.3)
NBV per agent (RMB per agent per six months)	25,003	29,314	(14.7)
Activity rate of agents ⁽²⁾ (%)	53.0	61.8	-8.8 pps
Agent income (RMB per agent per month)	6,189	6,617	(6.5)
Including: Income from Ping An Life's products (RMB per agent per month)	5,127	5,901	(13.1)

	June 30, 2020	December 31, 2019	Change (%)
Number of individual life insurance sales agents (person)	1,145,142	1,166,914	(1.9)

Notes: (1) High-potential talented agents refer to sales agents recruited according to the criteria for Talented Agents, covering the age, education background, occupation and income before joining the Company.
(2) Activity rate of agents = annual total of monthly agents who issued policies / annual total of monthly agents on board.
(3) Figures may not match the calculation due to rounding.

Development of other channels. The Company actively pursues channel diversification, developing the bancassurance, telemarketing, internet and other channels as its new growth drivers. In the first half of 2020, the total NBV of channels other than the agent channel reached RMB3,326 million, accounting for 10.7% of the overall NBV. The bancassurance channel strengthened technological empowerment under the value creation strategy, driving a 26.5% year-on-year increase in NBV in the first half of 2020. The telemarketing channel upgraded its business model from pure telemarketing to the long-term customer development model combining telemarketing and online marketing, achieving market-leading premium income growth and the largest market share. The internet channel continued to boost customer conversion and facilitate steady business development by optimizing its own platform, enhancing cooperation with third-party platforms, accurately acquiring customers with scenario-based products, and improving value propositions and offerings.

PRODUCT STRATEGIES

Under the “product+” strategy and a customer-centric approach, Ping An Life furthered business transformation with an aim to establish a multi-layered scenario-based “product+” service system by integrating insurance products with related services in the first half of 2020. These services include health management, chronic disease management, and elderly care. The transformation expanded Ping An Life’s service scope and satisfied customers’ demand for risk cover and diverse services. Regarding protection products, Ping An Life launched a new product combining critical illness insurance with premium-return. Ping An Life also launched a long-term care insurance product to expand into a new protection market while improving the competitiveness of existing flagship protection products. Regarding long-term savings products, Ping An Life further promoted protection and savings hybrid products with long premium payment periods to meet customers’ demand for long-term annuity savings. In addition, to provide special protection during the COVID-19 epidemic, Ping An Life launched online complimentary insurance that covers expenses incurred by COVID-19 infection and one-year critical illness insurance, and incorporated the COVID-19 insurance coverage into 49 existing offline products. As a result, customer acquisition and customer stickiness were further improved, which laid a foundation for post-epidemic business recovery.

Ping An Life focused on value creation and proactively reduced the short-term savings products, which had high persistency ratios. Changes in the product portfolio resulted in a decline in the overall persistency ratio. Ping An Life will apply AI to the ex-ante active management of policy renewal to strengthen services and improve the efficiency of renewal premium collection.

For the six months ended June 30	2020	2019	Change (pps)
Ping An Life			
13-month persistency ratio (%)	88.1	90.6	(2.5)
25-month persistency ratio (%)	85.1	91.3	(6.2)

TECHNOLOGY-DRIVEN TRANSFORMATION

Ping An Life pursued online operations to ensure healthy business development amid the COVID-19 epidemic.

Regarding online recruitment, Ping An Life moved agent career forums from offline to online, leveraging technological means including visualized virtual scenarios and AI robots. On Ping An Life's "Jin Guan Jia" app which had 237 million users, 123 sessions of livestreamed career forums were held in the first half of 2020, attracting 40.40 million views. Regarding digital marketing, Ping An Life launched multiple marketing tools amid the COVID-19 epidemic to empower sales agents. Ping An Life introduced AI Customer Visit Assistant which allows agents to present and explain sales plans and interact with customers through audio/video communication with the assistance of AI robots. A total of 7.72 million visits were paid by the AI Customer Visit Assistant to customers online in the first half of 2020. Moreover, Ping An Life upgraded AI Training to train agents in diverse scenarios including product knowledge and segment-specific sales solutions. Since its go-live, AI Training has been used 7.55 million times and has been endorsed by 99% of the agents. Regarding online services, Ping An Life ensured normal business operations and services across the country through the online self-service and video communication, to safeguard customers' interests during the COVID-19 epidemic. In the first half of 2020, 110 million times of customer services were offered, 99.8% of which were online. The Smart Customer Services rolled out an AI-powered, video-based customer survey robot to support online surveys on new contracts, delivering a success rate of 98% for June 2020. An AI-powered robot made 42.22 million outbound calls to remind insured members to pay renewal premiums. The proportion of claims settled within 30 minutes via the Smart Quick Claim increased from 47% to 50%, with the quickest case taking only one minute to settle. Regarding online operations, Ping An Life established a data-driven operations platform and linked business processes with operational processes, facilitating end-to-end business forecast as well as real-time early warning and intervention via value chain models.

ANALYSIS OF OPERATING PROFIT AND PROFIT SOURCES

Due to the long-term nature of the main part of the life and health insurance business, the measure of operating profit has been used to more appropriately evaluate business performance. Operating profit after tax is based on net profit from financial statements, excluding items that are of short-term, volatile or one-off nature, including:

- Short-term investment variance, which is the variance between the actual investment return of the life and health insurance business and the EV long-run investment return assumption, net of the associated impact on insurance and investment contract liability. The investment return of the life and health insurance business is locked at 5% after excluding the short-term investment variance;
- The impact of discount rate⁽¹⁾ change is the effect on insurance contract liability of the life and health insurance business due to changes in the discount rate; and
- The impact of one-off non-operating items is the impact of material items that management considered to be non-operating incomes and expenses, which in the first half of 2019 refers to the one-off impact of the decrease in the income tax for 2018 factored into the income tax for 2019 as a result of the Company's insurance subsidiaries implementing the *Circular on Pre-tax Deduction of Fee and Commission Expense for Insurers* issued by the Ministry of Finance and the State Administration of Taxation on May 29, 2019.

Note: (1) Refer to the significant accounting policies in the notes of the Company's 2019 Annual Report for the information about the discount rate.

Business Analysis

Life and Health Insurance Business

The operating profit after tax which excludes fluctuations of the above non-operating items can provide a clearer and more objective representation of the Company's business performance and trend.

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
Release of residual margin (A)	40,342	35,840	12.6
Return on net worth ⁽¹⁾ (B)	6,261	5,216	20.0
Spread income ⁽²⁾ (C)	2,791	1,628	71.4
Operating variances and others (D)	9,890	12,219	(19.1)
Operating profit before tax (E=A+B+C+D)	59,284	54,903	8.0
Income tax (F)	(7,749)	(6,470)	19.8
Operating profit after tax (G=E+F)	51,535	48,433	6.4
Short-term investment variance (H)	(1,987)	13,000	N/A
Impact of discount rate change (I)	(3,660)	999	N/A
Impact of one-off material non-operating items (J)	-	8,597	N/A
Net profit (K=G+H+I+J)	45,888	71,029	(35.4)

Notes: (1) Return on net worth is the investment return on shareholder equity based on the EV long-run investment return assumption (5%).
 (2) Spread income is the expected investment return from assets backing contract liability based on the EV long-run investment return assumption (5%) exceeding the interest required on contract liability.
 (3) Figures may not match the calculation due to rounding.

SOLVENCY MARGIN

As of June 30, 2020, the solvency margin ratios of Ping An Life, Ping An Annuity and Ping An Health met regulatory requirements. The solvency margin ratios of Ping An Life, Ping An Annuity and Ping An Health changed from the beginning of 2020 mainly due to net profit realization, dividend distribution, and business development.

(in RMB million)	Ping An Life			Ping An Annuity			Ping An Health		
	June 30, 2020	December 31, 2019	Change (%)	June 30, 2020	December 31, 2019	Change (%)	June 30, 2020	December 31, 2019	Change (%)
Core capital	970,268	934,301	3.8	11,608	10,423	11.4	2,500	2,251	11.1
Actual capital	1,005,268	949,301	5.9	11,608	10,423	11.4	2,500	2,251	11.1
Minimum capital	433,689	409,874	5.8	4,768	4,219	13.0	1,349	1,064	26.8
Core solvency margin ratio (%)	223.7	227.9	-4.2 pps	243.5	247.0	-3.5 pps	185.3	211.6	-26.3 pps
Comprehensive solvency margin ratio (%)	231.8	231.6	0.2 pps	243.5	247.0	-3.5 pps	185.3	211.6	-26.3 pps

Notes: (1) Core solvency margin ratio = core capital / minimum capital; comprehensive solvency margin ratio = actual capital / minimum capital.
 (2) The minimum regulatory requirements for the core solvency margin ratio and comprehensive solvency margin ratio are 50% and 100% respectively.
 (3) For details of subsidiaries' solvency margin, please visit the Company's website (www.pingan.cn).
 (4) Figures may not match the calculation due to rounding.

The spread income increased by 71.4% year on year as spread charges in 2019 were lowered in response to volatile capital markets in 2018.

Operating variances and others dropped 19.1% year on year, largely because of increased strategic investment in technology and agents team building as well as fluctuations in policy persistency ratios.

As of June 30, 2020, residual margin of the life and health insurance business was RMB962,333 million, up 4.8% from the beginning of 2020.

(in RMB million)	June 30, 2020	June 30, 2019	Change (%)
Opening residual margin	918,416	786,633	16.8
Contribution from new business	59,354	87,318	(32.0)
Expected interest growth	18,034	16,350	10.3
Release of residual margin	(40,342)	(35,840)	12.6
Lapse variances and others	6,872	12,929	(46.8)
Closing residual margin	962,333	867,390	10.9

Note: Figures may not match the calculation due to rounding.

Lapse variances and others declined by 46.8% year on year mainly because fluctuations in policy persistency ratios resulted in lower lapse variances and others.

OTHER MAJOR FINANCIAL AND REGULATORY INFORMATION

Income Statement of the Life and Health Insurance Business

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

	2020	2019
Written premium	355,070	369,951
Less: Premium deposits of policies without significant insurance risk transfer	(1,766)	(1,964)
Less: Premium deposits separated out from universal life and investment-linked products	(52,177)	(52,213)
Premium income	301,127	315,774
Reinsurance premium income	1,736	887
Gross written premium	302,863	316,661
Net earned premium	293,288	309,705
Claims and policyholders' benefits	(256,953)	(259,775)
Commission expenses of insurance operations	(37,778)	(44,421)
Administrative expenses ⁽¹⁾	(22,821)	(25,350)
Total investment income ⁽²⁾	78,207	93,862
Other net revenue and expenses ⁽³⁾	(2,188)	(453)
Profit before tax	51,755	73,568
Income tax	(5,867)	(2,539)
Net profit	45,888	71,029

- Notes: (1) Administrative expenses include the administrative expenses, taxes and surcharges on investment operations and impairment losses on receivables and others under the segmented income statement.
- (2) Total investment income includes interest revenue from non-banking operations, investment income, share of profits and losses of associates and jointly controlled entities, impairment losses on investment assets, and interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions under the segmented income statement.
- (3) Other net revenue and expenses include the reinsurance commission revenue, other revenues and other gains, foreign exchange gains and losses, investment expenses net of taxes and surcharges on investment operations, finance costs, and other expenses under the segmented income statement.

Written Premium

The written premium of the life and health insurance business is analyzed below by policyholder type and channel:

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

	2020	2019
Retail business	339,340	356,399
New business	79,239	87,770
Agent channel	61,713	71,722
Including: regular premium	52,438	66,758
Bancassurance channel	5,649	4,275
Including: regular premium	5,090	3,678
Telemarketing, internet and others	11,877	11,773
Including: regular premium	3,869	6,324
Renewed business	260,101	268,629
Agent channel	233,871	244,945
Bancassurance channel	8,044	7,451
Telemarketing, internet and others	18,186	16,233
Group business	15,730	13,552
New business	15,649	13,488
Renewed business	81	64
Total	355,070	369,951

The written premium of the life and health insurance business is analyzed below by product type:

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

	2020	2019
Participating insurance	88,850	133,563
Universal insurance	60,839	61,189
Traditional life insurance	61,831	60,437
Long-term health insurance	59,396	54,689
Accident and short-term health insurance	30,355	27,570
Annuity	53,023	31,644
Investment-linked insurance	776	859
Total	355,070	369,951

Business Analysis

Life and Health Insurance Business

The written premium of the life and health insurance business is analyzed below by region:

For the six months ended June 30 (in RMB million)	2020	2019
Guangdong	61,576	63,986
Shandong	21,074	21,927
Beijing	20,741	19,321
Jiangsu	19,569	20,236
Henan	19,194	19,748
Subtotal	142,154	145,218
Total	355,070	369,951

Claims and Policyholders' Benefits

For the six months ended June 30 (in RMB million)	2020	2019
Surrenders	17,300	13,110
Surrender rate ⁽¹⁾ (%)	0.89	0.77
Claim expenses of insurance contracts	43,035	46,379
Claims paid	8,886	9,060
Annuities	4,271	5,785
Maturity and survival benefits	16,599	17,292
Death, injury and medical care benefits	13,279	14,242
Reinsurer's share of claim expenses of insurance contracts	(2,076)	(2,025)
Policyholder dividends	13,374	13,776
Net increase in insurance reserves	170,631	171,158
Interest credited to policyholder contract deposits	14,689	17,377
Total	256,953	259,775

Note: (1) Surrender rate = surrenders / (opening balance of life insurance reserve + opening balance of long-term health insurance reserve + long-term insurance premium income).

Claims paid declined by 1.9% year on year, primarily due to the year-on-year decrease in claim cases for short-term health insurance amid the COVID-19 epidemic.

Annuity payments decreased by 26.2% year on year as the payments on some products peaked in 2019.

Maturity and survival benefits decreased by 4.0% year on year mainly because some products matured in 2019.

Death, injury and medical care benefits were 6.8% lower year on year, driven by the year-on-year decrease in the overall claim cases during the COVID-19 epidemic.

Policyholder dividends declined by 2.9% year on year due to the slight year-on-year decrease in planned dividend payments.

Net increase in insurance reserves decreased by 0.3% year on year, mostly due to the change in business scale and the decrease in undistributed surplus.

Interest credited to policyholder contract deposits was down 15.5% year on year due to the decreased investment income.

Commission Expenses of Insurance Operations

In the first half of 2020, the commission expense of the insurance business (mainly paid to the Company's sales agents) decreased by 15.0% year on year due to a change in business scale.

For the six months ended June 30 (in RMB million)	2020	2019
Health insurance	16,044	16,455
Accident insurance	1,796	3,203
Life insurance and others	19,938	24,763
Total	37,778	44,421

Administrative Expenses

For the six months ended June 30 (in RMB million)	2020	2019
Operating expenses	22,307	24,911
Tax and surcharges	509	433
Impairment losses on receivables and others	5	6
Total	22,821	25,350

Total Investment Income

In the first half of 2020, the net investment yield of the life and health insurance business decreased by 0.4 pps year on year to 4.1% mainly due to declining dividend income from equity investments and growing investment. The total investment yield fell by 1.1 pps year on year to 4.5%. The total investment income dropped by 16.7% year on year, mainly due to the greater fair value losses driven by sharp year-on-year capital markets fluctuations.

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

	2020	2019
Net investment income ⁽¹⁾	68,522	66,708
Realized gains ⁽²⁾	14,646	(100)
Fair value gains and losses	(4,888)	26,932
Impairment losses on investment assets	(73)	322
Total investment income	78,207	93,862
Net investment yield ⁽³⁾ (annualized, %)	4.1	4.5
Total investment yield ⁽³⁾ (annualized, %)	4.5	5.6

Notes: (1) Net investment income includes interest revenue from deposits and debt financial assets, dividend income from equity financial assets, operating lease income from investment properties, and the share of profits and losses of associates and jointly controlled entities.
(2) Realized gains include realized capital gains from securities investments.
(3) Net exchange gains or losses on investment assets denominated in foreign currencies are excluded from the computation of the above investment yields. Average investment assets used as the denominator are computed in line with principles of the Modified Dietz method. In the computation of annualized investment yields, only interest revenue from deposits and debt financial assets, and operating lease income from investment properties were annualized, while interest revenue from financial assets purchased under reverse repurchase agreements, interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions, dividend income, capital gains from investments and fair value gains and losses were not annualized.

Income Tax

The income tax of the life and health insurance business increased year on year mainly due to the lower income tax for the first half of 2019. According to the *Circular on Pre-tax Deduction of Fee and Commission Expense for Insurers* (No. 72, 2019) (the "Circular") issued by the Ministry of Finance and the State Administration of Taxation on May 29, 2019, the maximum proportion of pre-tax deduction of fee and commission expense for insurers has been raised to 18% (inclusive) of the balance of premium income less surrenders for the current year, and the excess may be carried forward to the following year. Insurers shall compute and pay their income tax for 2018 in accordance with the Circular. Regarding our life and health insurance business, the impact of the Circular on the income tax for 2018 is RMB8,597 million, which has been factored into the income tax for the first half of 2019.

Business Analysis

Property and Casualty Insurance Business

- In the first half of 2020, Ping An Property & Casualty maintained stable growth and expanded its premium income as well as market share by 10.5% and 0.5 pps year on year respectively despite the COVID-19 epidemic. Ping An Property & Casualty's overall combined ratio rose by 1.5 pps year on year to 98.1% driven by a short-term increase in guarantee insurance claims paid due to the temporary impact of COVID-19, but still better than peers'. Ping An Property & Casualty's operating profit declined by 17.6% year on year to RMB8,274 million. Ping An Property & Casualty delivered an annualized operating ROE of 17.2%.
- Ping An Property & Casualty continued to apply technologies to online customer development and improve the service system. As of June 30, 2020, the "Ping An Auto Owner" app, as the largest automotive tool app in China, had over 109 million registered users, who had linked over 70 million vehicles with the app. In June 2020, the app had over 27 million monthly active users.
- Ping An Property & Casualty's online claims service has been in the lead, offering excellent user experiences. Amid the COVID-19 epidemic, Ping An Property & Casualty launched "One-click Claims Services," greatly simplifying the auto claims process and enabling non-contact claim settlement anytime, anywhere. Claim reporting now takes only two minutes on average, and claims can be settled in a minimum of just three minutes.

BUSINESS OVERVIEW

The Company conducts its property and casualty insurance business mainly through Ping An Property & Casualty which covers all lawful property and casualty insurance businesses including auto insurance, corporate property and casualty insurance, engineering insurance, cargo insurance, liability insurance, guarantee insurance, credit insurance, home contents insurance, accident and health insurance, as well as international reinsurance business. Ping An Property & Casualty has been honored as the "No.1 Brand" in China's auto insurance and property and casualty insurance markets for ten consecutive years. Ping An Property & Casualty distributes insurance products mainly through a network of 43 branches and over 2,740 central sub-branches, sub-branches, sales service outlets, and business outlets across China. Main distribution channels include in-house sales representatives, insurance agents and brokers at all levels, telemarketing, online marketing, and cross-selling.

Despite the COVID-19 epidemic, Ping An Property & Casualty maintained steady development in the first half of 2020. Ping An Property & Casualty's premium income grew by 10.5% year on year to RMB144,118 million, making it the second largest property and casualty insurance company in China by premium income. Ping An Property & Casualty's overall combined ratio rose by 1.5 pps year on year to 98.1% driven by a short-term increase in guarantee insurance claims paid due to the temporary impact of COVID-19, but still better than peers'. In the first half of 2020, Ping An Property & Casualty's operating profit declined by 17.6% year on year to RMB8,274 million, adversely impacted by the higher combined ratio and lower investment income. In the medium and long term, the combined ratio is expected to gradually return to normal owing to China's economic resilience and growth momentum, supportive government policies, and Ping An Property & Casualty's proactive risk management measures.

Amid the COVID-19 epidemic, Ping An Property & Casualty provided approximately 500,000 small and micro-businesses across China with complimentary employee insurance services to facilitate their development. Each of the businesses got an insured amount of RMB1 million. Moreover, Ping An Property & Casualty provided small and micro-businesses with a grace period for insurance renewal, postponing premium payment of over RMB20 million, involving a total insured amount of over RMB20,000 million, to ease their liquidity pressure. By integrating internal system functions and external resources, Ping An Property & Casualty also launched the “Ping An Qi Ye Bao” app and mini-program which provide small and micro-businesses with efficient, convenient and comprehensive online insurance services and value-added services. As of June 30, 2020, Ping An Property & Casualty completed over 120,000 endorsements online, processed over 70,000 non-auto insurance claims for small and micro-businesses with a total claims amount of over RMB180 million. Claims were settled in a minimum of 12 seconds. In this way, Ping An Property & Casualty effectively promoted economic recovery by supporting small and micro-businesses with digital technologies.

Key indicators

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
Operating profit	8,274	10,039	(17.6)
Operating ROE (annualized, %)	17.2	24.8	-7.6 pps
Profit before tax	10,237	12,703	(19.4)
Net profit	8,274	11,895	(30.4)
Combined ratio (%)	98.1	96.6	1.5 pps
Including: Expense ratio ⁽¹⁾ (%)	38.1	37.4	0.7 pps
Loss ratio ⁽²⁾ (%)	60.0	59.2	0.8 pps
Premium income	144,118	130,466	10.5
Including: Auto insurance	95,646	92,338	3.6
Non-auto insurance	40,363	31,928	26.4
Accident and health insurance	8,109	6,200	30.8
Market share ⁽³⁾ (%)	20.0	19.5	0.5 pps
Including: Auto insurance (%)	23.4	23.3	0.1 pps

Notes: (1) Expense ratio = (commission expenses of insurance business + administrative expenses - reinsurance commission revenue) / net earned premiums.

(2) Loss ratio = claim expenses / net earned premiums.

(3) The market share was calculated on the basis of the insurance industry data of the People's Republic of China (the “PRC”) published by the CBIRC.

Analysis of Profit Sources

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
Premium income	144,118	130,466	10.5
Net earned premiums	122,339	111,611	9.6
Claim expenses	(73,366)	(66,045)	11.1
Commission expenses of insurance operations	(21,613)	(19,002)	13.7
Administrative expenses ⁽¹⁾	(27,997)	(26,158)	7.0
Reinsurance commission revenue	3,033	3,442	(11.9)
Underwriting profit	2,396	3,848	(37.7)
Combined ratio (%)	98.1	96.6	1.5 pps
Total investment income ⁽²⁾	8,406	9,366	(10.2)
Average investment assets	298,591	267,877	11.5
Total investment yield (unannualized, %)	2.8	3.5	-0.7 pps
Total investment yield (annualized, %)	4.3	5.2	-0.9 pps
Other net revenue and expenses	(565)	(511)	10.6
Profit before tax	10,237	12,703	(19.4)
Income tax	(1,963)	(808)	142.9
Net profit (A)	8,274	11,895	(30.4)
Impact of one-off material non-operating items ⁽³⁾ (B)	-	1,856	N/A
Operating profit (C=A-B)	8,274	10,039	(17.6)

Notes: (1) Administrative expenses include administrative expenses and impairment losses on receivables and others under the segmented income statement.

(2) Total investment income includes interest revenue from non-banking operations, investment income, share of profits and losses of associates and jointly controlled entities, impairment losses on investment assets, and interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions under the segmented income statement.

(3) In the first half of 2019, we recognized a one-off material impact of the decrease in income tax for 2018 factored into the income tax for 2019 as a result of Ping An Property & Casualty implementing the *Circular on Pre-tax Deduction of Fee and Commission Expense for Insurers* issued by the Ministry of Finance and the State Administration of Taxation on May 29, 2019.

Business Analysis

Property and Casualty Insurance Business

OPERATING DATA BY PRODUCT TYPE

Among all the insurance products offered by Ping An Property & Casualty in the first half of 2020, the top five sources of premium income were auto insurance, guarantee insurance, liability insurance, accidental injury insurance, and corporate property and casualty insurance which collectively accounted for 93.8% of Ping An Property & Casualty's total premium income for the first half of 2020.

Auto Insurance

In the first half of 2020, amid plummeting new car sales due to the COVID-19 epidemic, Ping An Property & Casualty strengthened online customer services and improved customer satisfaction and stickiness by providing safe, convenient auto insurance services including "One-click Policy Renewal" and "One-click Claims Services" through the "Ping An Auto Owner" app. In the first half of 2020, premium income from the auto insurance business grew by 3.6% year on year, underwriting profit was RMB4,782 million, and the combined ratio was 94.7%. The industry-leading profitability mainly benefited from the reduced incident rate due to the pandemic-induced slowdown in economic activity. In the second half of 2020, Ping An Property & Casualty will strive to maintain high-quality development and realize stable, healthy development of the auto insurance business by taking a customer-centric approach, promoting technological application in auto insurance operations, and transforming toward data-driven operations.

Guarantee Insurance

Ping An Property & Casualty provides credit enhancement through financing guarantee insurance for individuals and small and micro-business owners referred by other member companies of the Group only. Moreover, Ping An Property & Casualty shares advantages with other member companies of the Group through cross-checks and multi-dimensional

risk reviews to contain business risks. The overall risk profile was significantly better than the industry average. Financing guarantee insurance helps small and micro-businesses address the financing difficulties and reduce financing costs. Given strong domestic demands, Ping An Property & Casualty's guarantee insurance business maintained stable growth in the first half of 2020. Affected by COVID-19, Ping An Property & Casualty's guarantee insurance business quality was under temporary pressure, with a combined ratio of 125.6%. To address this issue, Ping An Property & Casualty has taken targeted measures quickly to make sure that the risks are under control. The pressure on the combined ratio will gradually ease in the second half of 2020 as the impact of the COVID-19 epidemic recedes and the macroeconomy recovers. In the medium and long term, COVID-19 will not have material impact on the development of Ping An Property & Casualty's guarantee insurance business, given that China has adopted supportive policies to maintain economic resilience and growth momentum and Ping An Property & Casualty has taken proactive risk management measures.

Liability Insurance

Premium income from the liability insurance business grew by 20.5% year on year. The combined ratio stood at 93.3%, indicating industry-leading growth and profitability. Ping An Property & Casualty ramped up efforts in product innovation, providing protection for epidemic prevention and control as well as work and production resumption. Meanwhile, supported by technologies, Ping An Property & Casualty continued to optimize business processes, diversify online services, and improve the risk management framework. Ping An Property & Casualty gave full play to liability insurance in pluralistic social co-governance and high-quality economic development.

For the six months ended June 30, 2020 (in RMB million)	Insured amount	Premium income	Net earned premium	Claim expenses	Underwriting profit	Combined ratio	Reserve liabilities
Auto insurance	34,178,022	95,646	90,001	50,984	4,782	94.7%	148,776
Guarantee insurance	242,939	20,467	13,554	14,095	(3,476)	125.6%	61,896
Liability insurance	541,266,128	8,040	5,957	2,785	397	93.3%	13,273
Accidental injury insurance	493,924,740	6,862	6,445	2,268	469	92.7%	8,714
Corporate property and casualty insurance	12,024,388	4,178	2,033	986	249	87.7%	7,409

Note: Figures may not match the calculation due to rounding.

TECHNOLOGY-DRIVEN TRANSFORMATION

Under the Group's "finance + technology" and "finance + ecosystem" strategies, Ping An Property & Casualty continued to conduct data-driven business transformations and pursued technological innovations to improve customer experiences. Moreover, Ping An Property & Casualty used robots to enable smart operations and increase operational efficiency. As of June 30, 2020, Ping An Property & Casualty filed 1,112 technology patent applications, up 160% year on year, continuing its independent innovation initiatives.

In auto insurance, Ping An Property & Casualty provided one-stop auto use services and diverse auto aftermarket services via the "Ping An Auto Owner" app. As the largest automotive tool app in China, the "Ping An Auto Owner" app had over 109 million registered users as of June 30, 2020, up 17.8% year to date. In June 2020, the app had over 27 million monthly active users. Over 70 million vehicles had been linked with the app, including over 20 million not insured by Ping An yet, indicating great potential of growth from user conversion. Amid the COVID-19 epidemic, Ping An Property & Casualty used the "Ping An Auto Owner" app to integrate online services and recommend the most suitable claims methods to customers according to their profiles and segmented scenarios. Ping An Property & Casualty launched "One-click Claims Services," simplified the auto insurance claim process, and provided online support via robots and claim experts, enabling non-contact claim settlement anytime, anywhere. Claim reporting takes only two minutes on average, and claim settlement as short as three minutes. Meanwhile, Ping An Property & Casualty leveraged the "Ping An Auto Owner" app to focus on engagement of online customers. Since the launch of the "One-click Policy Renewal" function in March 2020, it has enabled over 93% of customers to renew their insurance policies at one click.

Ping An Property & Casualty initiated a Know Your Risk (KYR) enterprise risk management consultant project to offer diverse risk management services under an innovative "services + insurance" model. In the first half of 2020, Ping An Property & Casualty provided 4,729 corporate customers and key engineering projects with disaster and loss prevention services. Amid the COVID-19 epidemic, Ping An Property & Casualty rolled out comprehensive epidemic insurance products to help enterprises resume work and production

with insurance protection. Under the guidance of over 20 provincial and municipal governments, Ping An Property & Casualty provided over 200,000 enterprises with such comprehensive epidemic insurance coverage of over RMB5,000 million. In addition, Ping An Property & Casualty helped 7,318 enterprises resume work and production by donating anti-epidemic supplies, conducting training, and carrying out risk reviews. In addition, Ping An Property & Casualty carried out four disaster warning and loss prevention programs regarding severe natural disasters including typhoons and rainstorms, and sent out approximately 441,000 text message alerts in the first half of 2020. By developing a government-insurer risk management cloud platform, Ping An Property & Casualty helped local governments improve their control over production safety, environmental protection, and construction quality management in their jurisdictions.

SOLVENCY MARGIN

As of June 30, 2020, Ping An Property & Casualty's core and comprehensive solvency margins were significantly above the regulatory requirements.

(in RMB million)	June 30, 2020	December 31, 2019	Change (%)
Core capital	99,438	92,897	7.0
Actual capital	113,938	111,397	2.3
Minimum capital	47,214	42,982	9.8
Core solvency margin ratio (%)	210.6	216.1	-5.5 pps
Comprehensive solvency margin ratio (%)	241.3	259.2	-17.9 pps

- Notes: (1) Core solvency margin ratio = core capital / minimum capital. Comprehensive solvency margin ratio = actual capital / minimum capital.
 (2) The minimum regulatory requirements for the core solvency margin ratio and comprehensive solvency margin ratio in the above table are 50% and 100% respectively.
 (3) For details of Ping An Property & Casualty's solvency margin, please refer to the Company's website (www.pingan.cn).

Business Analysis

Property and Casualty Insurance Business

OTHER MAJOR FINANCIAL AND REGULATORY INFORMATION

Premium Income

Below is a breakdown of the premium income from the Company's property and casualty insurance business by channel:

For the six months ended June 30 (in RMB million)	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Agencies	35,165	24.4	29,120	22.3
Car dealers	31,864	22.1	30,406	23.3
Cross-selling	23,332	16.2	21,578	16.5
Telemarketing and online channels	23,291	16.2	22,606	17.3
Direct selling	17,063	11.8	15,059	11.5
Others	13,403	9.3	11,697	9.1
Total	144,118	100.0	130,466	100.0

Note: Regarding credit guarantee insurance provided to individuals and small and micro-business owners referred by other member companies of the Group, Ping An Property & Casualty reclassified the channels into the telemarketing and online channels according to the business feature of online application and automatic underwriting at the end of 2019 to reflect the nature of online insurance business. The data for the same period of 2019 was restated accordingly.

Below is a breakdown of the premium income from the Company's property and casualty insurance business by region:

For the six months ended June 30 (in RMB million)	2020	2019
Guangdong	22,331	22,042
Jiangsu	10,353	9,031
Zhejiang	8,590	7,680
Shandong	8,059	6,955
Shanghai	7,985	7,226
Subtotal	57,318	52,934
Total	144,118	130,466

Reinsurance Arrangement

Ping An Property & Casualty adopts a prudent approach to its reinsurance policy to scale up underwriting, diversify operating risks, and ensure healthy business growth and stable operating results. Ping An Property & Casualty maintains close long-standing relationships with the world's major reinsurance brokers and reinsurers, actively sharing experience in business development and promoting technological empowerment of reinsurance. Ping An Property & Casualty has partnered with nearly 100 reinsurers and reinsurance brokers worldwide, including China Property & Casualty Re, Swiss Re, SCOR, and Munich Re.

For the six months ended June 30 (in RMB million)	2020	2019
Ceded premium	9,025	9,147
Auto insurance	3,577	3,468
Non-auto insurance	5,234	5,626
Accident and health insurance	214	53
Inward reinsurance premium	34	51
Non-auto insurance	34	51

Claim Expenses

In the first half of 2020, claim expenses rose by 11.1% year on year mainly due to sustained insurance business growth.

For the six months ended June 30 (in RMB million)	2020	2019
Auto insurance	50,984	50,365
Non-auto insurance	19,728	13,530
Accident and health insurance	2,654	2,150
Total	73,366	66,045

Commission Expenses of Insurance Operations

In the first half of 2020, commission expenses of insurance operations increased by 13.7% year on year, while the proportion of such expenses to premium income increased by 0.4 pps year on year, mainly due to premium income growth and intensified competition.

For the six months ended June 30 (in RMB million)	2020	2019
Auto insurance	14,900	14,049
Non-auto insurance	3,854	3,165
Accident and health insurance	2,859	1,788
Total	21,613	19,002
Commission expenses as a percentage of premium income (%)	15.0	14.6

Administrative Expenses

In the first half of 2020, administrative expenses rose by 7.0% year on year, mainly driven by sustained insurance business growth.

For the six months ended June 30 (in RMB million)	2020	2019
Operating expenses	26,012	24,721
Tax and surcharges	760	648
Impairment losses on receivables and others	1,225	789
Total	27,997	26,158

Total Investment Income

In the first half of 2020, the net investment yield of the property and casualty insurance business dropped by 0.7 pps year on year to 3.8%. The total investment yield of the property and casualty insurance business was 4.3%, down 0.9 pps year on year. The decreases were mainly due to the year-on-year declines in dividend income from equity investments and income from fixed-income investments.

For the six months ended June 30 (in RMB million)	2020	2019
Net investment income ⁽¹⁾	6,882	7,661
Realized income ⁽²⁾	744	1,029
Fair value gains and losses	756	599
Impairment losses on investment assets	24	77
Total investment income	8,406	9,366
Net investment yield ⁽³⁾ (annualized, %)	3.8	4.5
Total investment yield ⁽³⁾ (annualized, %)	4.3	5.2

Notes: (1) Net investment income includes interest revenue from deposits and debt financial assets, dividend income from equity financial assets, operating lease income from investment properties, and the share of profits and losses of associates and jointly controlled entities.
(2) Realized income includes capital gains from securities investments.
(3) Net exchange gains or losses on investment assets denominated in foreign currencies are excluded from the computation of the above investment yields. Average investment assets used as the denominator are computed in line with principles of the Modified Dietz method. In the computation of annualized investment yields, only interest revenue from deposits and debt financial assets, and operating lease income from investment properties were annualized, while interest revenue from financial assets purchased under reverse repurchase agreements, interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions, dividend income, capital gains from investments and fair value gains and losses were not annualized.

Income Tax

The income tax of Ping An Property & Casualty increased significantly year on year mainly because the income tax for the same period of 2019 was lower. In the first half of 2019, Ping An Property & Casualty implemented the *Circular on Pre-tax Deduction of Fee and Commission Expense for Insurers* issued by the Ministry of Finance and the State Administration of Taxation on May 29, 2019, and the impact of RMB1,856 million on the income tax for 2018 was deducted from the income tax for the first half of 2019.

Business Analysis

Investment Portfolio of Insurance Funds

- The Company's investment portfolio of insurance funds rose by 7.3% year to date to RMB3.44 trillion as of June 30, 2020 with 17.2% of the financial assets carried at fair value through the profit and loss under IFRS 9. The Company ensured the safety and soundness of the investment portfolio by taking effective measures to prevent investment risks.
- In the first half of 2020, the portfolio generated an annualized total investment yield of 4.4% and an annualized net investment yield of 4.1%.
- The Company succeeded in further narrowing the asset-liability duration gap despite a market-wide shortage of long-duration assets. The Company further improved investment risk management, refined risk limits, increased monitoring frequency, and enhanced risk warning and review to ensure overall investment risks are under control.

BUSINESS OVERVIEW

The Company's investment portfolio of insurance funds is comprised of investable funds from the life and health insurance business and the property and casualty insurance business.

Major global economies significantly slowed down due to COVID-19 in the first half of 2020, but have slowly gained traction since the middle of the second quarter. Given a sharp decline in China's economy in the first quarter, the central government implemented countercyclical macroeconomic policies and promoted the resumption of work and production. As a result, the economy recovered gradually in the second quarter. Offshore capital markets once suffered drastic corrections amid the pandemic, but gradually regained ground with the help of more countercyclical macroeconomic policies adopted by governments around the world. Moreover, as China took the lead in containing the epidemic and adopted timely policies to stabilize the market, domestic capital markets were less volatile than offshore markets in general. These policies include "ensuring stability in employment, financial markets, foreign trade, foreign investment, domestic investment, and expectations" and "ensuring job security, basic livelihoods, operations of market entities, food and energy security, stable industry and supply chains, and the normal functioning of primary-level governments." Shanghai Composite Index dropped slightly, but witnessed more mixed sector performances. The Hong Kong stock market declined over 10% due to the volatile overseas markets. In addition, interest rates in China dropped amid zero interest rate policies outside China and domestic monetary easing. The investment yields

of the Company's investment portfolio of insurance funds were under pressure due to volatile stock markets and declining interest rates. However, the Company ensured the safety and soundness of the investment portfolio of insurance funds by taking effective measures to prevent investment risks.

ASSET LIABILITY MANAGEMENT

The Company continued to improve asset-liability matching of insurance funds. The Company maintained robust asset-liability management. In response to challenges brought by interest rate cuts, the Company continued to increase allocations to tax-exempt bonds including central and local government bonds as well as long-duration low-risk bonds including financial bonds issued by policy banks to lengthen asset duration. Despite the challenges brought by the shortage of long-duration assets in the market, Ping An Group continued to extend asset duration, thereby mitigating re-investment risk amid low interest rates, and further narrowed the asset-liability duration gap to improve asset-liability matching. In addition, Ping An established flexible asset-liability management mechanisms, maintained reasonable guaranteed interest rates of liabilities, and optimized interest rate matching of assets and liabilities. Moreover, Ping An managed equity investment flexibly to seize opportunities from epidemic-induced market volatility and boost investment returns. Bolstered by high-quality assets and flexible, robust equity investment, the Company does not need and has no plan to increase the risk appetite of the insurance fund portfolio in the current low interest rate environment.

INVESTMENT RISK MANAGEMENT

The Company constantly improved internal controls over investment risk management. Firstly, the Company continued to strengthen its asset-liability risk management, and optimized the term structure of asset-liability duration matching by making more investment in long-duration rate bonds. Attaching great importance to risk management in matching costs and returns, the Company established a risk appetite framework in which the matching of costs and returns was a key quantitative indicator, and conducted necessary reviews and updates on a quarterly basis. The Company conducted regular stress tests on the investment portfolio of insurance funds by embedding testing in the asset allocation process and conducting ex-ante risk management. In case of increased market volatility, the Company would carry out intensified and more frequent stress testing in order to ensure the soundness of the portfolio under the exceptional market impact. Secondly, the Company focused on developing policies and processes. To optimize end-to-end risk management, the Company standardized its business processes, improved its investment risk management framework, and enhanced admission strategies, credit rating, list-based counterparty management, risk warning, risk contingency management, and other key processes. Thirdly, the Company identified risks more rapidly, made timely decisions, and took action in advance by applying cutting-edge technologies to the management of key post-investment matters. The Company upheld the principles of “well-defined responsibilities, timely follow-up, and sound management,” and was hence able to “monitor risks closely, identify risks accurately, and avoid risks promptly.” In this way, the Company integrated risk management with value creation. Lastly, the Company enhanced its risk monitoring system and risk management information system. By establishing a comprehensive risk management database, the Company conducted automatic risk identification, smart risk warning, and smart risk management in real time.

INVESTMENT PORTFOLIO (BY CATEGORY)

(in RMB million)	June 30, 2020		December 31, 2019	
	Carrying value	Percentage (%)	Carrying value	Percentage (%)
Cash and cash equivalents	111,162	3.2	95,680	3.0
Term deposits	225,429	6.5	210,925	6.6
Debt financial assets				
Bond investments	1,694,508	49.2	1,504,059	46.9
Bond funds	54,146	1.6	42,234	1.3
Preferred stocks	122,103	3.5	114,896	3.6
Perpetual bonds	17,895	0.5	17,838	0.6
Policy loans	152,317	4.4	139,326	4.3
Debt schemes	120,809	3.5	132,462	4.1
Wealth management products ⁽¹⁾	272,578	7.9	297,631	9.3
Equity financial assets				
Stocks	284,004	8.3	295,429	9.2
Equity funds	68,589	2.0	49,491	1.5
Wealth management products ⁽¹⁾	34,627	1.0	38,187	1.2
Unlisted equities	68,719	2.0	67,462	2.1
Long-term equity stakes	129,094	3.8	120,345	3.8
Investment properties	60,011	1.7	61,005	1.9
Other investments ⁽²⁾	26,044	0.9	21,866	0.6
Total investments	3,442,035	100.0	3,208,836	100.0

Notes: (1) Wealth management products include trust plans from trust companies, products from insurance asset management companies, and wealth management products from commercial banks.

(2) Other investments mainly include statutory deposits for insurance operations, three-month or longer-term financial assets purchased under reverse repurchase agreements, and derivative financial assets.

Business Analysis

Investment Portfolio of Insurance Funds

INVESTMENT PORTFOLIO (BY ACCOUNTING MEASUREMENT)

The Company has implemented the new accounting standards for financial instruments since January 1, 2018. As of June 30, 2020, our insurance fund portfolio's investment in financial assets carried at fair value through profit or loss accounted for 17.2% of the total investments.

(in RMB million)	June 30, 2020		December 31, 2019	
	Carrying value	Percentage (%)	Carrying value	Percentage (%)
Financial assets carried at fair value through profit or loss	590,802	17.2	586,777	18.3
Fixed income	331,524	9.6	336,594	10.5
Stocks	88,195	2.6	95,895	3.0
Equity funds	68,589	2.0	49,491	1.5
Other equity financial assets	102,494	3.0	104,797	3.3
Financial assets carried at fair value through other comprehensive income	482,237	14.0	509,167	15.9
Financial assets measured at amortized cost	2,179,874	63.3	1,931,531	60.2
Others ⁽¹⁾	189,122	5.5	181,361	5.6
Total investments	3,442,035	100.0	3,208,836	100.0

Note: (1) Others include long-term equity stakes, investment properties, and derivative financial assets.

INVESTMENT INCOME

In the first half of 2020, the Company's annualized total investment yield from the investment portfolio of insurance funds was 4.4%, down 1.1 pps year on year mainly due to greater fair value losses driven by sharp year-on-year capital market fluctuations. The Company's annualized net investment yield was 4.1%, down 0.4 pps year on year due to a decrease in dividend income from equity assets and an increase in the investment scale. In the computation of annualized investment yields, only interest revenue from deposits and debt financial assets as well as operating lease income from investment properties were annualized, while interest revenue from financial assets purchased under reverse repurchase agreements, interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions, dividend income, capital gains from investments and fair value gains and losses were not annualized.

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

	2020	2019	Change (%)
Net investment income ⁽¹⁾	74,690	73,734	1.3
Realized gains ⁽²⁾	15,390	928	1,558.4
Fair value gains and losses	(4,132)	27,531	N/A
Impairment losses on investment assets	(49)	400	N/A
Total investment income	85,899	102,593	(16.3)
Net investment yield ⁽³⁾ (annualized, %)	4.1	4.5	-0.4 pps
Total investment yield ⁽³⁾ (annualized, %)	4.4	5.5	-1.1 pps

Notes: (1) Net investment income includes interest income from deposits and debt financial assets, dividend income from equity financial assets, operating lease income from investment properties, and the share of profits and losses of associates and jointly controlled entities.

(2) Realized gains include capital gains from securities investments.

(3) Net exchange gains or losses on investment assets denominated in foreign currencies are excluded from computation of the above investment yields. Average investment assets used as the denominator are computed in line with principles of the Modified Dietz method. In the computation of annualized investment yields, only interest revenue from deposits and debt financial assets as well as operating lease income from investment properties were annualized, while interest revenue from financial assets purchased under reverse repurchase agreements, interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions, dividend income, capital gains from investments and fair value gains and losses were not annualized.

For nearly ten years, the average annual investment yields of the Company's investment portfolio of insurance funds have been above 5%.

	2010-2019
Average net investment yield (%)	5.2
Average total investment yield (%)	5.2
Average comprehensive investment yield (%)	5.5

CORPORATE BONDS

As of June 30, 2020, the Company held RMB116,432 million worth of corporate bonds, which accounted for 3.4% of its total investment assets, down 0.6 pps from the beginning of 2020 and down 2.4 pps from the beginning of 2019. In terms of credit ratings, the overall credit rating was quite good, the same as at the end of 2019. About 99% of the corporate bonds had AA and higher external ratings and about 89% had AAA external ratings. In terms of credit losses, the corporate bonds in the Company's investment portfolio of insurance funds were quite secure as their risks were under control. For risk management of corporate bonds, the Company carried out comprehensive investment risk management covering asset allocation, admission management, and dynamic monitoring. Since 2003, the Company has maintained an internal credit rating team that conducted strict internal credit ratings-based admission management for the investment in corporate bonds and reviewed and adjusted ratings to ensure that credit ratings reasonably reflect credit profiles of bond issuers. Moreover, the Company established an early-warning system to monitor potential risks in corporate bonds on the basis of a bond issuer list and a rapid response mechanism that deals with negative news about bond issuers. The Company effectively identified and reported high-risk corporate bonds to enhance early warning and risk management.

DEBT SCHEMES AND DEBT WEALTH MANAGEMENT PRODUCTS

Debt schemes and debt wealth management products include debt investment schemes incepted by insurance asset management companies, debt trust plans incepted by trust companies, and fixed-income wealth management products incepted by commercial banks. As of June 30, 2020, our insurance fund portfolio's investment in debt schemes and debt wealth management products totaled RMB393,387 million, accounting for 11.4% of the total investment assets, down 2.0 pps from the beginning of 2020 and down 4.4 pps from the beginning of 2019. The Company manages risks in debt schemes and debt wealth management products at three levels. The first level is asset allocation. The Company has developed a set of effective, robust asset allocation models. While keeping the overall risks within the risk appetite, the Company formulates a strategic asset allocation plan for each account, and sets upper and lower limits on proportions of asset allocation. In tactical asset allocation, the Company gives opinions on capital allocation to debt schemes and debt wealth management products according to the funding level in each account, the return and liquidity demands, and similar assets' relative attractiveness. The second level is asset selection. When selecting assets, the Company prefers projects located in developed areas and leaders of industries in line with China's industry policies. All debt schemes and debt wealth management product investments have to go through the relevant Investment Committee. The third level is post-investment management. The Company closely monitors the assets and has established a multi-dimensional risk warning framework covering all investment areas, assets, and instruments to ensure that overall investment risks are thoroughly assessed and controllable.

Business Analysis

Investment Portfolio of Insurance Funds

Structure and yield distribution of debt schemes and debt wealth management products

Industry	Investment proportion (%)	Nominal yield (%)	Maturity (year)	Remaining maturity (year)
Infrastructure	36.4	5.72	8.58	4.73
Expressway	13.4	5.84	9.87	5.41
Electric power	3.4	5.26	7.70	3.63
Infrastructure and development zones	9.3	5.86	8.12	5.37
Others (water supply, environmental protection, railway...)	10.3	5.58	7.63	3.64
Non-banking financial services⁽²⁾	31.3	5.80	5.81	2.65
Real estate	16.6	5.80	4.65	2.38
Coal mining	1.4	5.83	8.41	3.14
Others	14.3	5.32	6.17	4.70
Total	100.0	5.69	6.71	3.66

Notes: (1) The debt schemes and debt wealth management products were classified by industry in line with Shenyin Wanguo's industry classification.

(2) Non-banking financial services refer to financial institutions other than banks, including insurers, asset management companies, and financial leasing companies.

(3) Some industries have been grouped into "others" as they account for small proportions.

(4) Figures may not match the calculation due to rounding.

There has been no default on the debt schemes and debt wealth management products held by Ping An, and overall risks are controllable. In terms of credit ratings, over 99% of the debt schemes and trust plans held by Ping An had AAA external ratings, and about 0.7% of them had AA+ external ratings. Aside from some high-credit entities which do not need credit enhancement for their financing, most of the assets the Company holds have guarantees or collateral. In terms of industry and geographic distribution, Ping An avoids high-risk industries and regions. Ping An's target assets are mainly in the non-banking financial services, real estate, and expressway industries in developed and coastal areas including Beijing, Shanghai, and Guangdong. In terms of investment timing and returns, Ping An seized time windows of large supplies of high-quality assets to boost overall portfolio yields.

EQUITY WEALTH MANAGEMENT PRODUCTS

As of June 30, 2020, our insurance fund portfolio's investment in equity wealth management products totaled RMB34,627 million, accounting for 1.0% of its total investment assets. The equity wealth management products held by Ping An are mainly products from insurance asset management companies. The underlying assets of these products are mainly tradable shares of domestic and foreign high-quality companies in the secondary market, indicating no significant liquidity risk. Private equity funds account for a tiny proportion; their underlying assets are mainly equities in central and local governments' partnerships, with risks under control.

Business Analysis

Banking Business

- Ping An Bank maintained stable business growth. In the first half of 2020, revenue grew by 15.5% year on year to RMB78,328 million. Operating income before impairment loss grew by 18.9% year on year to RMB56,150 million.
- Ping An Bank proactively responded to external risks and optimized its business portfolio. Overall asset quality risk was under control, with a non-performing loan ratio of 1.65% as of June 30, 2020, the same as that at the beginning of 2020. The percentages of special mention loans, loans more than 60 days overdue and loans more than 90 days overdue dropped by 0.15 pps, 0.03 pps and 0.02 pps from the beginning of 2020 to 1.86%, 1.55% and 1.33% respectively. The deviations of loans more than 60 days overdue and loans more than 90 days overdue were both below 1. Meanwhile, Ping An Bank further strengthened risk provisions. The provision coverage ratios for non-performing loans, loans more than 60 days overdue and loans more than 90 days overdue rose by 31.81 pps, 38.10 pps and 44.12 pps from the beginning of 2020 to 214.93%, 228.44% and 267.01% respectively.
- Ping An Bank upgraded its retail business transformation and maintained stable development despite the COVID-19 epidemic. In the first half of 2020, retail banking achieved RMB43,353 million in revenue, up 12.3% year on year. Retail customers and registered users of the “Ping An Pocket Bank” app both exceeded 100 million. Retail assets under management (AUM) rose by 17.1% from the beginning of 2020 to RMB2,321,615 million. The balance of retail deposits increased by 10.1% from the beginning of 2020 to RMB642,799 million.
- In the first half of 2020, Ping An Bank issued RMB30 billion worth of undated capital bonds. As of June 30, 2020, the capital adequacy ratio rose by 0.74 pps from the beginning of 2020 to 13.96%.

BUSINESS OVERVIEW

Ping An Bank continued its mission to build “China’s most outstanding, world-leading smart retail bank” under the strategy of “technological empowerment, breakthroughs in retail banking, and enhancement of corporate banking.” The year 2020 is the first year for Ping An Bank to implement its new 3-year strategy. Ping An Bank established the “3+2+1” strategy for Retail, Corporate, and Interbank businesses to achieve balanced business development. Moreover, Ping An Bank has positioned itself as “a digital bank, an ecosystem, and a platform” to optimize its asset-liability structure, lay a solid foundation for transformation and upgrade, and further its development.

In the first half of 2020, in response to the sudden COVID-19 outbreak, Ping An Bank proactively implemented various strategic measures and resumed business quickly through online digital operations while fighting the epidemic. Meanwhile,

Ping An Bank continued to strengthen financial risk prevention and control, and actively fulfilled various social responsibilities. Ping An Bank follows the national policies of “ensuring stability in employment, financial markets, foreign trade, foreign investment, domestic investment, and expectations” and “ensuring job security, basic livelihoods, operations of market entities, food and energy security, stable industry and supply chains, and the normal functioning of primary-level governments.” Ping An Bank made active efforts to effectively meet customers’ demands for various financial services, support the rapid resumption of work and production, and give strong backing to the sustainable development of the real economy.

Ping An Bank continued to make its outlets smarter and improved their geographic distribution. As of June 30, 2020, Ping An Bank had 92 branches (including the Hong Kong branch) and 1,078 business outlets.

Business Analysis

Banking Business

KEY INDICATORS

Ping An Bank maintained stable business growth with revenue increasing steadily by 15.5% year on year to RMB78,328 million in the first half of 2020. Operating income before impairment loss grew by 18.9% year on year to RMB56,150 million. Meanwhile, due to the uncertainties brought by the COVID-19 epidemic, Ping An Bank proactively strengthened risk provisions based on economic trends and predictions on domestic and international environments, resulting in a year-on-year decline of 11.2% in net profit.

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

	2020	2019	Change (%)
Operating income before impairment loss	56,150	47,241	18.9
Net profit	13,678	15,403	(11.2)
Cost-to-income ratio ⁽¹⁾ (%)	27.30	29.46	-2.16 pps
Average return on total assets (annualized, %)	0.67	0.88	-0.21 pps
Weighted average ROE (annualized, %)	9.33	12.63	-3.30 pps
Net interest margin (annualized, %)	2.59	2.62	-0.03 pps

Note: (1) Cost-to-income ratio = general and administrative expenses / total revenues.

(in RMB million)	June 30, 2020	December 31, 2019	Change (%)
Deposits and loans⁽¹⁾			
Total loans and advances	2,508,408	2,323,205	8.0
Including: Retail loans	1,417,755	1,357,221	4.5
Corporate loans	1,090,653	965,984	12.9
Deposits	2,486,121	2,436,935	2.0
Including: Retail deposits	642,799	583,673	10.1
Corporate deposits	1,843,322	1,853,262	(0.5)
Asset quality			
Non-performing loan ratio (%)	1.65	1.65	-
Provision coverage ratio (%)	214.93	183.12	31.81 pps
Deviation of loans more than 60 days overdue ⁽²⁾ (%)	94	96	-2 pps
Capital adequacy ratio			
Core tier 1 capital adequacy ratio ⁽³⁾ (%)	8.93	9.11	-0.18 pps

Notes: (1) Total loans and advances, deposits, and their components are exclusive of interest receivable and payable.
(2) Deviation of loans more than 60 days overdue = balance of loans more than 60 days overdue / balance of non-performing loans.
(3) The minimum regulatory requirement for the core tier 1 capital adequacy ratio is 7.5%.

Analysis of Profit Sources

For the six months ended June 30

(in RMB million)

	2020	2019	Change (%)
Net interest revenue	50,305	43,639	15.3
Average balance of interest-earning assets	3,887,854	3,358,110	15.8
Net interest margin ⁽¹⁾ (unannualized, %)	1.29	1.30	-0.01 pps
Net interest margin (annualized, %)	2.59	2.62	-0.03 pps
Net non-interest revenue ⁽²⁾	28,023	24,190	15.8
Including: Net fee and commission revenue	19,722	18,391	7.2
Other net non-interest revenue	8,301	5,799	43.1
Revenue	78,328	67,829	15.5
General and administrative expenses	(21,380)	(19,981)	7.0
Cost-to-income ratio (%)	27.30	29.46	-2.16 pps
Tax and surcharges	(798)	(607)	31.5
Operating income before impairment loss	56,150	47,241	18.9
Loan impairment loss	(32,302)	(23,597)	36.9
Average balance of loans (including discounted bills)	2,429,534	2,042,092	19.0
Credit cost ⁽³⁾ (unannualized, %)	1.33	1.16	0.17 pps
Credit cost (annualized, %)	2.67	2.31	0.36 pps
Other expenses	(6,261)	(3,641)	72.0
Profit before tax	17,587	20,003	(12.1)
Income tax	(3,909)	(4,600)	(15.0)
Net profit	13,678	15,403	(11.2)

- Notes: (1) Net interest margin = net interest revenue / average balance of interest-earning assets.
(2) Net non-interest revenue includes net fee and commission revenue, investment income, fair value gains and losses, foreign exchange gains and losses, other business revenue, asset disposal gains and losses, and other income.
(3) Credit cost = loan impairment loss / average balance of loans (including discounted bills).

Ping An Bank's net interest margin for the first half of 2020 decreased by 0.03 pps year on year to 2.59% mainly due to the decreasing loan prime rate and ample liquidity in the money market. Overall, the yield on interest-earning assets dropped slightly faster than the cost rate of interest-bearing liabilities.

Ping An Bank's net non-interest revenue for the first half of 2020 totaled RMB28,023 million, up 15.8% year on year as Ping An Bank proactively developed its private banking business, with commission revenue from the distribution of fund and trust plans recording year-on-year growth. Moreover, Ping An Bank grasped market opportunities and increased bond positions moderately, resulting in a year-on-year increase in investment income.

RETAIL BUSINESS

In the first half of 2020, under the "3+2+1" strategy, Ping An Bank promoted the three key businesses of "basic retail banking, private banking & wealth management, and consumer finance," enhanced the two core capabilities of "risk management and cost control," and developed the "one ecosystem" to drive integration. Meanwhile, Ping An Bank implemented the new strategy of data-driven operations, online operations, comprehensive services, and ecosystem-based development to promote its retail business transformation, in line with its new positioning as "a digital bank, an ecosystem, and a platform."

Business Analysis

Banking Business

With the COVID-19 epidemic being largely contained domestically but still uncertain overseas, Ping An Bank resumed its retail business quickly and maintained steady business development with its online technology-powered, AI-enabled operational capabilities through rapid implementation of the above new strategy. In the first half of 2020, the growth of the retail banking business was impacted by the COVID-19 epidemic. Revenue from retail banking grew by 12.3% year on year to RMB43,353 million, accounting for 55.3% of Ping An Bank's total revenue, slightly lower year on year. As Ping An Bank strengthened retail provisions, net profit from retail banking amounted to RMB7,480 million, accounting for 54.7% of Ping An Bank's net profit; the percentage declined year on year but was still within a reasonable range. As of June 30, 2020, Ping An Bank's retail AUM rose by 17.1% from the beginning of 2020 to RMB2,321,615 million. Retail customers and registered users of the "Ping An Pocket Bank" app both exceeded 100 million. Personal property mortgage loans and collateral mortgage loans accounted for 32.2% of the balance of retail loans, compared with 30.3% at the beginning of 2020, indicating Ping An Bank's customer mix was further improved. The integrated financial business model made increasing contributions to retail banking. The cross-selling channel's non-performing loan ratio was generally lower than the overall non-performing loan ratio, showing that the customers referred by the cross-selling channel have better asset quality than other customers.

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

Operating results of retail banking

	2020	2019	Change (%)
Revenue from retail banking	43,353	38,596	12.3
% of revenue from retail banking	55.3	56.9	-1.6 pps
Net profit from retail banking	7,480	10,810	(30.8)
% of net profit from retail banking	54.7	70.2	-15.5 pps

For the six months ended June 30	2020	
	Cross-selling channel's contribution	Cross-selling channel's contribution percentage (%)
Cross-selling channel's contributions to retail banking		
New credit cards issued (in million)	1.29	30.8
Xinyidai unsecured loans granted (in RMB million)	29,719	64.3
Auto loans granted (in RMB million)	31,855	33.1

June 30, 2020	June 30, 2020	
	Overall non-performing loan ratio	Cross-selling channel's non-performing loan ratio
(%)		
Asset quality of retail banking		
Including: Credit card receivables	2.35	2.13
Xinyidai unsecured loans	1.84	1.10
Auto loans ⁽¹⁾	1.40	1.89

Note: (1) In respect of auto loans, the Group's cross-selling channel had a non-performing loan ratio of 1.89%, higher than the overall non-performing loan ratio mainly because the cross-selling channel had a high proportion of auto mortgages. Moreover, the non-performing loan ratio of the cross-selling channel's auto mortgages was 0.95 pps lower than that of the other customer segments' auto mortgages.

For retail deposits, Ping An Bank continued to drive deposit growth by expanding AUM, and retained more customer deposits by boosting accounts bundled for repayment of credit cards or other products. In addition, Ping An Bank raised settlement deposits by developing payroll and acquiring services to boost demand deposits and optimize its deposit mix. As of June 30, 2020, the balances of retail deposits and retail demand deposits increased by 10.1% and 13.2% from the beginning of 2020 to RMB642,799 million and RMB226,323 million respectively. The average cost rate of retail deposits for the first half of 2020 was 2.51%, down 0.17 pps year on year.

For the private banking & wealth management business, as of June 30, 2020, Ping An Bank had 882,700 wealth management customers, up 13.3% from the beginning of 2020. The number of qualified private banking customers (the criterion for a qualified private banking customer is over RMB6 million in daily average assets for any one of the recent three months) was about 51,100, up 16.7% from the beginning of 2020. The AUM of qualified private banking customers stood at RMB923,055 million, up 25.8% from the beginning of 2020. Ping An Bank continued to promote its private banking business, and enhanced its comprehensive, professional and technology-powered capabilities. Ping An Bank actively promoted business innovation. Specifically, Ping An Bank signed this year's first family office service contract involving over RMB100 million in AUM, launched offshore family trust services for high net worth customers, and created the first tailor-made insurance trust and the first anti-epidemic charity trusts. Ping An Bank continued to develop the investment research, investment advisory and family office teams to provide a wider range of services and improve service experience for private banking customers. Ping An Bank continued to upgrade the benefits system focused on the needs of private banking customers to enhance its private banking brand image and value proposition.

	June 30, 2020	December 31, 2019	Change (%)
Number of retail customers ⁽¹⁾ (in million)	101.68	97.08	4.7
Including: Wealth management customers (in thousand)	882.7	779.3	13.3
Including: Qualified private banking customers (in thousand)	51.1	43.8	16.7
Retail assets under management (AUM, in RMB million)	2,321,615	1,982,721	17.1
Number of credit cards in circulation (in million)	61.48	60.33	1.9

Note: (1) Retail customers include debit cardholders and credit cardholders, with duplicates removed.

CORPORATE BUSINESS

In the first half of 2020, Ping An Bank's corporate banking served as an engine of the Group's "1+N" corporate integrated financial business model. Ping An Bank took a customer-centric approach and continued its "3+2+1" corporate banking strategy to promote balanced development and retail transformation. The strategy featured the three pillars of "industry-specific banking, transaction banking and integrated finance," the two core customer segments of "strategic customers and small and micro-business customers," and the one bottom line of "asset quality." Amid the COVID-19 epidemic, Ping An Bank achieved growth in the corporate banking business through accelerated data-driven operations by leveraging the Group's competitive advantages in "finance + technology" and focusing on new business opportunities of corporate banking. Ping An Bank reduced costs of liabilities by proactively controlling long-term, high-cost liabilities. As of June 30, 2020, the balance of corporate deposits was RMB1,843,322 million, representing a slight decrease year to date. The average cost rate of corporate deposits for the first half of 2020 was 2.29%, down 0.14 pps year on year. In the first half of 2020, corporate net non-interest revenue (excluding the interbank business) increased by 27.8% year on year to RMB6,632 million, and the proportion of corporate net non-interest revenue to corporate revenue grew 6.1 pps year on year, mainly attributable to revenues from cross-selling, forfaiting, bill discounting, bank acceptance and e-commerce. In the first half of 2020, insurance premiums referred by Ping An Bank rose by 271.0% year on year to RMB1,896 million.

Ping An Bank fully leveraged technologies including AI, blockchain and the IoT to enable corporate business innovation. In the first half of 2020, the transaction volume of Ping An Bank's internet payment and settlement service platform rose by 88.6% year on year to RMB3.30 trillion. As of June 30, 2020, the "Ping An Pocket Finance" app, a one-stop integrated financial services platform for corporate customers, had nearly 0.47 million registered users who contributed a transaction volume of RMB2.89 trillion in the first half of 2020, up 105.0% year on year. Ping An Bank provided 525 core enterprises and their upstream suppliers with financial services through a cloud-based supply chain accounts receivable service platform, with a total transaction volume of RMB23,941 million in the first half of 2020, up 38.9% year on year. New investment and financing projects implemented by Ping An Bank in cooperation with the Group's member companies grew 153.8% year on year to RMB234,969 million.

Business Analysis

Banking Business

In addition to business development, Ping An Bank vigorously serves the real economy by supporting non-state-owned enterprises and small and micro-businesses while expanding the cooperation with strategic customers in key industries. As of June 30, 2020, the proportion of credit lines granted to key industries including transport infrastructure, real estate, health care, electronics manufacturing, and new energy stood at 46.9%. The balance of loans to strategic customers rose by 22.2% from the beginning of 2020, with its share in the corporate loan balance up 3.6 pps from the beginning of 2020. The balance of loans to non-state-owned enterprises rose by 8.0% from the beginning of 2020, representing 71.5% of the corporate loan balance. The balance of loans to small and micro-businesses each with a credit line not more than RMB10 million (“inclusive small and micro-business loans”) increased by 7.73% from the beginning of 2020 to RMB237,111 million. The number of customers with such loans amounted to 682,500. Such loans accounted for 9.5% of the balance of Ping An Bank’s loans. In the first half of 2020, Ping An Bank granted a total of RMB114,874 million in such loans.

INTERBANK BUSINESS

Ping An Bank implemented the “3+2+1” strategy for the interbank business, featuring the three business directions of “new transactions, new interbank business, and new asset management business,” the two core capabilities of “sales and transactions,” and the “one smart interbank business system platform.” In the meantime, Ping An Bank fought COVID-19 to maintain normal operations and development. In the first half of 2020, Ping An Bank continued to carry out the FICC (fixed income, currencies and commodities) market making business by leveraging its market-leading E-trading capability. In the derivatives market making rankings announced by China Foreign Exchange Trade System (CFETS) for the first half of 2020, Ping An Bank maintained its leading role in the market. As of June 30, 2020, Ping An Bank’s integrated financial asset trading platform ET-Bank had cooperated with 2,258 customers in total. In the first half of 2020, the interbank institutional sales volume reached RMB400,989 million, up 72.5% year on year. As of June 30, 2020, Ping An Bank had RMB403,022 million of NAV-type (net asset value-type) products in compliance with the new asset management regulations on NAV management, up 56.7% from the beginning of 2020, with an industry-leading proportion of the scale of NAV-type products to the total assets of wealth management products.

TECHNOLOGY-DRIVEN TRANSFORMATION

Adopting “technology-driven business” as the driving force for strategic transformation, Ping An Bank continued to increase investment in fintech, optimized development processes, improved delivery efficiency, and enhanced online digital operations to promote its transformation toward “a digital bank, an ecosystem, and a platform.” As of June 30, 2020, Ping An Bank’s IT staff (including outsourced staff) increased by more than 13% from the beginning of 2020. In the first half of 2020, IT capital expenditure and expenses grew by 24.8% year on year.

Ping An Bank empowered its business with technologies. Ping An Bank furthered its agile transformation and improved the automation and intelligence of R&D operations. In the first half of 2020, business development requirements addressed by technology teams increased by over 30% year on year. Ping An Bank continued to upgrade and transform important business systems, including the new core system for credit cards, Ping An Good Chain, ET-Bank, Intelligent Finance, and Intelligent Risk Control. Meanwhile, Ping An Bank built an independent computer room and developed and deployed an IT system for its wealth management subsidiary, providing robust technical support for business operations. Paying much attention to application security management, Ping An Bank enhanced the security management of internet applications by continuously building and applying the Secure Software Development Life Cycle (S-SDLC).

Ping An Bank established leading technology infrastructure platforms. Ping An Bank accelerated its technological transformation by building cutting-edge infrastructure and platforms and improving technological products and solutions. As of June 30, 2020, Ping An Bank had moved over 40% of its applications onto the cloud, and applied technological framework and tools of the distributed Platform as a Service (PaaS) in more than 200 projects. Moreover, Ping An Bank builds Nebula-IoT, an IoT-enabled smart middle-office platform, proactively applying it in scenarios including the Internet of Vehicles, the industrial internet, warehousing and logistics, smart manufacturing, and new retail.

Ping An Bank accelerated its digital transformation and accelerated its capacity building for online digital operations. Regarding the data middle office, Ping An Bank promoted the development of data service platforms, and enhanced data service capabilities in its operations and management. Regarding AI platforms, Ping An Bank built a one-stop machine learning platform to automate the entire process from modeling to releasing, with over 600 models having gone live. Regarding data governance, Ping An Bank developed over 600 basic data standards and nearly 500 indicator standards in the first half of 2020. Regarding online operations, as a quick response to the COVID-19 outbreak, Ping An Bank launched “Banking at Home” and “Overseas Services,” two fully online integrated service platforms on the “Ping An Pocket Bank” app, providing customers with financial products and quick services online. Ping An Bank set up online marketing channels including audio, short videos and live streaming platforms, and offered non-contact services by means of smart customer services, robo-advising, and online medical consultations. In the first half of 2020, Ping An Bank launched more than 3,000 marketing campaigns through the smart online operations platform “AI Kuaizhan,” attracting more than 640 million views and facilitating over seven million wealth management transaction orders.

Ping An Bank strengthened fintech innovation and application. With the Group’s core technological resources, Ping An Bank accelerated the application of new technologies to banking scenarios to improve productivity and reduce operating costs. In AI Bank, the credit card smart speech platform made nearly 12 million outbound calls per month, equivalent to the workloads of about 3,000 telemarketing representatives. In big data, Ping An Bank upgraded the customer journey platform to enhance the capability of targeted marketing and services. As a result, the conversion rates of customers purchasing wealth management products including “Tiantian Chengzhang C” increased by 60%. The small enterprise credit model enabled fully automatic loan approval, reducing the average turnaround time for granting a loan from 7.8 days to 2.2 days. In blockchain, Ping An Bank applied it to over 490,000 transactions in the first half of 2020, covering blockchain-based businesses including supply chain finance, bankruptcy and liquidation voting, cloud-based contract signing and certificate storage, and traceability. Ping An Bank built a blockchain-enabled taxation alliance with local tax authorities to lower enterprises’ tax compliance costs and trade finance risks.

ASSET QUALITY

Ping An Bank went all out to support the prevention and control of the COVID-19 epidemic and the stability of financial markets. Ping An Bank offered differentiated emergency financial services to help businesses and individuals affected by the epidemic overcome difficulties. Meanwhile, Ping An Bank further adjusted and optimized its business portfolio to support the development of micro-, small and medium-sized enterprises. Ping An Bank stepped up the write-off and recovery of non-performing assets. In the first half of 2020, Ping An Bank wrote off RMB19,421 million in non-performing assets, and recovered RMB7,195 million in loans that had already been written off. Overall asset-quality risks were under control. As of June 30, 2020, the non-performing loan ratio was 1.65%, the same as that at the beginning of 2020. The percentages of special mention loans, loans more than 60 days overdue and loans more than 90 days overdue dropped by 0.15 pps, 0.03 pps and 0.02 pps from the beginning of 2020 to 1.86%, 1.55% and 1.33% respectively. The deviations of loans more than 60 days overdue and loans more than 90 days overdue were both below 1. Moreover, Ping An Bank further strengthened risk provisions. The provision coverage ratios for non-performing loans, loans more than 60 days overdue and loans more than 90 days overdue rose by 31.81 pps, 38.10 pps and 44.12 pps from the beginning of 2020 to 214.93%, 228.44% and 267.01% respectively. As of June 30, 2020, the balance of Ping An Bank’s inclusive small and micro-business loans increased by 7.73% from the beginning of 2020. The weighted average interest rate on loans granted to such small and micro-businesses for the first half of 2020 was 0.80 pps lower than that for 2019. The non-performing loan ratio of such small and micro-businesses was kept within a reasonable range.

Business Analysis

Banking Business

(in RMB million)	June 30, 2020	December 31, 2019	Change (%)
Loan quality			
Pass	2,420,357	2,238,307	8.1
Special mention	46,738	46,665	0.2
Non-performing loans	41,313	38,233	8.1
Sub-standard	18,553	18,891	(1.8)
Doubtful	11,360	6,272	81.1
Loss	11,400	13,070	(12.8)
Total loans and advances	2,508,408	2,323,205	8.0
Non-performing loan ratio (%)	1.65	1.65	-
Percentage of special mention loans (%)	1.86	2.01	-0.15 pps
Impairment provision balance	(88,794)	(70,013)	26.8
Provision coverage ratio (%)	214.93	183.12	31.81 pps
Loan loss provision ratio (%)	3.54	3.01	0.53 pps
Balance of loans more than 60 days overdue	38,870	36,782	5.7
Percentage of loans more than 60 days overdue (%)	1.55	1.58	-0.03 pps
Deviation of loans more than 60 days overdue ⁽¹⁾ (%)	94	96	-2 pps
Provision coverage ratio for loans more than 60 days overdue (%)	228.44	190.34	38.10 pps
Balance of loans more than 90 days overdue	33,255	31,411	5.9
Percentage of loans more than 90 days overdue (%)	1.33	1.35	-0.02 pps
Deviation of loans more than 90 days overdue ⁽²⁾ (%)	80	82	-2 pps
Provision coverage ratio for loans more than 90 days overdue (%)	267.01	222.89	44.12 pps

Notes: (1) Deviation of loans more than 60 days overdue = balance of loans more than 60 days overdue / balance of non-performing loans.
(2) Deviation of loans more than 90 days overdue = balance of loans more than 90 days overdue / balance of non-performing loans.

(%)	June 30, 2020	December 31, 2019	Change
Non-performing loan ratios			
Corporate loans	1.76	2.29	-0.53 pps
Retail loans	1.56	1.19	0.37 pps
Total loans and advances	1.65	1.65	-

In respect of corporate asset quality, Ping An Bank focused on key industries, regions and clients, selected the industries with weak cyclicality, stable growth and high asset quality, and exited from high-risk industries. As a result, corporate asset quality gradually improved. As of June 30, 2020, the non-performing loan ratio of corporate loans declined by 0.53 pps from the beginning of 2020 to 1.76%.

In respect of retail asset quality, Ping An Bank improved customer qualification and risk identification, implemented differentiated risk management strategies, and continuously improved the customer mix with its industry-leading technologies and risk management models. However, Ping An Bank's retail asset quality experienced short-term fluctuations as new overdue retail loans increased due to COVID-19-induced unfavorable factors including fluctuations in the external economic environment, shrinking consumer demand, and declining household income. As of June 30, 2020, Ping An Bank's retail non-performing loan ratio increased by 0.37 pps from the beginning of 2020 to 1.56%. With the macroeconomic climate improving, the retail asset quality risk is expected to gradually return to a normal level. Ping An Bank has been customer-oriented since the outbreak of the epidemic. For customers temporarily deprived of income sources or unable to make normal repayments due to the epidemic, Ping An Bank postponed their repayments, reduced or exempted interest charges, and provided credit record protection according to specific circumstances to minimize the impact of the epidemic on retail customers. Moreover, Ping An Bank developed an epidemic-specific emergency plan in late

January 2020. Ping An Bank strengthened the monitoring of external developments and review of internal risk management strategies to mitigate epidemic-induced temporary risks. Ping An Bank replenished the loan collection staff in time to handle the workloads. The resumption rate of the collection department has rapidly returned to the pre-epidemic level since March. Moreover, since 2018, Ping An Bank has been enhancing its ability to withstand risks by adopting stricter admission policies, adjusting the retail credit business portfolio, and increasing the proportions of secured loans and credit loans for high-quality white-collar customers.

(%)	Loan granting period			
	2019	2018	2017	2016
The percentage of loans more than 30 days overdue as at the end of the 6-month vintage period				
Credit card receivables	0.36	0.29	0.35	0.45
Xinyidai unsecured loans	0.15	0.17	0.20	0.16
Auto loans	0.28	0.17	0.18	0.12

- Notes: (1) Vintage analysis, also known as static pool analysis of default rates, is a method of evaluating the credit quality of account holders by monitoring credit assets in accounts opened in different periods and analyzing the vintages. The percentage of loans more than 30 days overdue as at the end of the 6-month vintage period = the balance of current-year new loans or credit card receivables more than 30 days overdue as at the end of the 6-month vintage period / the balance of current-year new loans or credit card receivables that have been on books for 6 months.
- (2) The data of the 2019 vintage analysis disclosed in the Company's 2019 Annual Report only reflected the quality of loans issued from January to July in 2019. As of June 30, 2020, the vintage period of loans or credit cards issued in 2019 has reached 6 months, that is, the data of 2019 vintage analysis disclosed in the above table reflected the quality of loans issued throughout the year 2019.

CAPITAL ADEQUACY

Ping An Bank continued to refine its capital management. In addition to stable internal sources of capital including retained earnings, Ping An Bank issued undated capital bonds in response to the state's call to diversify banks' sources of capital and pilot the issuance of innovative capital instruments. Ping An Bank received approval in 2019 to issue RMB50 billion worth of undated capital bonds ("perpetual bonds"), of which the first tranche worth RMB20 billion was issued in December 2019. In February 2020, Ping An Bank issued the remaining RMB30 billion worth of undated capital bonds in the China Interbank Bond Market. The funds raised were used to replenish other tier 1 capital. In this way, Ping An Bank further diversified its sources of capital, optimized its capital structure, and enhanced its risk buffer.

(in RMB million)	June 30, 2020	December 31, 2019	Change (%)
Capital adequacy ratio			
Net core tier 1 capital	258,105	253,646	1.8
Net tier 1 capital	328,049	293,594	11.7
Net capital	403,482	368,193	9.6
Total risk weighted assets	2,890,477	2,784,405	3.8
Core tier 1 capital adequacy ratio (%)	8.93	9.11	-0.18 pps
Tier 1 capital adequacy ratio (%)	11.35	10.54	0.81 pps
Capital adequacy ratio (%)	13.96	13.22	0.74 pps

- Notes: (1) Capital requirements regarding credit risk, market risk and operational risk are measured by the weighted method, standard method, and basic indicator method respectively.
- (2) Minimum regulatory requirements for the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio, and capital adequacy ratio are 7.5%, 8.5%, and 10.5% respectively.

Business Analysis

Asset Management Business

- Ping An Securities increased its net profit by 25.0% year on year in the first half of 2020, leveraging on the Group's integrated financial services and technological strength amid challenges brought by the COVID-19 epidemic.
- Ping An Financial Leasing achieved healthy growth in developed businesses and breakthroughs in innovative ones. In 2019, Ping An Financial Leasing ranked second by net profit and fifth by total assets in the industry.
- Ping An Asset Management maintained steady business growth amid financial market turmoil. As of June 30, 2020, investment assets under management (AUM) stood at RMB3.48 trillion, up 6.4% from the beginning of the year.

BUSINESS OVERVIEW

The Company conducts its asset management business through companies including Ping An Trust, Ping An Securities, Ping An Financial Leasing, and Ping An Asset Management. The investment income of the asset management business declined year on year due to the COVID-19 epidemic and capital market turmoil. Moreover, high incomes were realized in the same period of the previous year due to the exits from some investment projects. As a result, net profit of the asset management business for the first half of 2020 decreased by 14.5% year on year to RMB6,438 million.

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
Net profit			
Trust business	1,653	1,874	(11.8)
Securities business	1,565	1,252	25.0
Other asset management business	3,220	4,402	(26.9)
Net profit of asset management business	6,438	7,528	(14.5)

TRUST BUSINESS

The Company provides trust and financing services through Ping An Trust and its subsidiary Ping An New Capital.

Ping An Trust proactively responded to the COVID-19 epidemic, closely followed the regulatory guidance, and strengthened risk management. In the first half of 2020, the COVID-19 epidemic had a significant impact on China's economy. Economic and social development faced considerable difficulties while financial regulation was further strengthened. Ping An Trust continued to strengthen risk management by developing differentiated and customized risk management strategies for different industries and customer groups based on factors including industry risks, counterparty strength, internal and external customer ratings, project risks, and credit enhancements. Furthermore, Ping An Trust selected high-quality customers and assets, and reasonably verified the scales, durations and pricing of investment and financing projects based on the specific characteristics of the projects invested. Ping An Trust also adopted risk management measures including the requirement of guarantees, collateral, pledge, escrow accounts, certificate management, financial indicator monitoring, and cross-default management. Ping An Trust dynamically reviewed and adjusted business strategies on the basis of timely market research by leveraging external information sources including listed companies, bond markets, industry associations and professional information service terminals, as well as in-depth mining of internal data generated during operations.

Ping An Trust adhered to its strategies, ramped up transformation efforts, and focused on its core trust businesses.

Ping An Trust continued to focus on its four core businesses, namely special asset investment, infrastructure investment, financial service trusts and private equity investment, to help the real economy achieve high-quality development. In special asset investment, Ping An Trust explored innovative models and channels to serve the real economy, built a large platform for special assets, integrated high-quality resources, helped the real economy mitigate risks, and provided investment banking services for special assets of enterprises. In infrastructure investment, Ping An Trust followed national strategies and focused on new infrastructure projects, infrastructure, energy and other fields, providing insurance funds and institutional investors with financial products featuring stable cash flows and reasonable returns to support China's infrastructure upgrades. In financial service trusts, Ping An Trust strengthened active management and focused on development of business customers, providing institutional investors with excellent trust services. In private equity investment, Ping An Trust helped enterprises to boost operational efficiency and value, and supported China's industrial structure upgrades by sharing profound investment and management expertise with emerging industries including energy saving and environmental protection, high-end manufacturing, and health care.

Ping An Trust continued to develop smart digital benchmarks for technology applications in the industry. Through technology application, Ping An Trust pioneered the online matching of funds and assets and fully automated product design to improve efficiency and empower businesses. Ping An Trust enabled smart risk management with technologies covering the entire trust business chain and built an industry-leading robust, comprehensive risk management system. As of June 30, 2020, Ping An Trust had RMB20,223 million in net capital. The ratio of net capital to total risk capital was 208.8% and the ratio of net capital to net assets was 79.2%, both meeting regulatory requirements (100% and 40% respectively).

Analysis of Profit Sources

Net profit of the trust business for the first half of 2020 dropped by 11.8% year on year because of a year-on-year decrease in the investment income due to a more prudent investment strategy amid rising industry risks.

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
Fees and commission revenue	2,259	2,012	12.3
Monthly average assets held in trust	435,772	516,154	(15.6)
Fee rate of assets held in trust ⁽¹⁾ (%)	0.52	0.39	0.13 pps
Fees and commission expenses	(160)	(75)	113.3
Net fees and commission revenue	2,099	1,937	8.4
Administrative expenses ⁽²⁾	(513)	(430)	19.3
Total investment income ⁽³⁾	293	683	(57.1)
Other net revenue and expenses	262	197	33.0
Profit before tax	2,141	2,387	(10.3)
Income tax	(488)	(513)	(4.9)
Net profit	1,653	1,874	(11.8)

Notes: (1) Fee rate of assets held in trust = fees and commission revenue / monthly average assets held in trust.
 (2) Administrative expenses include administrative expenses and impairment losses on receivables and others under the segmented income statement.
 (3) Total investment income includes interest revenue from non-banking operations, investment income, share of profits and losses of associates and jointly controlled entities, impairment losses on investment assets, and interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions under the segmented income statement.

Business Analysis

Asset Management Business

Assets Held in Trust

In response to macro environment changes and new asset management regulations, Ping An Trust enhanced active management, and adjusted and optimized its business portfolio. As of June 30, 2020, Ping An Trust had RMB431,765 million in assets held in trust, down 2.4% from the beginning of 2020.

(in RMB million)	June 30, 2020	December 31, 2019	Change (%)
Investment category	82,457	83,001	(0.7)
Capital market investment	54,732	56,879	(3.8)
Financial institutions' investment	15,523	9,652	60.8
Other investments ⁽¹⁾	12,202	16,470	(25.9)
Financing category	191,265	174,675	9.5
Infrastructure industry financing	26,782	20,569	30.2
Real estate financing	119,510	116,237	2.8
Corporate financing	37,725	30,585	23.3
Pledge and other financing ⁽²⁾	7,248	7,284	(0.5)
Administrative category ⁽³⁾	158,043	184,932	(14.5)
Total	431,765	442,608	(2.4)

Notes: (1) Other investments refer to investments other than the above, including structured equity investment, industrial investment, and other investment businesses.
 (2) Pledge and other financing refers to financing other than the above, including financing by pledging or acquiring securities, financial assets, and other debts.
 (3) An administrative trust refers to a trust scheme under which a trust company, acting as the trustee, assumes the administrative function to provide the trustor (beneficiary) with administrative and executive services for specified purposes.

Fees and Commission Revenue

Fees and commission revenue of the trust business for the first half of 2020 increased by 12.3 % year on year mainly due to the increased performance fees in the investment category.

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
Fees and commission revenue	2,259	2,012	12.3
Investment category	1,036	591	75.3
Financing category	1,101	1,195	(7.9)
Administrative category	122	226	(46.0)
Fee rate of assets held in trust (unannualized, %)	0.52	0.39	0.13 pps
Investment category (unannualized, %)	1.30	0.59	0.71 pps
Financing category (unannualized, %)	0.60	0.66	-0.06 pps
Administrative category (unannualized, %)	0.07	0.10	-0.03 pps

SECURITIES BUSINESS

The Company provides securities brokerage, futures brokerage, investment banking, asset management, and financial advisory services through Ping An Securities and its subsidiaries including Ping An Futures, Ping An Caizhi, Ping An Securities (Hong Kong), and Ping An Pioneer Capital.

Ping An Securities achieved stable performance growth by leveraging integrated financial services and technological strengths.

In the first half of 2020, the COVID-19 epidemic dealt a huge blow to the real economy. However, securities companies delivered improved business results, benefiting from increased market activities triggered by capital market reforms including the registration-based system. Ping An Securities achieved RMB1,565 million in net profit for the first half of 2020, an increase of 25.0% year on year, by leveraging technological advantages and minimizing negative impacts of the epidemic including difficulties in offline outlets' business development and rising credit risk. In the brokerage business, given the difficulty in conducting business through offline outlets, Ping An Securities conducted online digital operations at an accelerated pace by proactively leveraging its internet-based advantages. Ping An Securities strengthened online marketing and customer reach, with the average daily number of customers sourced online increasing sharply. In addition, Ping An Securities achieved a gradual recovery in the average daily number of customers sourced offline by strengthening internal and external cooperation. In the first half of 2020, Ping An Securities' market share in terms of the retail brokerage trading volume (excluding that in the Northbound Stock Connect market) continued to expand steadily by 0.32 pps year on year to 3.47%. In the investment banking business, Ping An Securities conducted the bond business by leveraging advantages in integrated finance, and followed the state's pandemic response policy for the financial industry to serve the real economy. In the first half of 2020, Ping An Securities remained on top rank in the league table for bonds and asset-backed securities (ABSs) underwritten. Grasping opportunities created by the stock issuance registration system reform, Ping An Securities strengthened internal and external cooperation for the equities business, and developed high-quality customers. Equity projects in the pipeline continued to increase. In the trading business, Ping An Securities enhanced transaction execution efficiency and real-time risk management by enhancing its proprietary bond trading business and upgrading investment systems. In addition, Ping An Securities steadily improved investment performance by employing multiple trading instruments and strategies. In the asset management business, Ping An Securities promoted a transformation toward active asset management and continued to optimize its product portfolio.

Analysis of Profit Sources

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
Fees and commission revenue	3,636	2,744	32.5
Fees and commission expenses	(852)	(577)	47.7
Net fees and commission revenue	2,784	2,167	28.5
Total investment income ⁽¹⁾	3,245	2,948	10.1
Other revenue ⁽²⁾	2,545	2,335	9.0
Revenue	8,574	7,450	15.1
Administrative expenses ⁽³⁾	(2,357)	(2,109)	11.8
Cost-to-income ratio ⁽⁴⁾ (%)	44.3	46.4	-2.1 pps
Finance costs	(1,005)	(895)	12.3
Other expenses ⁽⁵⁾	(3,253)	(2,907)	11.9
Profit before tax	1,959	1,539	27.3
Income tax	(394)	(287)	37.3
Net profit	1,565	1,252	25.0

Notes: (1) Total investment income includes interest revenue from non-banking operations, investment income, and share of profits and losses of associates and jointly controlled entities under the segmented income statement. Investment income excludes operating lease income from investment properties.
(2) Other revenue includes other revenues and other gains, foreign exchange gains or losses, and operating lease income from investment properties under the segmented income statement. Other revenue and other gains exclude non-operating gains.
(3) Administrative expenses include administrative expenses and impairment losses on receivables and others under the segmented income statement.
(4) Cost-to-income ratio = administrative expenses / (revenue - other expenses).
(5) Other expenses include interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions, other expenses, impairment losses on investment assets, and non-operating gains under the segmented income statement.

Fees and Commission Revenue

Fees and commission revenue of the securities business for the first half of 2020 rose by 32.5% year on year, benefiting from the year-on-year increase of 37.5% in brokerage fees and commission revenue due to the increased trading volume of the brokerage business.

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
Fees and commission revenue			
Brokerage business	2,540	1,847	37.5
Underwriting business	482	452	6.6
Asset management business	270	235	14.9
Others	344	210	63.8
Total	3,636	2,744	32.5

Business Analysis

Asset Management Business

OTHER ASSET MANAGEMENT BUSINESS

The other asset management business represents results of companies including Ping An Financial Leasing, Ping An Asset Management, and Ping An Overseas Holdings.

Ping An Financial Leasing

Ping An Financial Leasing seeks expertise-based innovations and empowers business with cutting-edge technologies. Taking advantage of the Group's integrated financial business model, Ping An Financial Leasing is committed to providing customers with flexible, diverse financing products and comprehensive value-added services. Ping An Financial Leasing aims to become an expert leader in serving small and medium-sized enterprises (SMEs) and specialized markets in China with unique business strengths and scalability. Ping An Financial Leasing has realized its first 5-year strategic goal so far, becoming a leader in the industry and a bellwether of innovation. Going forward, Ping An Financial Leasing will strengthen its main business, enhance technological innovation capabilities, and continue to explore new business models to achieve sustainable development.

Ping An Financial Leasing takes the lead in multiple business lines with continued healthy growth in developed businesses and breakthroughs in innovative businesses. Giving full play to the industry's characteristics of "financing and leasing," Ping An Financial Leasing has become the leader in sectors where it has well-established presence, including engineering, education, culture, manufacturing, processing and public transportation. Moreover, Ping An Financial Leasing enhanced its presence in innovative sectors including auto finance and microfinance. In 2019, Ping An Financial Leasing ranked second by net profit and fifth by total assets in the industry.

Ping An Financial Leasing facilitated pandemic prevention and containment to fight COVID-19 and fulfill its corporate social responsibilities.

The COVID-19 epidemic had a significant impact on Ping An Financial Leasing's traditional business lines that rely on offline operations. To ensure normal business activities online, Ping An Financial Leasing quickly developed online smart systems including "Customers Online," "Employees Online" and "Resources Online." In addition, Ping An Financial Leasing took a series of measures to help SMEs overcome difficulties amid the pandemic. Ping An Financial Leasing issued the industry's first pandemic bond with proceeds going into pandemic-affected industries to help them recover. Moreover, Ping An Financial Leasing incepted a special fund to facilitate healthy growth of micro-, small and medium-sized distributors.

Ping An Financial Leasing strengthened risk management amid macro headwinds. Affected by macro environment changes and the COVID-19 epidemic, Ping An Financial Leasing prudently assessed macro risks and set aside adequate provisions for asset impairment, resulting in a year-on-year decline in its net profit for the first half of 2020. As of June 30, 2020, Ping An Financial Leasing's non-performing asset ratio rose slightly from the beginning of 2020, but still below the industry average. To boost business development, Ping An Financial Leasing took multiple measures, including taking advantage of low market interest rates to reduce financing costs and optimize the financing structure. Moreover, Ping An Financial Leasing strengthened risk management by raising qualification requirements for new customers, improving asset quality management mechanisms for existing customers, and strengthening asset monitoring and risk management while increasing risk awareness. As a result, business risks were generally under control.

Results of Operation

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
Revenue	9,312	9,852	(5.5)
Net profit	1,508	2,025	(25.5)

(in RMB million)	June 30, 2020	December 31, 2019	Change (%)
Total assets	253,376	254,684	(0.5)
Non-performing asset ratio (%)	1.28	1.10	0.18 pps

Ping An Asset Management

Ping An Asset Management is responsible for the domestic investment management business of the Company. Entrusted with the insurance funds of the Company, Ping An Asset Management also provides investment products and third-party asset management services to other investors through various channels.

Ping An Asset Management responded to the COVID-19 epidemic and seized market opportunities.

In the first half of 2020, despite unprecedented macroeconomic challenges and volatile capital markets due to COVID-19, Ping An Asset Management upheld the philosophies of value investing and prudence. Ping An Asset Management continued to meet the investment management demands of insurance funds and create value for customers by managing risks and seizing opportunities. In the first half of 2020, the net profit of Ping An Asset Management increased by 2.1% year on year, mainly due to steady AUM growth.

Ping An Asset Management achieved stable growth in the third-party asset management business, and stayed ahead of its peers by alternative investment scale.

In the asset management business, Ping An Asset Management leveraged its advantages in active management to tap into new trends in the industry. Basing its business on expertise and markets, Ping An Asset Management maintained stable growth in the third-party asset management business. In line with the China's major strategies and objective of delivering high-quality economic growth, Ping An Asset Management became an industry leader by alternative investment scale, capable of serving the real economy more effectively.

Ping An Asset Management promoted technological empowerment, and built a smart investment management platform.

As one of China's largest asset managers, Ping An Asset Management fully implemented the Group's "finance + technology" strategy. Combining expert's wisdom with technologies, Ping An Asset Management profiles corporate bonds accurately and thoroughly on its proprietary integrated bond ecosystem platform. Leveraging its end-to-end process for bond investment and risk management on the platform, Ping An Asset Management can anticipate trends, make timely decisions, and take action ahead of others.

Results of Operation

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
Net profit	1,475	1,444	2.1
Revenue from third-party asset management	798	842	(5.2)

(in RMB million)	June 30, 2020	December 31, 2019	Change (%)
Assets under management	3,482,438	3,271,630	6.4
Including: AUM of third- party asset management	386,439	291,902	32.4

Business Analysis

Technology Business

- Lufax Holding is a leading technology-empowered personal financial services platform in China. As of June 30, 2020, Lufax Holding achieved a 12.4% year-to-date increase in the balance of retail credit facilitated. Lufax Holding closely monitored the loan portfolio's quality during the COVID-19 epidemic. The online wealth management business recorded steady growth with client assets rising 8.0% year to date.
- OneConnect (NYSE: OCFT) is a leading technology-as-a-service platform for financial institutions in China. As of June 30, 2020, OneConnect had served 630 banks and 100 insurance companies. Despite the COVID-19 epidemic, OneConnect's revenue for the first half of 2020 rose by 39.7% year on year.
- Ping An Good Doctor (HKSE: 01833.HK) is China's leading online health care services platform. Ping An Good Doctor's revenue amounted to RMB2,747 million in the first half of 2020 driven by a year-on-year increase of 106.8% in the revenue of the online health care business. As operating efficiency improved, Ping An Good Doctor's net loss for the first half of 2020 decreased to RMB213 million.
- Ping An HealthKconnect strives to be a smart technology company that fully empowers the health care ecosystem. In the first half of 2020, Ping An HealthKconnect won the bid for the "macro-decision-making big data application system" and "system support software" construction projects for the SHI platform of Qinghai Province.
- Autohome (NYSE: ATHM) is China's leading online auto services platform. Autohome's revenue and net profit for the first half of 2020 fell slightly by 1.6% and 1.9% year on year respectively due to the 22.4% year-on-year decline of the domestic passenger vehicle sales. However, revenue from the online marketing business grew by 35.7% year on year driven by the increased online marketing service demands of automakers and auto dealers during the COVID-19 epidemic.

BUSINESS OVERVIEW

The Company conducts its technology business via subsidiaries, associates and jointly controlled entities including Lufax Holding, OneConnect, Ping An Good Doctor, Ping An HealthKconnect, and Autohome. The Company continues to explore innovative fintech and healthtech business models to strengthen its main financial businesses, facilitate industry upgrades, and serve the real economy. The total revenue of the technology business⁽¹⁾ for the first half of 2020 increased by 11.2% year on year to RMB42,732 million.

Note: (1) The total revenue of the technology business is the sum of revenues of technology companies in our technology segment, without considering the shareholding proportions.

LUFAX HOLDING

Lufax Holding is a leading technology-empowered personal financial services platform in China. In the first half of 2020, Lufax Holding rose to the challenge posed by COVID-19 and achieved steady business growth through strategic transformation.

In retail credit facilitation, Lufax Holding is a leading technology-powered retail credit facilitation platform in China, integrating high-quality resources in the financial services ecosystem. With 16 years of operating experience in retail credit facilitation, Lufax Holding has facilitated loans for 13.43 million small and micro-business owners and retail customers with its O2O loan facilitation services from offline consultation to online application. In addition, Lufax Holding has enabled 58 partner financial institutions to identify borrowers' risks with its increased application of AI in areas including borrower acquisition, customer risk identification and loan management. In the first half of 2020, the credit business of the financial industry was impacted by the COVID-19 epidemic to different degrees. Capitalizing on its offline-to-online (O2O) service model, Lufax Holding achieved a 12.4% year-to-date increase in the balance of loans under management to RMB519,410 million although it tightened approval standards. As of June 30, 2020, the ratio of loans more than 30 days overdue⁽¹⁾ rose by 0.7 pps year on year to 2.9% due to the COVID-19 epidemic. Lufax Holding closely monitored the asset quality risks in all regions and industries, and adjusted the policies for key regions and industries hardest hit by COVID-19. Furthermore, Lufax Holding proactively applied AI to post-lending services and repayment reminders, effectively mitigating the impact of the epidemic on asset quality. Delinquency rates of Lufax Holding are expected to improve gradually in the second half of 2020 as the economy returns to normal after the epidemic. In addition, Ping An Consumer Finance Co., Ltd. started business in April 2020 and saw the launch of and drawdown on its first technology-enabled retail revolving consumer credit loan product on June 3, 2020.

Note: (1) The ratio of loans more than 30 days overdue refers to the proportion of loans more than 30 days (inclusive) overdue to the balance of loans under management.

In wealth management, Lufax Holding provides the middle class and affluent population with diverse, personalized products and services. Lufax Holding provided 12.78 million active investors with over 8,000 products and personalized financial services through partnerships with over 400 institutions. In the first half of 2020, Lufax Holding continued to grow its client assets by 8.0% year to date despite the COVID-19 epidemic causing short-term disruption to the supply of products sourced offline. Non-peer-to-peer client assets grew strongly by 34.2% year to date owing to the transformation of standard products into NAV-type (net asset value-type) products and the strengthened marketing of smart mutual fund portfolios. At present, over 75% of client assets on Lufax Holding's wealth management platform are from customers who each have over RMB300,000 in client assets.

Number of Users

(in million)	June 30, 2020	December 31, 2019	Change (%)
Wealth management registered investors	44.65	44.02	1.4
Active investors ⁽¹⁾	12.78	12.50	2.2
Accumulated borrowers	13.43	12.37	8.6

Note: (1) Active investors refer to customers who made an investment or had a positive account balance in the past 12 months.

Assets under Management

(in RMB million)	June 30, 2020	December 31, 2019	Change (%)
Balance of retail credit facilitated	519,410	462,243	12.4
Client assets	374,728	346,856	8.0
Including: Peer-to-peer ⁽¹⁾	47,796	103,303	(53.7)
Standard products ⁽²⁾	197,881	178,328	11.0
B-end cooperation ⁽³⁾	129,051	65,225	97.9

Notes: (1) Peer-to-peer client assets were significantly affected due to the regulatory requirements for decreases in the business scale, lenders and borrowers, and outlets.
(2) The standard products refer to products distributed by the wealth management business, including mutual funds, privately offered funds, and asset management products from insurance asset managers and securities firms.
(3) The B-end cooperation refers to balances of investments made by wealth management customers at partner financial institutions through Lufax Holding's technology-powered system.

Transaction Volume

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
New loans	284,461	227,859	24.8
Wealth management	517,450	487,327	6.2

Business Analysis

Technology Business

ONECONNECT

OneConnect (NYSE: OCFT) is a leading technology-as-a-service platform for financial institutions in China. OneConnect provides comprehensive end-to-end solutions for financial institutions including banks, insurers, and investment managers by integrating extensive financial services experience with market-leading technology. OneConnect's solutions enable customers' digital transformations, helping them increase revenues, manage risks, improve efficiency, enhance service quality, and reduce costs. OneConnect was listed on the New York Stock Exchange on December 13, 2019.

In the first half of 2020, OneConnect grew its revenue by 39.7% year on year to RMB1,355 million through its unique volume-based charging schemes despite the impact of COVID-19, which made it temporarily difficult to visit prospective clients onsite. Revenue from operational support services grew strongly by 162.1% year on year in the first half of 2020 due to customers' growing demands for solutions including smart customer services. As of June 30, 2020, OneConnect had served a total of 630 banks, including 18 major banks and 132 city commercial banks, accounting for 100% and 99% of major banks and city commercial banks respectively in China. In addition, OneConnect had served a total of 100 insurance companies, including 40 life insurers and 52 property and casualty insurers, accounting for 45% and 60% of domestic life insurers and property and casualty insurers respectively. As the customer base expanded rapidly, customer relationships continued to grow and customer quality continued to improve. OneConnect's gross profit margin rose by 7.8 pps year on year in the first half of 2020 due to the optimized business portfolio and increased product value. In addition, as OneConnect strengthened refined expense management, the net loss margin declined by 20.7 pps year on year to 57.4%.

OneConnect upholds a "technology + business" empowerment model, with its technological strengths widely recognized. As of June 30, 2020, OneConnect had filed 4,327 patent applications, of which 945 were filed abroad. OneConnect passed the Capability Maturity Model Integration (CMMI) Level 5 certification, the world's highest level of global software certification. OneConnect's Gamma Lab won the Digital Team of the Year award and the Best Digital Financial Inclusion Project award from *The Asset* magazine and has won a total of 13 awards. OneConnect's information extraction technology topped the rankings in two sub-tasks at the International Workshop on Semantic Evaluation (SemEval). OneConnect gave full play to its own cutting-edge technologies, applying them to products and solutions. In the first half of 2020, OneConnect joined forces with Digital Guangxi Group to build the first ASEAN-oriented cross-border digital financial services platform. Meanwhile, OneConnect worked with China Merchants Port to build a blockchain-enabled port logistics network. Moreover, OneConnect accelerated its overseas expansion while implementing multiple new projects. Ping An OneConnect Bank (Hong Kong) Limited started a soft opening to build a virtual banking ecosystem. OneConnect signed a cooperation agreement with Abu Dhabi Global Market (ADGM) to support the development of the ADGM Digital Lab, and collaborated with an Indonesian credit reference agency to launch credit models. As of June 30, 2020, OneConnect had provided services to or signed cooperation agreements with over 50 overseas institutions in over 15 foreign countries or regions.

Facing the impacts and challenges brought by COVID-19 in the first half of 2020, OneConnect continued to serve customers with its leading technologies and diverse businesses, showing strong resilience. OneConnect responded quickly to the growing demands of the financial industry by helping financial institutions to upgrade their abilities to fight the epidemic, ensure efficient and smooth business operations, and effectively improve online front-, middle- and back-office capabilities. Looking forward, the pandemic will promote the long-term development of the financial industry by stimulating the industry's demands for cloud solutions and online products. OneConnect will strengthen its research on industry changes and customer needs and upgrade products to lead the industry's development and meet customers' growing business demands.

For the six months ended June 30 (in RMB million)	2020	2019	Change (%)
Revenue	1,355	970	39.7
Including: Implementation revenue	355	220	61.3
Business origination services	327	359	(8.8)
Risk management services	154	180	(14.3)
Operational support services	452	173	162.1
Post-implementation support services	20	21	(5.4)
Others	46	18	160.6
Cost of revenue	(856)	(689)	24.3
Gross profit	499	281	77.4
Gross profit margin (%)	36.8	29.0	7.8 pps
Net profit	(778)	(758)	2.7

Note: Figures may not match the calculation due to rounding.

For the six months ended June 30	2020	2019	Change (%)
Transaction volume of retail loans (in RMB billion)	33.3	32.3	3.3
Transaction volume of SME loans (in RMB billion)	14.1	18.8	(24.7)
Claims processed via Smart Quick Claim (in million)	2.44	1.95	25.4

Note: Figures may not match the calculation due to rounding.

PING AN GOOD DOCTOR

Ping An Good Doctor (HKSE: 01833.HK), as China's leading online health care services platform, is committed to building a bridge of effective communication between doctors and patients. Ping An Good Doctor provides users with timely, high-quality online health care services (including 24/7 online consultation, prescription, registration, and 1-hour drug delivery) and health management services (including maternal and child care, mental health, and chronic disease management) through its in-house full-time medical team and AI-based medical system. Meanwhile, Ping An Good Doctor provides users with a wider range of one-stop health care services through the constantly improving nationwide and worldwide networks of third-party renowned doctors as well as the offline health care network (including hospitals, clinics, checkup centers, and pharmacies).

As of June 30, 2020, Ping An Good Doctor had a total of over 346 million registered users. In the first half of 2020, average daily consultations increased significantly by 26.7% year on year to 831,200 times per day. In June 2020, monthly active users grew by 7.3% year on year to 67.27 million. In the first half of 2020, Ping An Good Doctor's revenue rose by 20.9% year on year to RMB2,747 million, driven by a year-on-year increase of 106.8% in the revenue of the online health care business. Revenue from the online health care business accounted for 25.3% of the total revenue, compared with 14.8% in the same period of 2019. Meanwhile, as operating efficiency improved, net loss for the first half of 2020 decreased to RMB213 million. For products, after launching the "Health 360" membership service in 2018, Ping An Good Doctor rolled out "Ping An Good Doctor VIP Membership," a strategic new product, in August 2019 on the basis of experience in existing membership products and the ever-improving ecosystem. The new product provides users with comprehensive active health care services, including 24/7 one-to-one online consultation with exclusive private doctors, second medical opinions of famous doctors, arrangement of outpatient services of hospitals, health management, and chronic disease management. In the first half of 2020, revenue from member products of Ping An Good Doctor's online health care business exceeded RMB0.42 billion, up over 200% year on year.

Business Analysis

Technology Business

In early 2020, the sudden outbreak of COVID-19 significantly raised the public's awareness and acceptance of online health care, laying a solid foundation for the sustainable, rapid future development of the online health care industry. Ping An Good Doctor's online platform was accessed over 1.11 billion times during the three-week peak of the COVID-19 epidemic from January 20 to February 10, 2020. Since the outbreak, the Chinese government has promulgated policies to encourage the development of internet-based health care, and accelerate the local SHI co-payment for internet-based health care.

In the ecosystem network, as of June 30, 2020, Ping An Good Doctor expanded its in-house medical team by 427 members to 1,836 members year to date, providing users with diverse online health care services. In addition, Ping An Good Doctor continued to develop its offline ecosystem network by increasing partner hospitals by nearly 400 from the beginning of 2020 to over 3,700 hospitals which included nearly 2,000 tier 3 hospitals, and expanding partner pharmacies by over 17,000 from the beginning of 2020 to over 111,000. In addition, Ping An Good Doctor continued to improve its service network which covered over 53,000 health care service providers, including over 160 medical cosmetic institutions, 430 traditional Chinese medicine clinics, nearly 1,800 dental clinics, over 2,000 checkup centers, and over 49,000 clinics.

For technologies, Ping An Good Doctor continued to improve its AI-based medical system on the basis of nearly 825 million entries of consultation data and the expertise of its in-house medical team. In April 2020, Ping An Good Doctor's AI-based medical system received the highest level of certification by WONCA, the world's largest family physician organization, symbolizing the alignment of China's AI health technology with international standards and that Ping An Good Doctor's AI-based medical system has reached the world's highest level of AI health technology.

In respect of international expansion, Ping An Good Doctor has set up joint ventures to offer online health care services in Indonesia and Japan in cooperation with international partners, leveraging diverse local resources, cutting-edge AI, and advanced online health care platform experience. In March 2020, Ping An Good Doctor's online platform was designated by the Indonesian government as the official online health care platform for fighting COVID-19, providing health care services for Indonesian residents during the epidemic. Ping An Good Doctor's joint venture established with SoftBank Group Corp. officially launched HELPO, an online health care service platform, in the first half of 2020. HELPO provides some corporate customers with a full range of services from online health consultation to same-day delivery of over-the-counter (OTC) medicines, widely praised by users.

	June 30, 2020	December 31, 2019	Change (%)
Registered users (in million)	346.21	315.23	9.8
Consultations (in million)	824.91	673.76	22.4
<hr/>			
For the six months ended June 30 (in RMB million)			
	2020	2019	Change (%)
Revenue	2,747	2,273	20.9
Including: Revenue of online health care business	695	336	106.8
Cost	(1,925)	(1,781)	8.1
Gross profit	822	492	67.1
Net profit	(213)	(274)	(22.1)

Note: Figures may not match the calculation due to rounding.

PING AN HEALTHKONNECT

Ping An HealthKonnnect strives to be a technology company that fully empowers the health care ecosystem with focus on social health insurance (SHI). Through the provision of software and services, Ping An HealthKonnnect promotes the co-development of SHI, health care and medicine to lower medical costs, improve service experiences and increase insurance coverage. Ping An HealthKonnnect empowers Healthcare Security Administrations by developing the Smart SHI Integrated Platform centering around a smart SHI system. Starting from SHI, Ping An HealthKonnnect also provides integrated medical management solutions covering hospitals, doctors, pharmacies, and insured members. Moreover, Ping An HealthKonnnect empowers commercial insurers in terms of insurance product design, risk management, and marketing channels. In the first half of 2020, Ping An HealthKonnnect won the bid for the “macro-decision-making big data application system” and “system support software” construction projects for the SHI platform of Qinghai Province. As of June 30, 2020, Ping An HealthKonnnect had won platform construction project bids in multiple provinces.

Amid the COVID-19 epidemic, Ping An HealthKonnnect and Ping An Healthcare Diagnostics Center went all out to prevent and control the epidemic, giving full play to their value and advantages as third-party health care providers to support the resumption of work and production. During the COVID-19 epidemic, Ping An HealthKonnnect and Ping An Healthcare Diagnostics Center dispatched to Wuhan a 5G-powered vehicle equipped with a mobile 64-slice CT scanner, screening over 13,000 people and alleviating the local urgent need for CT equipment. Moreover, Ping An HealthKonnnect performed nucleic acid tests on over 450,000 samples for COVID-19. Ping An HealthKonnnect assisted the National Health Commission Capacity Building and Continuing Education Center in providing training on epidemic prevention and control, and helped municipal SHI bureaus to provide services through mobile devices. Ping An Healthcare Diagnostics Center co-establishes regional healthtech platforms with leading hospitals in counties and districts covered by the existing regional medical unions through various operational practices. These platforms aim to strengthen regional healthtech service capabilities and support tiered diagnosis and treatment mechanisms by empowering primary medical institutions with expert resources, remote medical collaboration networks, education and training.

AUTOHOME

Autohome (NYSE: ATHM), as China’s leading online auto services platform, is committed to developing a smart auto ecosystem centering on data and technology. In the ecosystem, Autohome provides auto consumers with diverse products and services across the entire auto lifecycle.

In the first half of 2020, Autohome’s business grew steadily and its revenue slightly declined by 1.6% year on year to RMB3,860 million due to the 22.4% year-on-year decline of the domestic passenger vehicle sales as the COVID-19 epidemic posed challenges to the auto industry, impacting the operations of automakers and auto dealers. Autohome’s revenue from the online marketplace business for the first half of 2020 grew strongly by 35.7% year on year to RMB850 million due to higher demand for online marketing services from changing marketing approaches and ongoing digital transformation of automakers and dealers amid the epidemic. Autohome’s net profit⁽¹⁾ was RMB1,527 million, down 1.9% year on year.

Autohome strengthened its leading role among auto service apps in China through diverse channels and high-quality contents. In June 2020, Autohome’s average daily active users on mobile devices⁽²⁾ reached 38 million. In the data business, Autohome is committed to empowering automakers and dealers in terms of R&D, marketing and conversion. In the first half of 2020, over 17,000 dealers purchased data products from Autohome. In auto dealing, Autohome created strategic synergies with partners. In auto finance, Autohome proactively facilitated financial transactions including lending, financial leasing and insurance services for consumers and dealers.

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

	2020	2019	Change (%)
Revenue	3,860	3,921	(1.6)
Including: Revenue of online marketplace business	850	626	35.7
Net profit	1,527	1,556	(1.9)

Notes: (1) Net profit refers to the non-GAAP adjusted net profit of Autohome.

(2) Average daily active users on mobile devices include those on mobile webpages, apps and mini-programs.

(3) Figures may not match the calculation due to rounding.

Analysis of Embedded Value

- Life & Health insurance business achieved an annualized operating ROEV of 18.7% in the first half of 2020. Life and Health Embedded Value rose by 6.3% from the beginning of the 2020.
- Life & Health's NBV declined 24.4% year on year to RMB31,031 million, adversely impacted by the COVID-19 epidemic, including difficulties in offline operations.

KEY INDICATORS

(in RMB million)	For the six months ended June 30, 2020/ As of June 30, 2020	For the six months ended June 30, 2019/ As of December 31, 2019	Change(%)
L&H EV	805,374	757,490	6.3
L&H operating ROEV (annualized, %)	18.7	28.4	-9.7 pps
L&H value of first half year's new business after cost of capital (NBV)	31,031	41,052	(24.4)
Long-run investment return assumption (%)	5.0	5.0	-
Risk discount rate (%)	11.0	11.0	-

ANALYSIS OF EMBEDDED VALUE

The Company has disclosed information regarding embedded value (EV) in this section in order to provide investors with an additional tool to understand our economic value and business performance results. The embedded value represents the shareholders' adjusted net asset value (ANA) plus the value of the Company's in-force life and health insurance business (L&H) adjusted for the cost of holding the required capital. The embedded value excludes the value of future new business.

In accordance with the related provisions of the *Rules for the Compilation of Information Disclosures by the Companies Offering Securities to the Public (No. 4) - Special Provisions on Information Disclosures by Insurance Companies*, the Company has engaged PricewaterhouseCoopers Consultants (Shenzhen) Limited to review the reasonableness of the methodology, the assumptions and the calculation results of the Company's analysis of embedded value as of June 30, 2020.

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

The *Standards for Actuarial Practice: Valuation Standard for Embedded Value of Life Insurance* (the "Standards") issued by the China Association of Actuaries became effective in November 2016. The Company has disclosed the interim embedded value for 2020 in accordance with the Standards and China Risk Oriented Solvency System (C-ROSS).

Components of Economic Value

(in RMB million)	June 30, 2020	December 31, 2019
L&H adjusted net asset value (ANA)	294,010	267,553
Value of in-force insurance business before cost of capital	553,256	528,875
Cost of capital	(41,892)	(38,938)
L&H EV	805,374	757,490
Other business ANA	451,717	443,043
Group EV	1,257,092	1,200,533

(in RMB million)	June 30, 2020	December 31, 2019
Value of one year's new business	78,689	90,191
Cost of capital	(12,766)	(14,246)
Value of one year's new business after cost of capital	65,923	75,945
Value of first half year's new business after cost of capital	31,031	41,052

Note: Figures may not match the calculation due to rounding.

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

Analysis of Embedded Value

Key Assumptions

The assumptions used in the interim embedded value calculation in 2020 have been made on a “going concern” basis, assuming continuation of the economic and legal environment currently prevailing in China. The calculation is in line with the Standards and capital requirement under C-ROSS. Certain portfolio assumptions were based on the Company’s own recent experience as well as considering the more general China market and other life insurance markets’ experience. The principal bases and assumptions used in the calculation are described below:

1. Risk discount rate

The discount rate for calculating the value of in-force and the value of new business of the life and health insurance business is assumed to be 11.0%.

2. Investment return

For non-investment-linked insurance funds, the future investment return is assumed to be 4.75% in the first year and remains at 5.0% from the second year. For investment-linked funds, future investment returns have been assumed to be slightly higher than the above non-investment-linked fund investment returns assumption. These returns have been derived by consideration of the current capital market condition, the Company’s current and expected future asset allocations and associated investment returns for a range of major asset classes.

3. Taxation

A 25% average income tax rate has been assumed. The percentage of investment returns that can be exempted from income tax has been assumed to be 12% in the next year and to be increased by 2% annually up to 16%.

4. Mortality

The experience mortality rates have been based on the China Life (2010-2013) tables and the Company’s most recent experience studies. They are tailored to be product specific and future mortality improvement has been taken into consideration for annuity products.

5. Other incident rates

Morbidity rate and accident rate assumptions have been based on the industry table or the Company’s own pricing table. The trend of long-term morbidity deterioration has been taken into consideration. The loss ratios have been assumed to be within the range of 15% to 100% for short-term accident and health insurance business.

6. Discontinuance

Policy discontinuance rates have been based on the Company’s recent experience studies. The discontinuance rates are pricing interest rate and product type specific.

7. Expense

Expense assumptions have been based on the Company’s most recent expenses investigation. Expense assumptions mainly consist of acquisition expense and maintenance expenses assumptions. The unit maintenance expense was assumed to increase by 2% per annum.

8. Policyholder dividend

Policyholder dividends have been based on 75% of the interest and mortality surplus for individual participating business. For group participating business, dividends have been based on 80% of interest surplus only.

New Business Value

The new business volumes measured by first year premium (FYP) and its new business value by segment for the first half of the year are:

For the six months ended June 30 (in RMB million)	FYP used to calculate New Business Value			New Business Value		
	2020	2019	Change (%)	2020	2019	Change (%)
Retail business	63,760	73,692	(13.5)	30,931	40,797	(24.2)
Agency	50,229	61,472	(18.3)	27,705	36,197	(23.5)
Long-term protection	16,281	25,419	(35.9)	16,999	24,727	(31.3)
Protection & Saving hybrid (long-PPP)	7,387	5,109	44.6	4,090	3,257	25.6
Protection & Saving hybrid (short-PPP)	23,756	27,593	(13.9)	5,003	6,752	(25.9)
Short-term	2,805	3,351	(16.3)	1,613	1,461	10.4
Tele, internet and others	7,967	8,307	(4.1)	2,298	3,867	(40.6)
Bancassurance	5,564	3,913	42.2	928	733	26.5
Group business	20,788	18,217	14.1	100	256	(60.9)
Total	84,548	91,908	(8.0)	31,031	41,052	(24.4)

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

(2) "PPP" stands for Premium Payment Period.

(3) Long-term protection products cover whole-life, term life, critical illness and long-term accident insurance. Protection & Saving products (long-PPP) cover endowment and annuity products with PPP of 10 years and above. Protection & Saving products (short-PPP) cover endowment and annuity products with PPP below 10 years.

(4) Tele, internet and others include telemarketing, internet marketing and Ping An Health's retail business.

(5) The differences between FYP used to calculate value of new business and FYP disclosed in Management Discussion and Analysis (MD&A) are explained in the appendix.

The NBV margin by segment:

For the six months ended June 30	By FYP (%)		By ANP (%)	
	2020	2019	2020	2019
Retail business	48.5	55.4	53.8	57.0
Agency	55.2	58.9	62.7	61.1
Long-term protection	104.4	97.3	104.5	97.0
Protection & Saving hybrid (long-PPP)	55.4	63.7	55.3	63.3
Protection & Saving hybrid (short-PPP)	21.1	24.5	28.3	26.9
Short-term	57.5	43.6	57.6	43.6
Tele, internet and others	28.8	46.5	29.5	44.9
Bancassurance	16.7	18.7	17.8	19.5
Group business	0.5	1.4	0.6	1.7
Total	36.7	44.7	41.7	47.4

Notes: (1) ANP (Annualized new premium) is calculated as the sum of 100 percent of annualized first year premiums and 10 percent of single premiums.

(2) Figures may not match the calculation due to rounding.

Analysis of Embedded Value

Embedded Value Movement

The table below shows how the Company's embedded value changed from the opening balance of RMB1,200,533 million as of December 31, 2019 to the closing balance of RMB1,257,092 million as of June 30, 2020.

(in RMB million)		2020	Note
L&H Opening EV	[1]	757,490	
Expected return on opening EV	[2]	32,254	
Including: Unwinding of in-force value		27,355	In-force and NBV unwind at the 11% risk discount rate
ANA return		4,899	
NBV post-risk diversification benefits	[3]	36,342	
Including: NBV pre-risk diversified		31,031	Reported NBV based on a cost of capital calculated at policy level
Diversification effects within new business		2,812	Diversification within new business lowers cost of capital
Diversification effects with in-force		2,498	Diversification between new business and in-force lowers cost of capital
Operating assumptions and model changes	[4]	713	
Operating variances and others	[5]	1,688	Favorable operating experience mainly from variance in mortality spread gain
L&H EV operating profit	[6]=[2+...+5]	70,996	
Economic assumptions changes	[7]	-	
Market value adjustment	[8]	1,577	Change in market value adjustment of free surplus during the Reporting Period
Investment return variance	[9]	(11,394)	Lower than assumed investment return
Non-operating one-off item	[10]	-	
L&H EV profit	[11]=[6+...+10]	61,179	
Shareholder dividends		(11,739)	Dividends upstreamed from Ping An Life to the Company
Employee stock ownership plan		(1,556)	L&H's Long-term Service Plan and Key Employee Share Purchase Plan, as well as the offset effect for the amortization during the Reporting Period
L&H Closing EV		805,374	

(in RMB million)	2020	Note
Other business opening ANA	443,043	
Operating profit of other business	23,183	
Market value adjustment and other variance	1,068	
Other business closing ANA before capital changes	467,295	
Dividends received	11,739	Dividends received from Ping An Life
Dividends paid	(23,673)	Dividends paid by the Company to shareholders
Employee stock ownership plan	(2,649)	Long-term Service Plan and Key Employee Share Purchase Plan, as well as the offset effect for the amortization during the Reporting Period
Shares repurchase	(994)	Repurchase of A shares of Ping An Group
Other business closing ANA	451,717	
Group EV	1,257,092	
Group EV per share (in RMB)	68.77	

Note: Figures may not match the calculation due to rounding.

EV operating profit of L&H in the first half of 2020 was RMB70,996 million, mainly comprised of NBV and expected return on opening EV.

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

		2020	2019
L&H EV operating profit	[6]	70,996	87,117
L&H operating ROEV (unannualized, %)	[12]=[6]/[1]	9.4	14.2
L&H operating ROEV (annualized, %)	[13]=[12] x 2	18.7	28.4

Note: Figures may not match the calculation due to rounding.

SENSITIVITY ANALYSIS

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

- Investment return and risk discount rate
- A 10% increase in mortality, morbidity and accident rates
- A 10% increase in policy discontinuance rates
- A 10% increase in maintenance expenses
- A 5% increase in the policyholders' dividend payout ratio
- A 10% decrease in fair value of equity assets

Analysis of Embedded Value

Sensitivity to investment return and risk discount rate changes

(in RMB million)

	Group EV	L&H EV	NBV
Investment return and risk discount rate increased by 50 bps per annum	1,306,666	854,948	70,160
Base case	1,257,092	805,374	65,923
Investment return and risk discount rate decreased by 50 bps per annum	1,202,415	750,697	61,129

Sensitivity to other assumptions

(in RMB million)

	Group EV	L&H EV	NBV
Base case	1,257,092	805,374	65,923
10% increase in mortality, morbidity and accident rates	1,232,741	781,024	60,396
10% increase in policy discontinuance rates	1,248,279	796,562	63,582
10% increase in maintenance expenses	1,253,717	802,000	65,372
5% increase in the policyholders' dividend payout ratio	1,247,447	795,730	65,798
10% decrease in fair value of equity assets	1,235,222	788,978	N/A

ANALYSIS OF OPERATING PROFIT

This section contains the Group Operating Profit and Source of Earning and Residual Margin Analysis of L&H. The Company has engaged PricewaterhouseCoopers Consultants (Shenzhen) Limited to review the reasonableness of the methodology and the calculation results of the Analysis of Operating Profit as of June 30, 2020.

Operating profit of the Group

Due to the long-term nature of the main part of the life and health insurance business, the measure of operating profit has been used to more appropriately evaluate business performance. Operating profit after tax is based on net profit from financial statements, excluding items that are of short-term, volatile or one-off nature, including:

- Short-term investment variance, which is the variance between actual investment return of the life and health insurance business and the EV long-run investment return assumption, net of the associated impact on insurance and investment contract liability. The investment return of the life and health insurance business is locked at 5% after excluding the short-term investment variance;
- The impact of discount rate⁽¹⁾ change is the effect on insurance contract liability of the life and health insurance business due to changes in the discount rate; and
- The impact of one-off non-operating items is the impact of material items that management considered to be non-operating incomes and expenses, which in the first half of 2019 refers to the one-off impact of the decrease in the income tax for 2018 factored into the income tax for 2019 as a result of the Company's insurance subsidiaries implementing the *Circular on Pre-tax Deduction of Fee and Commission Expense for Insurers* issued by the Ministry of Finance and the State Administration of Taxation on May 29, 2019.

Note: (1) Refer to the significant accounting policies in the notes of the Company's 2019 Annual Report for the information about the discount rate.

The operating profit after tax which excludes fluctuations of the above non-operating items can provide a clearer and more objective representation of the Company's business performance and trend.

The Group operating profit after tax attributable to shareholders of the parent company in the first half of 2020 was RMB74,310 million, which was up 1.2% year on year. Meanwhile, due to the slowdown of new business growth and fluctuation of policy persistency ratios caused by the decline of customer visits during the epidemic, the L&H operating profit after tax attributable to shareholders of the parent company was RMB51,127 million, which was up 6.6% year on year.

Operating profit after tax attributable to shareholders of the parent company

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

	2020	2019	Change (%)
Life and health insurance business	51,127	47,958	6.6
Property and casualty insurance business	8,234	9,990	(17.6)
Banking business	7,927	8,934	(11.3)
Asset management business	5,831	6,983	(16.5)
Including: Trust business	1,651	1,871	(11.8)
Securities business	1,509	1,199	25.9
Other asset management business	2,671	3,913	(31.7)
Technology business	3,438	2,802	22.7
Other businesses and elimination	(2,247)	(3,202)	(29.8)
The Group	74,310	73,464	1.2

Note: Figures may not match the calculation due to rounding.

		The Group		L&H business	
		2020	2019	2020	2019
For the six months ended June 30 (in RMB million)					
Net profit	[1]	75,968	105,738	45,888	71,029
Excluding:					
Short-term investment variance of L&H ⁽¹⁾	[2]	(1,987)	13,000	(1,987)	13,000
Impact of discount rate change of L&H ⁽¹⁾	[3]	(3,660)	999	(3,660)	999
Impact of one-off material non-operating items	[4]	-	10,453	-	8,597
Operating profit after tax	[5]=[1-2-3-4]	81,615	81,286	51,535	48,433
Attributable to:					
- Owners of the parent		74,310	73,464	51,127	47,958
- Non-controlling interests		7,305	7,822	408	475

Notes: (1) The short-term investment variance and impact of discount rate change of L&H set out above are net of tax.

(2) Figures may not match the calculation due to rounding.

Analysis of Embedded Value

Source of Earning and Residual Margin Analysis of L&H

The breakdown by source of earning of L&H operating profit has been shown as below:

For the six months ended June 30

(in RMB million)		2020	2019	Note
Release of residual margin	[1]	40,342	35,840	
Return on net worth ⁽¹⁾	[2]	6,261	5,216	
Spread income ⁽²⁾	[3]	2,791	1,628	Spread charges in 2019 were lowered in response to volatile capital markets in 2018
Operating variances and others	[4]	9,890	12,219	Strategically increased investment in technology and agents team building, and fluctuation of the persistency ratio
L&H operating profit before tax	[5]=[1+2+3+4]	59,284	54,903	
Income tax	[6]	(7,749)	(6,470)	
L&H operating profit after tax	[7]=[5]+[6]	51,535	48,433	

Notes: (1) Return on net worth is the investment return on shareholder equity based on the EV long-run investment return assumption (5%).

(2) Spread income is the expected investment return from assets backing contract liability based on the EV long-run investment return assumption (5%) exceeding the interest required on contract liability.

(3) Figures may not match the calculation due to rounding.

Residual margin is the present value of future profits with release pattern locked in at the time of policy issuance, resulting in stable release and immunity to capital market volatility. As of June 30, 2020, residual margin of life and health insurance business was RMB962,333 million, which rose by 4.8% from the beginning of 2020 mainly due to the contribution from new business. The movement of L&H residual margin has been presented below:

(in RMB million)		June 30, 2020	June 30, 2019	Note
Opening residual margin	[1]	918,416	786,633	
Contribution from new business	[2]	59,354	87,318	
Expected interest growth	[3]	18,034	16,350	
Release of residual margin	[4]	(40,342)	(35,840)	
Lapse variances and others	[5]	6,872	12,929	Volatility in policy persistency resulted in lower lapse variances and others
Closing residual margin	[6]=[1+...+5]	962,333	867,390	

Note: Figures may not match the calculation due to rounding.

Appendix

The differences between FYP used to calculate value of new business and FYP disclosed in MD&A are explained below.

For the six months ended June 30, 2020 (in RMB million)	FYP used to calculate value of new business	FYP disclosed in MD&A	Difference	Reasons
Retail business	63,760	79,239	(15,480)	Guaranteed renewal and other short-term products' renewal premiums are included in FYP disclosed in MD&A but not included in FYP used to calculate value of new business
Group business	20,788	15,649	5,139	In compliance with current accounting standards, group investment contracts are not included in FYP disclosed in MD&A, but included in FYP used to calculate value of new business due to their contribution to value of new business
Total	84,548	94,888	(10,340)	

Note: Figures may not match the calculation due to rounding.

Liquidity and Capital Resources

- As of June 30, 2020, the Group's core and comprehensive solvency margin ratios were both significantly above regulatory requirements.
- As of June 30, 2020, free cash of the parent company amounted to RMB41,938 million, 51.0% more than a year ago.
- The Board of Directors proposed to pay an interim dividend of RMB0.80 per share in cash for 2020, an increase of 6.7% year on year.

OVERVIEW

Liquidity refers to the availability of cash assets or cash supply to meet the financing requirements of the Company whenever such cash assets or cash supply are needed. The aim of the Group's liquidity management is to meet the liquidity requirements of its operating, investing and financing activities while maximizing shareholders' returns by optimizing its financial resource allocation and capital structure.

The Company manages its liquidity and capital resources at the Group level. The Budget Management Committee, the Risk Management Executive Committee, and the Investment Management Committee under the Group Executive Committee oversee these essentials at the Group level. As the Group's liquidity management execution unit, the Treasury Department is responsible for the Group's treasury management functions including cash settlement management, cash flow management, funding management, and capital management.

Liquidity management of the Group comprises capital management and cash flow management. The Group has put in place a comprehensive capital management and decision-making mechanism. As part of this process, the Group's subsidiaries put forward their capital requirements based on their own business development needs. The parent company then submits its recommendations on the overall capital plan for the Group, based on the overall situation of the subsidiaries' business development. The Board of Directors of the Group then determines a final capital plan based on the strategic plan of the Group before allocating capital accordingly.

All operating, investing and financing activities of the Group should meet the requirements of liquidity management. The parent company and its subsidiaries implement separate management based on their operating cash inflows and outflows. Allocation and deployment of funds are centralized through the pooling of cash inflows and outflows. The parent company and its subsidiaries are therefore able to monitor cash flows on a day-to-day basis.

(in RMB million)	June 30, 2020	December 31, 2019	Change (%)
Total assets	8,848,631	8,222,929	7.6
Total liabilities	7,926,460	7,370,559	7.5
Total liabilities to total assets ratio (%)	89.6	89.6	-

Note: Total liabilities to total assets ratio = total liabilities / total assets.

CAPITAL STRUCTURE

The Group's long-term capital stability stems from the profits continuously generated by its various businesses. Furthermore, in accordance with the capital plan, the Group ensures capital adequacy by issuing capital market instruments including equity securities, capital supplement bonds, hybrid capital debt instruments, tier 2 capital bonds, convertible bonds, and undated capital bonds to raise capital. Adjustments are made to surplus capital through dividend distribution or by other means. As of June 30, 2020, the Group's equity attributable to shareholders of the parent company was RMB701,972 million, up 4.3% from the beginning of 2020. The parent company's capital mainly comprises contributions from shareholders as well as proceeds from issuance of A and H shares.

The following table shows the balances of capital bonds issued by the Group and main subsidiaries as of June 30, 2020:

Issuer	Type	Par value (in RMB million)	Coupon rate	Issuance year	Maturity
Ping An Life	Capital supplement bonds	5,000	First 5 years: 3.90% Next 5 years: 4.90% (If not redeemed)	2015	10 years
Ping An Life	Capital supplement bonds	10,000	First 5 years: 3.82% Next 5 years: 4.82% (If not redeemed)	2016	10 years
Ping An Life	Capital supplement bonds	20,000	First 5 years: 3.58% Next 5 years: 4.58% (If not redeemed)	2020	10 years
Ping An Property & Casualty	Capital supplement bonds	5,000	First 5 years: 4.79% Next 5 years: 5.79% (If not redeemed)	2015	10 years
Ping An Property & Casualty	Capital supplement bonds	3,500	First 5 years: 5.10% Next 5 years: 6.10% (If not redeemed)	2017	10 years
Ping An Property & Casualty	Capital supplement bonds	10,000	First 5 years: 4.64% Next 5 years: 5.64% (If not redeemed)	2019	10 years
Ping An Bank	Hybrid capital debt instrument	3,650	Fixed rate of 7.50%	2011	15 years
Ping An Bank	Tier 2 capital bonds	10,000	Fixed rate of 3.85%	2016	10 years
Ping An Bank	Tier 2 capital bonds	30,000	Fixed rate of 4.55%	2019	10 years
Ping An Bank	Undated capital bonds	20,000	First 5 years: 4.10% Adjusted every 5 years	2019	Undated
Ping An Bank	Undated capital bonds	30,000	First 5 years: 3.85% Adjusted every 5 years	2020	Undated

FREE CASH OF THE PARENT COMPANY

Free cash of the parent company includes bonds, equity securities, bank deposits and cash equivalents that the parent company holds. Free cash of the parent company is mainly invested in subsidiaries or used in daily operations or for dividend distribution. As of June 30, 2020, free cash of the parent company amounted to RMB41,938 million, 51.0% more than a year ago.

(in RMB million)	June 30, 2020	June 30, 2019	Change (%)
Opening balance of free cash	45,068	42,010	7.3
Dividend from subsidiaries	22,081	15,606	41.5
Dividend paid out to shareholders	(23,673)	(20,108)	17.7
Share repurchase	(994)	(3,421)	(70.9)
Investments in subsidiaries ⁽¹⁾	-	(13,887)	N/A
Others ⁽²⁾	(544)	7,578	N/A
Closing balance of free cash	41,938	27,778	51.0

Notes: (1) The Company's investments in subsidiaries in the first half of 2019 include the RMB1,000 million capital injection into subsidiaries and the RMB12,887 million subscription for convertible bonds issued by Ping An Bank.

(2) Others mainly include short-term borrowings.

Liquidity and Capital Resources

The major free cash outflows were the dividend of RMB23,673 million to A and H shareholders, and repurchase of RMB994 million worth of the Company's A shares. The major free cash inflows were the dividends of RMB22,081 million from subsidiaries as detailed below:

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

	2020
Ping An Life	19,739
Ping An Bank	2,097
Ping An Securities	246
Total	22,081

Note: Figures may not match the calculation due to rounding.

DIVIDEND DISTRIBUTION

According to Article 216 of the *Articles of Association*, the Company shall attach importance to reasonable investment returns for investors in terms of 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 yearly average distributable profit realized in the three years, provided that the annual distributable profit of the Company (namely profit after tax of the Company after covering the losses and making contributions to the revenue reserve) is positive in value and such distributions are in compliance with the prevailing laws and regulations and the requirements of regulatory authorities for solvency margin ratios. In determining the specific cash dividend payout ratio, the Company shall consider its profit, cash flow, solvency, operation and business development requirements. The Board of Directors of the Company shall be responsible for formulating and implementing a distribution plan in accordance with the *Articles of Association*. The Board of Directors will ensure the continuity and stability of the profit distribution policy so that the Group can seize opportunities for growth in the future while maintaining financial flexibility.

Given the sustained operating profit growth and confidence in our prospect, the Board of Directors proposed to pay an interim dividend of RMB0.80 per share in cash for 2020, an increase of 6.7% year on year.

Dividend payouts of the parent company are decided according to the increase in the Group's operating profit attributable to shareholders of the parent company. The Company's cash dividends and cash dividend payout ratios computed on the basis of operating profit attributable to shareholders of the parent company for the past three years are shown in the table below.

	Cash dividend per share (in RMB)	Growth of cash dividend per share (%)	Cash dividend amount (in RMB million)	Cash dividend payout ratio based on operating profit attributable to shareholders of the parent company (%)	Share repurchase amount (in RMB million)	Cash dividend payout ratio based on net profit attributable to shareholders of the parent company (inclusive of share repurchases, %)
2019	2.05	19.2	37,340	28.1	5,001	28.3
2018	1.72	14.7	31,442	27.9	-	29.3
2017	1.50	100.0	27,420	29.0	-	30.8

Note: Cash dividend per share includes the interim dividend and final dividend for the year. Pursuant to the *Detailed Rules for Implementation of Share Repurchase by Listed Companies* promulgated by the SSE, the Company's A shares in the Company's repurchased securities account are not entitled to dividend distribution.

CAPITAL ALLOCATION

In terms of capital allocation, the Company facilitates strategic development and improves capital efficiency through prudent investment and ongoing optimization of returns and the asset and liability structure. The Company follows three core principles for capital allocation: 1) to ensure that the capital adequacy of regulated member companies satisfies minimum regulatory requirements; 2) to develop mature businesses that deliver stable returns, and constantly boost performance to create value for Ping An; and 3) to ensure the capital input required for innovative business incubation, and seek new profit drivers to realize sustainable growth.

GROUP SOLVENCY MARGIN

The insurance group solvency margin represents the consolidated solvency margin calculated as if all the members of an insurance group were a single reporting entity. The group solvency margin ratios are important regulatory measures for assessing an insurance group's capital adequacy.

In September 2017, the former China Insurance Regulatory Commission released the *Development Plan for the China Risk Oriented Solvency System (C-ROSS) Phase II Project*, planning to upgrade the C-ROSS in about three years so that it will match China's market reality and risk prevention requirements. Since the commencement of the C-ROSS Phase II project, Ping An has led and engaged in multiple studies of the Phase II project, and actively participated in joint industry tests to prepare for the project implementation. Under the C-ROSS Phase II project, we expect the solvency risk measurement to be more rational and effective, which will have a positive impact on the overall solvency margin assessment and management of the Group.

The following table shows the solvency data of the Group under C-ROSS:

(in RMB million)	June 30, 2020	December 31, 2019	Change (%)
Core capital	1,659,155	1,574,150	5.4
Actual capital	1,708,655	1,607,650	6.3
Minimum capital	740,317	699,522	5.8
Core solvency margin ratio (%)	224.1	225.0	-0.9 pps
Comprehensive solvency margin ratio (%)	230.8	229.8	1.0 pps

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

(2) The minimum regulatory requirements for the core solvency margin ratio and comprehensive solvency margin ratio are 50% and 100% respectively.

Stable solvency margin ratios ensure that the Company meets capital requirements specified by external institutions including regulators and rating agencies, and support the Company in developing business and creating value for shareholders.

Stress test results showing the impacts of declines in interest rates and equity assets on solvency margin ratios of Ping An Group, Ping An Life, and Ping An Property & Casualty as of June 30, 2020 are disclosed below:

	Comprehensive solvency margin ratio		
	Ping An Group	Ping An Life	Ping An Property & Casualty
Base case	230.8%	231.8%	241.3%
50 bps decline in interest rate	223.5%	217.9%	241.8%
30% decrease in fair value of equity assets	220.7%	216.2%	237.1%

Liquidity and Capital Resources

LIQUIDITY RISK MANAGEMENT

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

To meet domestic and international regulatory requirements, the Group has developed and regularly updated the *Liquidity Risk Management Plan of Ping An Insurance (Group) Company of China, Ltd.* (LRMP). The Group has also established a robust liquidity risk management framework covering risk appetites and limits, risk strategies, risk monitoring, stress testing, emergency management, appraisal and accountability, and relevant policies. Ping An has constantly improved its management procedures and processes for better identification, evaluation, and management of the liquidity risk for the Group and its members.

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

The Group and its subsidiaries have established liquidity reserve policies and maintained stable, convenient, and diverse sources of financing to ensure that they have adequate liquidity to tackle possible impacts from adverse situations. Moreover, the Group and its subsidiaries have developed robust liquidity contingency plans for handling any significant liquidity events. The Group has set up internal firewalls to prevent intra-group contagion of the liquidity risk.

CASH FLOW ANALYSIS

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

	2020	2019	Change (%)
Net cash flows from operating activities	130,740	181,853	(28.1)
Net cash flows from investing activities	(231,270)	(122,956)	88.1
Net cash flows from financing activities	149,800	(65,447)	N/A

Net cash inflows from operating activities decreased year on year mainly due to the year-on-year increases in cash outflows driven by the increases in Ping An Bank's lending and advancing.

Net cash outflows from investing activities increased year on year mainly due to the year-on-year increases in cash outflows from Ping An Life's investing activities.

Net cash inflows from financing activities increased year on year mainly due to the year-on-year increases in cash inflows driven by the increases in Ping An Life's sales of assets under agreements to repurchase.

CASH AND CASH EQUIVALENTS

(in RMB million)

	June 30, 2020	December 31, 2019	Change (%)
Cash	265,547	208,953	27.1
Bonds of original maturities within 3 months	795	5,269	(84.9)
Financial assets purchased under reverse repurchase agreements of original maturities within 3 months	87,592	89,244	(1.9)
Total	353,934	303,466	16.6

The Company believes that the liquid assets currently held, together with net cash generated from future operations and the short-term borrowings available, will be sufficient to meet the foreseeable liquidity requirements of the Group.

Sustainability

- In the first half of 2020, Ping An donated over RMB122 million in cash and over RMB53 million worth of various supplies to combat COVID-19.
- As of June 30, 2020, Ping An had implemented Ping An Rural Communities Support in 21 provinces and autonomous regions across China. Ping An provided RMB24,905 million for industrial poverty alleviation, built or upgraded 949 rural clinics and 1,054 rural schools, and trained 11,175 village doctors and 13,987 village teachers.
- As of June 30, 2020, Ping An's responsible investment amounted to RMB1.18 trillion. The balances of inclusive loans and green loans were RMB1,249,593 million and RMB22,667 million respectively.
- Ping An introduced a CN-ESG smart evaluation framework with Chinese characteristics, and built an AI-ESG smart management platform for ESG performance management and responsible investment risk management.

PHILOSOPHY AND MANAGEMENT OF SUSTAINABLE DEVELOPMENT

Sustainable Development Philosophy

Driven by the sustainability strategy, Ping An integrates the core philosophies and standards of ESG into corporate management, and builds a scientific, professional sustainability management framework based on business practices. Ping An influences society through financial services and technologies, and creates value with expertise for its shareholders, customers, employees, communities, environments, and partners. Ping An seeks to boost both business values and social values and realize people's dreams for a better life.

In respect of the environment, Ping An employs leading technologies to enable environmental protection and governance to facilitate an environment-friendly business ecosystem. In respect of society, Ping An adheres to the philosophy of responsible investment, takes serving the real economy as the starting point and foothold of its business development, empowers small and medium-sized enterprises, promotes social and economic development with integrated financial services, and pursues long-term healthy, sustainable development of itself and society. In respect of governance, Ping An continues to improve corporate governance and risk management to ensure steady development.

Amid the COVID-19 epidemic, Ping An gave full play to insurance protection and contributed to the fight against COVID-19 by quickly providing insurance services, claims services, financial services, medical support, and charitable donations. In 2020, as China is in the final push to eradicate poverty, Ping An is increasing its efforts in poverty alleviation, focused on poverty-stricken areas in Tibet, Xinjiang, Sichuan, Yunnan, Gansu, and Qinghai. Through Ping An Rural Communities Support, the Company alleviates poverty by promoting industries, health care, and education in rural areas.

Sustainability

Sustainable Development Management

Having integrated sustainability into its development strategy, Ping An builds and practices a scientific, professional corporate sustainability management framework and a clear, transparent ESG governance structure. The Board of Directors of the Group has oversight of all ESG issues. The Investor Relations and ESG Committee under the Group Executive Committee is responsible for daily ESG work.

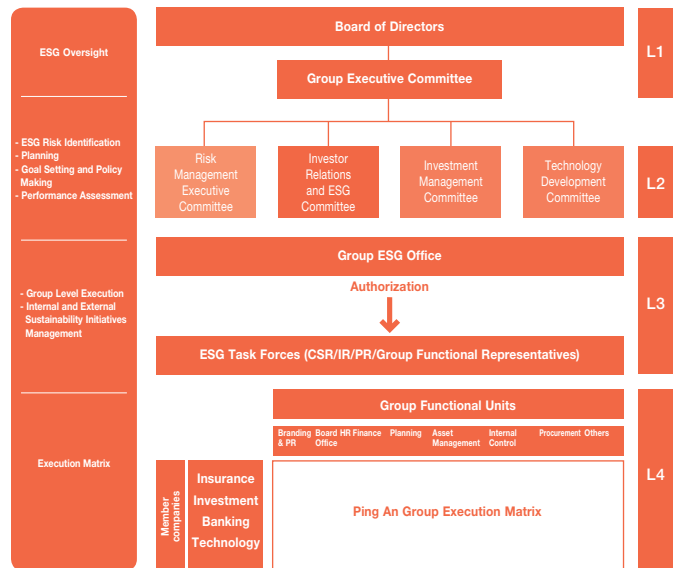
Level 1 (L1): The Board of Directors has oversight of all ESG issues.

Level 2 (L2): The Investor Relations and ESG Committee, along with other committees, is responsible for identifying ESG risks, setting objectives, formulating plans and policies, and appraising performance.

Level 3 (L3): The Group ESG Office and other functional centers of the Group act as task forces for the coordination of sustainability initiatives within and outside the Group.

Level 4 (L4): The matrix consisting of the Group's functional units and member companies is responsible for ESG execution.

Ping An's overall ESG work plan is governed by clear management objectives, clear responsibilities and appraisal mechanisms, and continuous improvements in the management of ESG issues and risks. Regular reporting to directors and senior executives on ESG risk management, objectives, plans, implementation and progress ensures the effectiveness of ESG management.



ESG Governance Structure

Sustainable Development Recognition

Ping An's achievements in sustainability have been globally recognized. So far, Ping An is the only financial company from the Chinese mainland to be selected for the Dow Jones Sustainability indices (DJSI), and also the first Chinese mainland insurance company in the indices. Ping An received an A+ rating in Hang Seng's sustainability assessment and was included in Hang Seng Corporate Sustainability Benchmark Index. Furthermore, Ping An received an A rating in the MSCI ESG assessment, which made it a leader both at home and abroad in ESG. In addition, Ping An received a B+ rating in Refinitiv's ESG assessment and a B rating in the Carbon Disclosure Project (CDP), the highest rating granted to financial companies in the Chinese mainland.

PING AN'S SDGs MAP

Ping An aligns and integrates the key areas of the Company's business development with the United Nations Sustainable Development Goals (SDGs), and actively promotes the realization of the global SDGs to seek both commercial and social values.



Ping An actively responds to the national call of "poverty alleviation" by providing inclusive financial services including insurance and banking to people in poverty and making other targeted poverty alleviation efforts. Ping An has contributed to the high-quality economic and social development, helped increase the residents' per capita income, and cultivated their needs for wealth management.



Improving agricultural productivity is an important means to eliminate hunger. Ping An attaches great importance to agricultural investment. Through products and services including agricultural insurance, inclusive agricultural loans, and smart agricultural platforms, Ping An contributes to sustainable agricultural development. Ping An has carried out the "Ping An Consumption-driven Poverty Alleviation Month" program. Through the endorsement by senior management, Ping An has developed a new way to support agriculture and reduce poverty.



Ping An focuses on "pan health care" and has continuously innovated in areas including health protection, medical services, social health insurance management, and smart anti-epidemic services. Ping An pays great attention to the health conditions of people at all ages, and integrates health-related demands into the design of insurance products to prevent population health risks.



Quality education is the basis for people to improve their quality of life and pursue better jobs and lives. Ping An provides continuous support for charitable education programs. Ping An has built Ping An Smart Elementary Schools, initiated the Village Teacher Program and the Juvenile Science and Technology Literacy Enhancement Program, and linked high-quality urban education resources to remote villages, bridging the gap between urban and rural areas to create a fair education environment.



The sustainable development of the economy and society is inseparable from the active participation of women. Ping An fully respects and protects women's rights and interests. Ping An supports women empowerment by cooperating closely with NGOs including the China Women Development Foundation to help rural women in remote areas. Ping An has integrated anti-discrimination into its business processes and maintained a code of conduct to eliminate gender discrimination in the workplace, boosting the morale of female employees.



Improving environmental sanitation and water supply is essential to people's health. Ping An implements its water-saving plan, invests in public drinking water facilities, and helps rural areas improve the conditions of drinking water and sanitary facilities. These measures help reduce operating costs while protecting water resources.



Fossil fuel depletion and environmental pollution are universal concerns. Ping An supports clean energy development and energy structure upgrade by providing responsible investment, granting new energy credit, and developing new energy insurance products. Ping An encourages society to switch from fossil fuels to efficient, energy-saving and environment-friendly energies.



Ping An regards employees as important assets of the Company, and is committed to providing room and resources for employees' career development. Ping An respects employees' rights and interests, and constantly improves their compensation and benefits, keeping the working environment safe and pleasant. Meanwhile, Ping An attaches great importance to the growth and development of sales agents, constantly improves training practices and courses, and builds highly competent teams of employees and agents.

Sustainability



Infrastructure and the real economy are important engines of economic and social development. By improving infrastructure, Ping An promotes the mobility of talent and various factors of production, raises returns on the assets of companies in which Ping An have invested, and supports the Belt and Road Initiative, the development of Guangdong-Hong Kong-Macao Greater Bay Area, and micro-, small and medium-sized enterprises.



Regional inequality seriously constrains economic and social development and affects social stability. Ping An has in-depth practices in areas including inclusive finance, technology applications, targeted poverty alleviation, and social welfare. Ping An created smart financial service platforms including AI-BANK, and offers financial services in rural villages and other remote areas. Ping An uses technology to fix the uneven distribution of resources, and develops new business scenarios while facilitating regional development.



Rapid urbanization brings about many challenges while creating social prosperity. Adhering to the philosophy of “expertise creates value,” Ping An supports the sustainable development of cities and communities by leveraging its expertise of “finance + technology” in financial services, health care, auto services, real estate services, and smart city services.



Giving full play to its risk management expertise in operations, products and services, Ping An helps its clients and other companies to prevent risks, with a supplier ESG code of conduct in place. Ping An and relevant parties jointly maintain a low-carbon operating environment by saving energies and reducing emissions to generate environmental economies of scale and improve overall ESG performance.



Climate change is a matter of greatest concern across the world. Ping An actively manages carbon emissions in its operations, provides environmental insurance products to help society deal with the effects of climate change, and promotes low-carbon development with green investment. Under relevant climate agreements, Ping An strives to limit global warming to two degrees Celsius.



A robust business code of conduct will significantly reduce operational risks facing an enterprise. Ping An regards business ethics and anti-corruption as the foundation for healthy development. Ping An ensures transparency and compliance by continuously improving policies and educating employees to reduce compliance and operational risks.



Ping An actively engages in external cooperation in economic, social and environmental fields with an open mind, and continuously creates shared value for all stakeholders. Ping An has become a signatory of the United Nations Principles for Sustainable Insurance (UNPSI) and the United Nations Principles for Responsible Investment (UNPRI), enhancing its prestige and influence.

KEY INITIATIVES FOR SUSTAINABLE DEVELOPMENT

Ping An Group has set up nine key initiatives for sustainable development, and has taken action across the Company to improve its ESG performance.

Community Impact

Ping An Rural Communities Support

Ping An supports China's poverty eradication strategy by addressing three root causes of poverty, namely industries, health care and education, via Ping An Rural Communities Support comprising the Village Officer Program, Village Doctor Program, and Village Teacher Program. As of June 30, 2020, Ping An had implemented Ping An Rural Communities Support in 21 provinces and autonomous regions across China. Ping An provided RMB24,905 million for industrial poverty alleviation, built or upgraded 949 rural clinics and 1,054 rural schools, and trained 11,175 village doctors and 13,987 village teachers.

In boosting industries in rural areas, Ping An has developed three insurance products, namely Poverty Alleviation Insurance, Traceability Insurance, and Poverty Returning Prevention Insurance, for the three stages of "pre-production, production and post-production." Meanwhile, Ping An provides rural residents with training and education, and helps rural enterprises expand production and sales to reduce poverty by developing industries. In addition, Ping An explores sustainable consumption-driven mechanisms for poverty alleviation in poor areas. Ping An launched a campaign titled "Ping An Consumption-driven Poverty Alleviation Month" together with the Poverty Relief Offices of Guangdong Province to promote online sales of agricultural products. Moreover, Ping An launched "Ping An Cloud Farm," where senior executives personally claimed crops, and developed a new model of consumption-driven poverty alleviation with employees and the public.

In improving health care, Ping An integrated superior medical resources for targeted poverty alleviation through health care. During the Health Protection Action-Health Care for Hundreds of Millions in Remote Areas, Ping An carried out public welfare activities in rural areas, including free diagnosis with mobile testing, a smart remote diagnosis and treatment system, delivery of medicines to rural areas, and training for village doctors.

In supporting education, Ping An rolled out public welfare programs including the Juvenile Science and Technology Literacy Enhancement Program, and the Not Reading Alone-Juvenile Literary Attainment Enhancement Program, offering "online + offline" science and technology and literature courses and literacy enhancement lectures nationwide to help teenagers gain technological and literary attainments.

Fighting COVID-19

Amid the COVID-19 epidemic in 2020, Ping An gave full play to insurance protection and contributed to the fight against COVID-19 by quickly providing insurance services, financial services, claims services, medical support, and charitable donations. In the first half of 2020, Ping An Group and its member companies donated a total of over RMB175 million, including over RMB122 million in cash and over RMB53 million worth of supplies. Ping An also provided complimentary insurance for eight million disease control and medical workers and 15,000 volunteers.

- In respect of insurance services, Ping An carried out five user-friendly claims settlement measures, canceling restrictions on medicines, treatments, designated hospitals, waiting periods and deductibles. Moreover, Ping An quickly initiated 24/7 online consultation services, claims services by designated specialists, fast tracks for claims, and advance payment services for special cases.
- In respect of medical support, Ping An HealthKconnect and Ping An Healthcare Diagnostics Center provided hospitals with free remote image reading services and dispatched to Wuhan a vehicle equipped with a mobile computed tomography scanner for screening services. Ping An Healthcare Medical Examination Laboratory, a provincial medical laboratory in Hubei Province, became one of the first designated coronavirus nucleic acid testing institutions. Ping An Good Doctor launched a 24/7 anti-coronavirus hotline in Wuhan, and offered free COVID-19-related consultations and guidance in cooperation with health authorities in Wuhan, Fuzhou, Hefei and Tangshan.

Sustainability

- In combating COVID-19 with technology, Ping An mobilized multiple resources and gave full play to its advantages in smart health care, smart transportation, smart government, and smart education. Ping An participated in the epidemic prevention and control by dispatching to Wuhan a vehicle equipped with a mobile computed tomography scanner, and providing services including online consultation, nucleic acid testing, smart image reading, and daily epidemic analysis and forecast. The Company launched the Health Protection-Anti-COVID-19 Volunteer Service Campaign with China Volunteer Service Federation and China Association for Science and Technology. In addition, the Company invited renowned doctors from Shanghai and Beijing to train rural doctors and frontline medical workers through online live broadcast courses on the prevention and control of the epidemic. The courses covered detection and reporting of COVID-19 cases, epidemiological study, referral requirements, hospital-acquired infection prevention and control, and personal protective measures. During the domestic peak of the epidemic, Ping An held 57 live training sessions which were viewed 136 million times.
- In respect of charitable donations, Ping An provided complimentary insurance with a total sum insured of over RMB13.6 trillion for frontline doctors, nurses, police officers, media workers, and volunteers immediately after the COVID-19 outbreak. In addition, Ping An provided complimentary insurance benefits for approximately 500,000 small and micro-businesses nationwide, facilitating the resumption of work and production. Ping An and Ming Yuan Charity Fund donated RMB18 million to the Chinese Academy of Medical Sciences to support COVID-19 medicine research. Through the Shenzhen Ping An Public Welfare Foundation, Ping An established the Anti-COVID-19 Rescue Fund for the Police, offering relief funds up to RMB100 million. Ping An purchased nearly RMB20 million worth of supplies from severely impoverished areas in Central and West China, and donated them to Wuhan. Ping An and Chairman Ma Mingzhe jointly donated RMB10 million worth of medical equipment and anti-epidemic supplies to Indonesia and the United Kingdom respectively to help the two countries fight COVID-19.

Volunteer Services

The Ping An Volunteers Association, since its establishment in 2018, has set up 24 branches nationwide, covering over 20 member companies of the Group. As of June 30, 2020, the “San Cun Hui” public welfare app had 2.11 million registered users, 525,000 of whom were employees and sales agents of Ping An.

Business Code of Conduct

Ping An has formulated the *Business Code of Conduct of Ping An Group* and other relevant policies, specified its commitments to the Company’s business ethics and employees’ business behaviors, and continued to standardize its management.

Corporate Business Ethics

In accordance with applicable laws and regulations, the Company formulated procedures including the *Articles of Association*, the *Whistle-blowing Management Procedure*, and the *Procurement Management Procedure* which apply to all of its member companies, suppliers and partners, and pledges the following:

- In respect of tax policies, the Company complies with all laws and regulations with respect to its operations, proactively cooperates with governments in implementing tax policies, duly performs tax duties, discloses tax information as required by law, and prevents tax dodging and evasion.
- In respect of fair trade and anti-monopoly, the Company observes anti-monopoly laws and regulations, strictly scrutinizes all merger and acquisition transactions, and meets all disclosure requirements.
- In respect of anti-money laundering, anti-terrorist financing, and sanctions compliance, the Company identifies, monitors, and prevents financial crimes according to applicable laws and regulations as well as the Company’s *Anti-money Laundering Management Policy* and *Guidelines on Anti-money Laundering List-based Monitoring and Sanctions Compliance*. The Company performs anti-money laundering and anti-terrorist financing duties, and has a robust anti-money laundering framework in place. The Company has incorporated the anti-money laundering framework into its enterprise risk management framework to effectively contain and strictly manage money laundering and sanctions compliance risks.

- In respect of fairness and employee rights protection, the Company protects legitimate interests of all employees in internal management and business dealings. The Company also calls on partners to protect their employees' legitimate interests, oppose gender, regional and age discrimination, and not to use child labor or forced labor. The Company has in place relevant procedures including the *Procurement Supplier Management Procedure* to ensure that suppliers' commitments to employee rights and welfare are met.
- In respect of whistle-blowing management, Ping An has formulated the *Whistle-blowing Management Procedure*, with a mailbox and a hotline for employees to voice their concerns. The Company's whistle-blowing departments handle whistle-blowing in a legal, objective, just, and timely manner and safeguard the whistle-blowers' rights to fairness and justice. Ping An safeguards the confidentiality and safety of whistle-blowers and the information reported, and implements the whistle-blowing management procedure in an effective and reasonable manner.
- In respect of information management and social media management, employees are required to strictly follow the requirements of customer information security management to actively protect customer information from being leaked. Official accounts and employee accounts may not disclose confidential business information or illegal information on social media.
- In respect of conflict of interests and non-public information management, employees are required to understand and comply with the Company's rules and regulations on conflicts of interest. The Company prevents and punishes improper business dealings in line with the principles of "risk coverage, self-declaration, conflict avoidance, and zero tolerance." Employees are responsible for maintaining the confidentiality of insider information and may not divulge it.
- In respect of anti-bribery, corruption and fraud, employees and partners may not engage in any illegal or improper activities in exchange for personal benefits or damage the Company's legitimate economic interests and reputation. Once a fraudulent action is confirmed, the relevant employees will be subject to the *Red, Yellow, and Blue Card Punishment Procedure* and the *Standard for Handling of Employees' Rule Violations* for penalties and punishments.

Employee Code of Conduct

The Company pays great attention to combating fraud, corruption and commercial bribery, and supervising other business conduct. We have developed systematic internal management rules and procedures covering full-time and part-time employees, including the *Employee Interest Conflict Management Policy*, the *Anti-fraud Procedure* and the *Anti-money Laundering Management Procedure*. Systematic training is conducted for employees on a half-yearly basis. Ping An formulates the employee code of conduct in the following aspects:

Sustainability

Responsible Investment

Adhering to the United Nations Principles for Responsible Investment (UNPRI) and relevant guidelines issued by Chinese regulators, Ping An is the first company in China to sign the UNPRI, the Climate Action 100+ and the Green Investment Principles for the Belt and Road as an asset owner. Ping An is also a member of the Green Finance Committee of the China Society for Finance and Banking. Ping An promotes the development of responsible investment in various aspects including the organizational structure and policies, and development and application of investment risk management tools and financial products.

Organizational Structure and Policies

Under the supervision of the Group IR and ESG Committee, the Group ESG Office and investment departments have established a panel of experts to work on the Group's responsible investment and provide necessary guidance and support to integrate ESG elements into investment and business decisions. The Group has formulated policies including the *Responsible Investment Policy of Ping An Group* and the *Statement on Coal-Related Industries of Ping An Group* to elaborate the background, principles and implementation rules of responsible investment, organization and training, periodic reporting and disclosure, and integrated responsible investment into the key initiatives for the sustainable development of the Company.

The five principles of Ping An's responsible investment are ESG Integration, Active Ownership, Impact Investing, Exclusion, and Information Transparency.

- **ESG Integration:** Ping An integrates ESG factors into investment decision-making, actively develops the CN-ESG smart evaluation system, and forms evaluation standards for listed companies, bond issuers and ESG due diligence as well as the basis for investments.
- **Active Ownership:** Through conducting ESG communication and counseling, Ping An gives full play to the positive influence of shareholders, urges investee companies to improve ESG performance, and puts forward feasible suggestions to support the healthy development of investee companies.
- **Impact Investing:** Ping An implements the development concept of inclusive finance and green finance, and promotes green investments such as environmental protection, environmental restoration and clean energy, and inclusive investing projects such as infrastructure construction and rural revitalization.
- **Exclusion:** Ping An promises not to invest in industries including gambling and pornography, adopts restrictive conditions for high-pollution and high-energy consumption projects, and prudently invests in thermal power and coal industries.
- **Information Transparency:** Qualitative and quantitative information about responsible investment is disclosed in interim reports and annual sustainability reports.

AI-ESG Responsible Investment Tools

Based on strong experience in integrated finance and technology, Ping An has established a smart CN-ESG index evaluation system with Chinese characteristics which can reflect ESG performance of Chinese companies more accurately. Using technologies including AI, natural language processing (NLP) and remote sensing satellites, CN-ESG addresses the pain points of existing ESG evaluation systems in the market, including weaknesses in massive data processing, inconsistency and subjectivity of manual scoring, and low update frequency.

Based on the CN-ESG smart evaluation system, Ping An has built an AI-ESG smart management platform using an AI-driven middle office to realize ESG comprehensive performance management and responsible investment risk management by providing customized smart products and services. The platform can provide listed companies with tools to manage ESG performance, enable investment institutions to understand ESG evaluation performance of the target companies, and provide comprehensive ESG functions for rating agencies, governments, associations and NGOs.

Responsible Investment Practice

Adhering to the responsible investment principles, Ping An has made full use of AI-ESG tools to integrate ESG risk management into the Group's investment risk management, and has established the Group's responsible investment product framework which covers equities, bonds, financial products, mutual funds, lease receivables and so on. In the first half of 2020, Ping An of China Asset Management (Hong Kong) Company Limited issued a green bond fund to invest in fixed income products which meet Climate Bonds Initiative's green bond standards. The product ensures that issuers comply with prevailing green bond requirements, to achieve significant environmental benefits through investment behaviors. In May 2020, Ping An Trust applied the ESG integration method to the SOE mixed ownership reform project of Shenzhen Shentou Environmental Technology Co., Ltd., to ensure that responsible investment principles were integrated in mergers and acquisitions for risk screening and value enhancement. At the post-investment stage, Ping An will assist Shenzhen Shentou Environmental Technology Co., Ltd. in enhancing ESG performance and fulfilling shareholder obligations.

As of June 30, 2020, Ping An's responsible investments were as follows:

(in RMB million)	Equities	Bonds	Financial products	Mutual funds	Lease receivables
ESG integration principle	16,354	6,900	-	-	-
Impact investing principle					
Including: Green investment	13,927	8,955	11,062	6,789	3,680
Social and inclusive investment	23,798	593,107	497,977	1,153	-

- Notes: (1) Responsible investment data covers all financial products of the Group as a fund provider and product issuer. As of June 30, 2020, the Group's responsible investments only reflected the application of the ESG Integration principle and the Impact Investing principle. The rest of the principles will be applied in the investments afterwards.
- (2) Green investment includes projects recommended by the *Guidelines of the National Development and Reform Commission (NDRC) for Green Bonds* and the *Guidelines of the Asset Management Association of China for Green Investment*.
- (3) Social and inclusive investment includes infrastructure, small and micro-business support, old-age care and health care, education and culture, poverty alleviation for agriculture, farmers and rural areas, shanty area reconstruction and so on.

As an integrated financial services group, Ping An has continuously bolstered sustainable economic growth through credit. As of June 30, 2020, Ping An Bank granted green credit lines of RMB44,298 million, with the balance of loans being RMB22,667 million and the balance of social and inclusive loans being RMB730,183 million. Lufax Holding vigorously supports poverty alleviation by providing professional lending services for small and micro-business owners, sole proprietorships and the self-employed. As of June 30, 2020, Lufax Holding provided about 1,633,700 customers with inclusive credit facilitation, which enabled the granting of RMB284,461 million in loans in the first half of 2020, with a loan balance of RMB519,410 million. RMB22.88 billion in total of loans were granted to about 137,200 customers in rural areas in the first half of 2020.

Sustainable Insurance

Ping An is committed to embedding ESG criteria into the insurance business and making continuous improvement of the *Policies for Sustainable Insurance System of Ping An Group*, to integrate sustainability into the design of the insurance products and develop into a trustworthy insurance company.

Risk Management of Insurance Products

Ping An continues to research and monitor global climate change risks (including global warming and extreme weather disasters) and social change risks (including demographic change, population aging and a high incidence of diseases), to ensure reasonable ESG risk pricing for insurance products, and manage and prevent risks in enrollment. In the meantime, Ping An has formulated a rational and consistent insurance risk management system with mechanisms and processes in place to manage insurance risks and control the ESG risk exposure of its insurance products. All insurance subsidiaries have established and implemented ESG insurance risk management measures and processes covering product development, underwriting, claims, product management, reserve evaluation, and reinsurance management, and have taken specific ESG risk management measures.

Sustainability

Sustainable Insurance Product Portfolio

Ping An is the first company in the Chinese mainland to sign the *Principles for Sustainable Insurance (PSI)* established by the United Nations Environment Programme Finance Initiative.

Ping An fulfills its environmental and social responsibilities through a well-developed sustainable insurance product portfolio. As of June 30, 2020, Ping An Property & Casualty has launched 712 sustainable insurance products. Among them, there are environment and ecosystem related products, including environmental liability insurance, catastrophe insurance, and wildlife protection insurance; society and livelihood related products including engineering insurance, food safety insurance, medical malpractice insurance and inclusive insurance targeting small and micro-businesses, farmers, and other groups with special needs. Moreover, Ping An continues to watch health trends in China and changes in insurance market demand brought about by enhanced insurance awareness, and promote the development of protection-oriented products, offering 675 sustainable products, namely medical insurance, critical illness insurance, old-age insurance and social health insurance, through Ping An Life, Ping An Annuity and Ping An Health.

In the first half of 2020, the performance of the Company's sustainable insurance product portfolio was as follows:

(in RMB million)	Environmental insurance ⁽¹⁾	Social insurance ⁽²⁾	Inclusive insurance ⁽³⁾
Premium income	80	86,661	18,885
Insured amount	49,562	75,998,890	1,943,051

Notes: (1) Environmental insurance includes environmental liability insurance and catastrophe insurance.

(2) Social insurance includes liability insurance (including workplace safety insurance and food safety insurance), medical insurance, and critical illness insurance.

(3) Inclusive insurance includes agriculture insurance, insurance for rural areas, insurance for farmers, insurance for vulnerable groups, and small and micro-business operations insurance.

Information Security and AI Governance

The rapid development of science and technology highlights the increased importance of private data protection and technology ethics review. Information security has always been a key pillar of Ping An's operation. Since 2019, Ping An has focused on improving its ethical system, with an AI Ethics Management Committee established at the Group level to oversee the development and application of AI in a comprehensive and reasonable manner.

Information Security and Privacy Protection

Ping An abides by the information security requirements under laws, regulations, and industry norms and codes. To ensure the confidentiality, integrity and availability of information, Ping An constantly improves its information security management system. Ping An has formulated rules for information security management including the *Procedure for Information Security Management of Ping An Group*. In addition, Ping An established a data security governance model centering on customer data protection to ensure data security before, during and after a risk event. Ping An regularly conducted internal and external audits of its information security management and data privacy protection. Moreover, Ping An has passed the ISO 27001 information security management system certification for consecutive years, ensuring the effective and stable operations of the information security system.

Privacy protection is the top priority in Ping An's information security management system, and also the bottom line of Ping An's management. Ping An has developed the *Privacy Protection Statement of Ping An Group*, the *Procedure for Data Management* and the *Procedure for External Data Cooperation Management* to ensure that personal data is captured, transmitted, stored and used in a compliant, safe manner. The member companies of the Group formulated and implemented their own detailed implementation rules, and took a series of measures to prevent data leakage. Moreover, Ping An undertakes to protect customer information and privacy rights of customers and employees in business activities.

AI Governance

Ping An is committed to applying AI in line with the five ethical principles of “human-oriented, human autonomous, secure and controllable, fair and just, and open and transparent” and keeping AI application under ethical review.

Ping An has clear ethical goals for data, algorithms and applications, and constantly improves its AI governance framework. Internally, Ping An has established the AI Ethics Management Committee, forming a comprehensive AI governance system at the Group level. The AI Ethics Management Committee is responsible for steering the macro direction of Ping An’s AI ethics policy, and ensuring fairness and justice for products under development. While providing services and products, the AI Ethics Management Committee will oversee information security and privacy protection, and better resolve AI ethical issues during practical projects. Externally, Ping An proactively engaged in global AI governance, strengthened exchanges with other players and academia. For instance, Ping An took part in standard making for the *AI Risk Management Evaluation Model* under China Electronics Standardization Institute, contributing to the standardization of AI governance.

Product Responsibility

As an integrated financial services group, Ping An offers a wide range of products and services covering insurance, banking, investment and technology. The Company adheres to the principles of compliance, fairness, inclusiveness, and environmental protection throughout the life cycles of products and services. The Company undertakes that all its products and services are offered in accordance with the principles of compliance, fairness and environmental protection. The Company will not provide products and services involving violation of individual rights, violation of the freedom of speech, and political repression, nor involving high emissions, high pollution, ecological destruction, and animal right violations. The Company will not engage in monopoly, unfair competition, pyramid sales, or terrorism. Moreover, the Company will make every effort to prevent violation of laws, regulations, and codes of ethics.

Ping An’s product management is divided into three phases, namely product design, product development and launch preparation, and sales and after-sales services. Ping An has established a policy regime governing all products and services, including the *Consumer Rights Protection Management Measures of Ping An Group*, the *Product Sales Management Measures*, the *Product Development and Design Standards*, and the *Red, Yellow, and Blue Card Punishment Procedure*. In this way, the Company manages all products and services throughout their entire life cycles to avoid potential violation of laws and regulations.

To protect consumer rights and strengthen product management, Ping An set up the Consumer Rights Protection Committee under the Board of Directors in February 2020.

Sustainable Supply Chain

Ping An pursues clean and open procurement in supply chain management. The Company has established the *Sustainable Supply Chain Policy of Ping An Group*, integrating ESG requirements into supply chain management that covers supplier selection, cooperation approval, process management, tracking and feedback. Ping An attaches great importance to suppliers’ ESG performance in environmental protection and employee rights protection. The Company has also included ESG requirements into existing supplier contracts, setting out articles on anti-bribery, information security and privacy protection, labor rights protection, low-carbon and green technological transformation and development, and employee development.

Ping An also provides partners with training programs on product quality, work skills, compliance management, and employee rights protection to improve suppliers’ sustainability performance. The Company will continue to encourage suppliers and partners to seek environmental, social and corporate benefits and achieve joint sustainable development.

Sustainability

Employee Rights and Care

Employee Rights

Ping An complies with the core sections of the *International Labor Conventions* and the relevant agreements approved by the countries where Ping An has presence. The Company formulated the *Employee Rights and Welfare Policy of Ping An Group* and other documents, undertaking to protect the legitimate rights and interests of employees. In addition, the Company released anti-discrimination rules to eliminate unfair treatment. The Company ensures equal pay for equal work, and prohibits all forms of discrimination in recruitment, on-boarding, training, promotion and rewards. The Company is against any use of child labor and forced labor. Moreover, the Company does not interfere with the right of employees to participate in or form any legitimate association.

Ping An always upholds fair, just and transparent salary and performance management, and constantly reviews the competitiveness of employee salaries. Ping An conducts rational performance-based salary management on the principle of fair and equitable distribution according to work to motivate employees to improve skills and grow with the Company. To retain key employees and establish long-term incentive and restraint mechanisms, Ping An implemented the Key Employee Share Purchase Plan and the Long-term Service Plan. Ping An has established sound, diverse channels for feedback, complaints and whistle-blowing, and formulated the *Whistle-blowing Management Procedure* to guarantee employees' freedom of expression and protect their legitimate rights and interests.

Employee Development

Ping An has been continuously diversifying and optimizing its talent standards and systems. Each year, Ping An organizes talent reviews of key positions. In addition to multiple dimensions including performance, skill sets, and development potential, the Company also conducts talent assessment on 24 dimensions including capabilities, behavior, and personality, and has a Senior Talent Evaluator Team in place to ensure fair and efficient talent selection.

All employees, including in-house staff, field staff and interns, have the right to participate in various forms of training. The Company arranges high-quality offline and online training activities according to the needs of employees. Ping An School of Financial Management vigorously develops a high-quality curriculum and online learning with accurate course recommendations, including recommendations based on performance, smart recommendations, and recommendations from supervisors, using technology to disseminate knowledge and identify employees' potential and development needs.

Employee Benefits

To accomplish the mission of “making a career plan for a prosperous and contented life,” Ping An provides employees with benefits including commercial insurance, high-end health insurance, and health check-up packages for family members. Ping An ensures that employees can realize their value in a highly satisfactory environment. In addition, Ping An provides a health management platform where employees can directly conduct online consultations and hospital registration. Ping An provides regular health check-ups for employees and arranges for professional doctors to interpret health check-up reports. In addition, the Ping An Employee Assistance Program (EAP) offers comprehensive services including stress management, occupational mental health, psychological intervention, and healthy living to assist employees in dealing with personal difficulties and staying positive in workplace and personal lives. Ping An has developed HR-X, a smart human resources mobile app to provide employees with a series of convenient services, including mobile attendance, one-click request for leave, company ID card application, social security processing, and personal file management.

Ping An respects and cares for female employees, and provides nursing rooms and corresponding facilities in the office.

Green Operations

Ping An strictly abides by the relevant laws and regulations including the *Environmental Protection Law of the PRC*, and has formulated the *Low-carbon Business and Operation Policy of Ping An Group*. Ping An has incorporated environmental protection in its business development plans and strives to minimize the negative impact of business operations on the environment by conducting energy conservation transformation, building smart offices, and adopting electronic business processes. Ping An has set the following environmental targets:

- Carbon emission intensity: Taking 2018 as the base year, to reduce carbon emission intensity by 5%, 10% and 20% by 2020, 2025 and 2030 respectively.
- Paper use intensity: Taking 2016 as the base year, to reduce paper use intensity by 50%, 60% and 80% over the next three, five and ten years respectively.
- Carbon emissions reduction potential: Taking 2016 as the base year, to increase carbon emissions reduction by 60% and 80% over the next three and five years respectively, and ultimately routinize electronic operations.
- Green buildings: Ping An pledges that all new buildings of Ping An Group will reach China’s Green Building Label (2-star) or equivalent Leadership in Energy and Environmental Design (LEED) certification. Ping An will complete the green building transformation of its headquarters and obtain the green building certification by 2020.

Changes in the Share Capital and Shareholders' Profile

CHANGES IN SHARE CAPITAL

There was no change in the total number of shares and shareholding structure of the Company during the six months ended June 30, 2020 (the "Reporting Period").

Unit: Shares	January 1, 2020		Changes during the Reporting Period					June 30, 2020	
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Transfer from reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Selling-restricted shares	-	-	-	-	-	-	-	-	-
II. Selling-unrestricted circulating shares									
1. RMB ordinary shares	10,832,664,498	59.26	-	-	-	-	-	10,832,664,498	59.26
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	7,447,576,912	40.74	-	-	-	-	-	7,447,576,912	40.74
4. Others	-	-	-	-	-	-	-	-	-
Subtotal	18,280,241,410	100.00	-	-	-	-	-	18,280,241,410	100.00
III. Total number of shares	18,280,241,410	100.00	-	-	-	-	-	18,280,241,410	100.00

SHAREHOLDERS' INFORMATION

Number of shareholders

Unit: Shareholder

June 30, 2020

Total number of shareholders	825,921 (including 821,415 domestic shareholders)
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Shareholdings of top ten shareholders as at the end of the Reporting Period

Name of shareholder	Nature of shareholder ⁽¹⁾	Shareholding percentage (%)	Total number of shares held ⁽²⁾	Changes during the Reporting Period	Type of shares	Number of selling-restricted shares held	Number of pledged or frozen shares
Hong Kong Securities Clearing Company Nominees Limited ⁽³⁾	Overseas legal person	34.00	6,215,228,883 ⁽⁴⁾	+102,622,483	H Share	-	Unknown
Shenzhen Investment Holdings Co., Ltd.	State	5.27	962,719,102	-	A Share	-	341,740,000 pledged shares
Hong Kong Securities Clearing Company Limited ⁽⁵⁾	Others	4.04	737,653,762	-81,524,616	A Share	-	-
New Orient Ventures Limited	Overseas legal person	3.40	622,149,664	-92,514,333	H Share	-	-
Business Fortune Holdings Limited	Overseas legal person	3.21	587,146,218	-10,038,823	H Share	-	422,401,317 pledged shares
China Securities Finance Corporation Limited	Others	2.99	547,459,336	-	A Share	-	-
Central Huijin Asset Management Ltd.	State-owned legal person	2.65	483,801,600	-	A Share	-	-
Shum Yip Group Limited	State-owned legal person	1.41	257,728,008	-	A Share	-	-
Dacheng Fund-Agricultural Bank of China -Dacheng Zhongzheng Financial Asset Management Plan	Others	1.10	201,948,582	-	A Share	-	-
Huaxia Fund-Agricultural Bank of China -Huaxia Zhongzheng Financial Asset Management Plan	Others	1.09	199,511,462	-	A Share	-	-

- Notes: (1) Nature of the holders of A shares represents the nature of accounts held by the holders of A shares registered on the Shanghai Branch of China Securities Depository and Clearing Corporation Limited.
- (2) As the shares of the Company could be used as underlying securities for margin financing and securities lending, the shareholdings of the shareholders are the aggregate of all the shares and interests held in ordinary securities accounts and credit securities accounts.
- (3) Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited") is the nominee holder of the shares held by non-registered H shareholders of the Company.
- (4) New Orient Ventures Limited and Business Fortune Holdings Limited are indirect wholly-owned subsidiaries of CP Group Ltd., and the shares owned by these two companies have been registered under the name of HKSCC Nominees Limited. In order to avoid double counting, the shares owned by the above two companies have been deducted from the shares held by HKSCC Nominees Limited.
- (5) The shares held by Hong Kong Securities Clearing Company Limited refer to the shares held by non-registered shareholders of the Northbound Trading of the Shanghai-Hong Kong Stock Connect Program.

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

New Orient Ventures Limited and Business Fortune Holdings Limited are indirect wholly-owned subsidiaries of CP Group Ltd., and they are presumed to be acting in concert with each other since they are under the common control of CP Group Ltd. As of June 30, 2020, CP Group Ltd., through the above two companies and other subsidiaries, indirectly held 1,609,766,901 H shares of the Company in total, representing approximately 8.81% of the total share capital of the Company.

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

Particulars of Controlling Shareholder and De Facto Controller

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

Directors, Supervisors and Senior Management

APPOINTMENT OR RETIREMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Period of appointment
XIE Yonglin ⁽¹⁾	Newly-appointed Executive Director	Since April 2020
TAN Sin Yin ⁽¹⁾	Newly-appointed Executive Director	Since April 2020
HUANG Baoxin ⁽²⁾	Newly-appointed Senior Management	Since April 2020
LEE Yuansiong ⁽³⁾	Retired Executive Director	June 2013-January 2020
	Retired Senior Management	January 2011-January 2020
REN Huichuan ⁽⁴⁾	Retired Executive Director	July 2012-March 2020
LIU Chong ⁽⁵⁾	Retired Non-executive Director	January 2016-June 2020

Notes: (1) Mr. Xie Yonglin and Ms. Tan Sin Yin took office as Executive Directors of the Company on April 3, 2020.
(2) Mr. Huang Baoxin took office as Senior Vice President of the Company on April 22, 2020.
(3) Mr. Lee Yuansiong ceased to serve as Executive Director, Co-Chief Executive Officer and Executive Vice President of the Company on February 1, 2020.
(4) Mr. Ren Huichuan ceased to serve as Executive Director and Vice Chairman of the Company on March 16, 2020.
(5) Mr. Liu Chong ceased to serve as Non-executive Director of the Company on June 15, 2020.

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Change in the Number of Shares Held in the Company

As of June 30, 2020, the interests of the current Directors, Supervisors and Senior Management of the Company and those who vacated office during the Reporting Period in the shares of the Company which shall be disclosed pursuant to the *Standard No. 3 Concerning the Contents and Formats of Information Disclosed by Listed Companies - The Contents and Formats of Interim Report* issued by the CSRC were as follows:

Name	Capacity	H/A shares	Number of shares held at the beginning of the period (shares)	Number of shares held at the end of the period (shares)	Change (shares)	Reason for the change	Nature of interest	Percentage of total issued H/A shares (%)	Percentage of total issued shares (%)
MA Mingzhe	Beneficial owner	A	1,364,608	1,584,026	+219,418	Key Employee Share Purchase Plan	Long position	0.01462	0.00867
XIE Yonglin	Beneficial owner	A	159,518	303,508	+143,990	Key Employee Share Purchase Plan	Long position	0.00280	0.00166
TAN Sin Yin	Beneficial owner	A	164,835	301,528	+136,693	Key Employee Share Purchase Plan	Long position	0.00278	0.00165
YAO Jason Bo	Beneficial owner	A	321,378	465,432	+144,054	Key Employee Share Purchase Plan	Long position	0.00430	0.00255
	Beneficial owner	H	24,000	24,000	-	-	Long position	0.00032	0.00013
IP So Lan	Beneficial owner	A	268,191	412,245	+144,054	Key Employee Share Purchase Plan	Long position	0.00381	0.00226
CHEN Kexiang	Beneficial owner	A	272,538	401,967	+129,429	Purchase, Key Employee Share Purchase Plan	Long position	0.00371	0.00220
CAI Fangfang	Beneficial owner	A	145,101	228,629	+83,528	Key Employee Share Purchase Plan	Long position	0.00211	0.00125
HUANG Baoxin	Beneficial owner	A	54,700	63,512	+8,812	Purchase, Key Employee Share Purchase Plan	Long position	0.00059	0.00035
SHENG Ruisheng	Beneficial owner	A	162,774	249,098	+86,324	Key Employee Share Purchase Plan	Long position	0.00230	0.00136
WANG Zhiliang	Beneficial owner	A	37,446	45,073	+7,627	Key Employee Share Purchase Plan	Long position	0.00042	0.00025
PAN Zhongwu	Beneficial owner	A	21,012	25,488	+4,476	Key Employee Share Purchase Plan	Long position	0.00024	0.00014
LEE Yuansiong	Beneficial owner	A	282,120	282,120	-	Key Employee Share Purchase Plan	Long position	0.00260	0.00154
REN Huichuan	Beneficial owner	A	841,205	1,061,725	+220,520	Key Employee Share Purchase Plan	Long position	0.00980	0.00581

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

Save as disclosed above, as of June 30, 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company which shall have been notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors or chief executives of the Company are taken as or deemed to have under such provisions of the SFO, or which are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise required to be notified by the Directors and chief executives to the Company and the HKEX pursuant to the *Model Code*, were as follows:

Name	Capacity	H/A shares	Interests held at the beginning of the period (shares)	Interests held at the end of the period (shares)	Change (shares)	Reason for the change	Nature of interest	Percentage of total issued H/A shares (%)	Percentage of total issued shares (%)
MA Mingzhe	Interest of his spouse	H	20,000	20,000	-	-	Long position	0.00027	0.00011
	Others ⁽¹⁾	A	252,762	502,266	+249,504	Others ⁽¹⁾	Long position	0.00464	0.00275
XIE Yonglin	Others ⁽¹⁾	A	189,571	376,699	+187,128	Others ⁽¹⁾	Long position	0.00348	0.00206
TAN Sin Yin	Others ⁽¹⁾	A	189,571	376,699	+187,128	Others ⁽¹⁾	Long position	0.00348	0.00206
YAO Jason Bo	Interest of his spouse	H	64,000	64,000	-	-	Long position	0.00086	0.00035
	Others ⁽¹⁾	A	126,381	251,133	+124,752	Others ⁽¹⁾	Long position	0.00232	0.00137
CAI Fangfang	Others ⁽¹⁾	A	126,381	251,133	+124,752	Others ⁽¹⁾	Long position	0.00232	0.00137

Note: (1) Conditional interests that can be vested in future under the Long-term Service Plan, subject to terms and conditions in the *Long-term Service Plan of Ping An Insurance (Group) Company of China, Ltd.*

Change in the Number of Shares Held in Associated Corporations of the Company

As of June 30, 2020, none of the Directors and chief executives held or was deemed to hold any interests or short positions in the shares, underlying shares or debentures of the Company's associated corporations (as defined in the SFO), which shall have been notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are recorded in the register required to be kept under section 352 of the SFO, or otherwise required to be notified by the Directors and chief executives to the Company and the HKEX pursuant to the *Model Code*.

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

1. Mr. Ma Mingzhe, the Chairman of the Company, ceased to work concurrently as the Chief Executive Officer of the Company in July 2020.
2. Mr. Yao Jason Bo, an Executive Director of the Company, has served as a Co-Chief Executive Officer of the Company since July 2020.
3. Mr. Yang Xiaoping, a Non-executive Director of the Company, ceased to be a non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited in June 2020.
4. Mr. Ge Ming, an Independent Non-executive Director of the Company, ceased to be an independent non-executive director of Chong Sing Holdings FinTech Group Limited in April 2020.
5. Mr. Gu Liji, the Chairman of Supervisory Committee, ceased to be a Non-executive Director of Xiangtan Electric Manufacturing Group Co., Ltd in July 2020.
6. Mr. Pan Zhongwu, an Employee Representative Supervisor of the Company, has served as a non-executive director of Ping An Good Doctor since February 2020.

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

Significant Events

IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN DURING THE REPORTING PERIOD

The 2019 profit distribution plan of the Company was deliberated and approved at the 2019 Annual General Meeting, pursuant to which the Company paid in cash the 2019 final dividend of RMB1.30 (tax inclusive) per share, totaling RMB23,673,304,989.10 (tax inclusive) based on 18,210,234,607 shares, the actual number of shares entitled to the dividend distribution (exclusive of A shares of the Company in the repurchased securities account). The profit distribution plan has been implemented.

INTERIM RESULTS AND PROFIT DISTRIBUTION

The Group's results for the first half of 2020 are set out in the section headed "FINANCIAL STATEMENTS." The Board of Directors hereby declares that the 2020 interim dividend of RMB0.80 (tax inclusive) per share in cash will be distributed to the shareholders of the Company. Pursuant to the *Detailed Rules for Implementation of Share Repurchase by Listed Companies* promulgated by the SSE and the applicable regulations, the Company's A shares in the Company's repurchased securities account after trading hours on the record date of A shareholders for the dividend will not be entitled to the dividend distribution. The total amount of the interim dividend payment for the first half of 2020 is RMB14,568,187,685.60 (tax inclusive) based on the total share capital of 18,280,241,410 shares less the 70,006,803 A shares of the Company in the repurchased securities account as of June 30, 2020. The actual total amount of dividend payment is subject to the total number of shares that will be entitled to the dividend distribution on the record date of A shareholders. The dividend payment will have no material impact on the Group's solvency margin ratios. After the dividend payment, the Group's solvency margin ratios will still meet the relevant regulatory requirements.

The decision-making procedure and mechanism of the above profit distribution plan are complete, and the dividend payout standards and proportions are clear. The above profit distribution plan is in line with the *Articles of Association* and relevant deliberation procedures and fully protects the legitimate interests of the minority shareholders. All the Independent Non-executive Directors of the Company have expressed independent opinions of their agreement on the profit distribution plan.

GENERAL ANALYSIS OF EXTERNAL INVESTMENT

Ping An is an integrated financial services group, and investment is one of its core businesses. The investment of insurance funds represents a majority of the equity investment of the Company. The investment of insurance funds is subject to applicable laws and regulations. For details of the asset allocation of the investment portfolio of insurance funds, please refer to the relevant section headed "Business Analysis."

Material Equity Investment

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

Material Non-Equity Investment

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

Financial Instruments Recorded at Fair Value

Details of financial instruments recorded at fair value of the Company are set out in Note 43 to the financial statements.

SALE OF MAJOR ASSETS AND EQUITIES

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

MAJOR SUBSIDIARIES AND ASSOCIATES OF THE COMPANY

Details of major subsidiaries and associates of the Company are set out in Note 3.(2) and Note 28 to the financial statements respectively.

STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

There is no significant change in the details of Structured Entities controlled by the Company compared with the year of 2019.

IMPLEMENTATION OF SHARE PURCHASE PLANS OF THE COMPANY

Key Employee Share Purchase Plan

As deliberated at the 16th Meeting of the 9th Board of Directors held on October 28, 2014 and approved at the 2015 1st extraordinary general meeting held on February 5, 2015, the Key Employee Share Purchase Plan of the Company has been officially implemented since 2015. For the Key Employee Share Purchase Plan of the Company, the participants are key employees of the Company and its subsidiaries including the directors, employee representative supervisors, and senior management. The sources of funding are legitimate incomes and performance bonuses of the employees.

As at the end of the Reporting Period, six phases of the Key Employee Share Purchase Plan were implemented. Among them, all shares under the two phases for 2015 and 2016 were unlocked and vested, and the four phases for 2017-2020 were implemented as follows:

Regarding the Key Employee Share Purchase Plan for 2017, there were 1,157 participants. A total of 16,419,990 A shares of the Company were purchased for a total amount of RMB603,498,822.25 (expenses inclusive), accounting for 0.090% of the total share capital of the Company at that time. During the Reporting Period, the lock-up period in respect of one third of the shares under the Key Employee Share Purchase Plan for this phase expired and all such shares were vested in batches to 1,002 employees. As to the remaining 47 employees who did not qualify for the vesting, 234,957 shares were forfeited. Shares under the Key Employee Share Purchase Plan for this phase were unlocked.

Regarding the Key Employee Share Purchase Plan for 2018, there were 1,296 participants. A total of 9,666,900 A shares of the Company were purchased for a total amount of RMB592,698,901.19 (expenses inclusive), accounting for 0.053% of the total share capital of the Company at that time. During the Reporting Period, the lock-up period in respect of one third of the shares under the Key Employee Share Purchase Plan for this phase expired and all such shares were vested in batches to 1,176 employees. As to the remaining 55 employees who did not qualify for the vesting, 330,834 shares were forfeited.

Regarding the Key Employee Share Purchase Plan for 2019, there were 1,267 participants. A total of 8,078,395 A shares of the Company were purchased for a total amount of RMB588,197,823.00 (expenses inclusive), accounting for 0.044% of the total share capital of the Company at that time. During the Reporting Period, the lock-up period in respect of one third of the shares under the Key Employee Share Purchase Plan for this phase expired and all such shares were vested in batches to 1,207 employees. As to the remaining 60 employees who did not qualify for the vesting, 403,697 shares were forfeited.

Regarding the Key Employee Share Purchase Plan for 2020, there were 1,522 participants. A total of 7,955,730 A shares of the Company were purchased for a total amount of RMB638,032,305.75 (expenses inclusive), accounting for 0.044% of the total share capital of the Company at that time. During the Reporting Period, there was no change in equity under the Key Employee Share Purchase Plan for 2020.

During the Reporting Period, as deliberated at the 13th Meeting of the 11th Board of Directors held on April 23, 2020, the Key Employee Share Purchase Plan of the Company was extended by six years to February 4, 2027. For details, please refer to the *Announcement regarding Extension of the Terms of Key Employee Share Purchase Plan* published by the Company on the websites of the HKEX and the SSE on April 23, 2020 and April 24, 2020 respectively. The manager of the Key Employee Share Purchase Plan of the Company was not changed.

As at the end of the Reporting Period, the key employees held 20,199,099 shares of the Company in total through the Key Employee Share Purchase Plan, accounting for 0.110% of the total share capital of the Company.

Significant Events

The Long-term Service Plan

As deliberated at the 3rd meeting of the 11th Board of Directors held on October 29, 2018 and approved at the 2018 2nd extraordinary general meeting held on December 14, 2018, the Company has implemented the Long-term Service Plan since 2019. For the Long-term Service Plan of the Company, the participants are employees of the Company and its subsidiaries including the directors, employee representative supervisors, and senior management. The source of funding is the payroll payable.

As at the end of the Reporting Period, two phases of the Long-term Service Plan were implemented:

Regarding the Long-term Service Plan for 2019, there were 31,026 participants. A total of 54,294,720 A shares of the Company were purchased for a total amount of RMB4,296,112,202.60 (expenses inclusive), accounting for 0.297% of the total share capital of the Company at that time. Regarding the Long-term Service Plan for 2020, there were 32,022 participants. A total of 49,759,305 A shares of the Company were purchased for a total amount of RMB3,988,648,517.41 (expenses inclusive), accounting for 0.272% of the total share capital of the Company at that time. In the Reporting Period, 1,332 employees did not qualify for the vesting and 2,907,308 shares were forfeited under the Long-term Service Plan for 2019, and 1,139 employees did not qualify for the vesting and 1,827,933 shares were forfeited under the Long-term Service Plan for 2020.

During the Reporting Period, the manager of the Long-term Service Plan was changed from China Merchants Securities Asset Management Co., Ltd. to the Company itself.

As at the end of the Reporting Period, the Long-term Service Plan held a total of 104,054,025 A shares of the Company, accounting for 0.569% of the total share capital of the Company.

Since the implementation of the Key Employee Share Purchase Plan and the Long-term Service Plan, the Company has had stable, healthy operations. The shareholders, the Company, and the employees have shared benefits and risks, providing a strong foundation for further improving the Company's governance structure as well as establishing and strengthening long-term incentive and restraint mechanisms to facilitate long-term sustainable, healthy development of the Company.

IMPLEMENTATION OF SHARE INCENTIVE SCHEME OF THE COMPANY AND ITS EFFECTS

During the Reporting Period, the Company did not implement any share incentive scheme based on the Company's shares.

AMENDED AND RESTATED 2016 SHARE INCENTIVE PLAN OF AUTOHOME (“AUTOHOME 2016 SHARE INCENTIVE PLAN”)

The general meeting held by the Company on June 16, 2017 deliberated and approved the Autohome 2016 Share Incentive Plan with respect to the grant of options (“Autohome Options”) to the directors, consultants, and employees of Autohome to purchase Class A ordinary shares of Autohome (“Autohome Shares”), restricted shares or restricted stock units and share appreciation rights.

As of June 30, 2020, the Autohome Options granted pursuant to the Autohome 2016 Share Incentive Plan were as follows:

Type of grantees	Exercise period	Exercise price (per Autohome Share, USD)	Number of Options				Balance as at June 30, 2020
			Balance as at January 1, 2020	Granted during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	
Employees	Not exceeding 10 years from the date of grant	22.19-85.31	654,965	33,072	10,000	68,684	609,353

Autohome, as a company listed on the New York Stock Exchange, files its quarterly financial results with the U.S. Securities and Exchange Commission under the relevant regulatory rules of the U.S. Considering the consistency of information disclosure, the Company would not replicate the disclosure of the value of the Autohome Options granted to the participants during the Reporting Period in this Report.

SHARE INCENTIVE SCHEME OF SHANGHAI JAHWA OF 2018 (“SHANGHAI JAHWA SHARE INCENTIVE SCHEME”)

The general meeting held by the Company on May 23, 2018 deliberated and approved the Shanghai Jahwa Share Incentive Scheme, involving the grant of options (“Shanghai Jahwa Options”) to, or for the benefit of, specified participants to subscribe for ordinary shares of Shanghai Jahwa (“Shanghai Jahwa Shares”).

As of June 30, 2020, the details and movements of the Shanghai Jahwa Share Incentive Scheme in relation to the Shanghai Jahwa Options were as follows:

Type of grantees	Exercise period	Exercise price (per Shanghai Jahwa Share, RMB)	Number of Options				Balance as at June 30, 2020
			Balance as at January 1, 2020	Granted during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	
Employees	Not exceeding 68 months from the date of grant	35.32	3,400,000	-	1,195,000	-	2,205,000

For details of the value of Shanghai Jahwa Options and related accounting policies, please refer to the announcement published by Shanghai Jahwa on the website of SSE (www.sse.com.cn) dated July 25, 2018.

Significant Events

RELATED PARTY TRANSACTIONS MANAGEMENT

Day-to-day Related Party Transactions

The 2nd meeting of the 11th Board of Directors was convened on August 21, 2018 by the Company, during which the *Resolution regarding Continuing Day-to-day Related Party Transactions between Ping An Group and Related Parties* was deliberated and approved. Pursuant to the Resolution, the Group was authorized to enter into related party transactions at fair market prices with Ping An Good Doctor, OneConnect, Ping An HealthKonnnect, Lufax Holding and the related parties under their control (the “Related Parties”), respectively, during its ordinary course of business. The annual aggregate amount of related party transactions entered into between the Group and the Related Parties shall not exceed 5% of the latest audited net assets of the Group for the year. A transaction that falls within the scope of the authorization is not required to comply with any additional approval or disclosure requirements. For details, please refer to *Continuing Day-to-day Related Party Transactions Announcement* published by the Company on *Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily* and the website of SSE on August 22, 2018.

The above day-to-day related party transactions do not constitute connected transactions of the Company as defined under the *HKEX Listing Rules*.

Related Party Transaction of Co-investing with Shenzhen Investment Holdings Co., Ltd.

China Merchants Shekou Industrial Zone Holdings Co., Ltd (“China Merchants Shekou”) adopted the methods of issuing shares, convertible bonds and cash payment to purchase from Shenzhen Investment Holdings Co., Ltd. its 24% equity interest in Shenzhen Nanyou (Holdings) Ltd., while raising matching funds with a non-public issuance. Ping An Life entrusted Ping An Asset Management with its funds to subscribe for the shares of China Merchants Shekou under the non-public issuance. Upon completion of the related party transaction, both Ping An Life and Shenzhen Investment Holdings Co., Ltd. shall become shareholders of China Merchants Shekou. For more details, please refer to the *Announcement regarding the Potential Related Party Transaction*, the *Progress Announcement regarding the Related Party Transaction* and the *Progress Announcement regarding the Related Party Transaction* published by the Company on *Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily* and the website of SSE on June 1, June 8 and July 13, 2020 respectively.

The above related party transaction does not constitute a connected transaction of the Company as defined under the *HKEX Listing Rules*.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

Guarantee

(in RMB million)	External guarantee of the Company and its subsidiaries (excluding the guarantee in favor of its subsidiaries)
Total external guarantee incurred during the Reporting Period	-
Total external guarantee balance as at the end of the Reporting Period	-

Guarantee of the Company and its subsidiaries in favor of its subsidiaries

Total guarantee in favor of its subsidiaries incurred during the Reporting Period	7,562
Total guarantee balance in favor of its subsidiaries as at the end of the Reporting Period	51,006

Total guarantee of the Company (including the guarantee in favor of its subsidiaries)

Total guarantee	51,006
Total guarantee as a percentage of the Company's net assets (%)	7.3
Including: Direct or indirect guarantee for the companies with a total liabilities to total assets ratio over 70% (as of June 30, 2020)	48,564
The amount by which the total guarantee balance of the Company and its subsidiaries exceeded 50% of the Company's net assets	-

- Notes: (1) The data set out in the table above does not include those arising from financial guarantee businesses conducted by Ping An Bank (the controlled subsidiary) and other subsidiaries of the Company in strict compliance with the scope of business approved by regulatory authorities.
- (2) During the Reporting Period, the total guarantee incurred was the guarantee withdrawal of RMB22,152 million less the guarantee repayment of RMB14,590 million.

Significant Events

Entrustment, Underwriting, Lease, Entrusted Asset Management, Entrusted Lending and Other Material Contracts

During the Reporting Period, no matter relating to entrustment, underwriting, lease or other material contracts of the Company was required to be disclosed.

During the Reporting Period, the Company did not engage in any entrusted asset management or entrusted lending outside its ordinary business scope. For details of the Company's entrusted asset management and entrusted lending, refer to the "Notes to the Interim Condensed Consolidated Financial Information."

SEIZURE, DISTRAINMENT OR FREEZE OF MAJOR ASSETS

During the Reporting Period, the Company had no event of seizure, distraintment or freeze of major assets that was required to be disclosed.

MATERIAL LITIGATION OR ARBITRATION CASE

During the Reporting Period, the Company had no material litigation or arbitration case that was required to be disclosed.

CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES, OR CORRECTIONS OF MATERIAL ACCOUNTING MISTAKES

Details of changes in accounting estimates of the Company during the Reporting Period are set out in Note 3.(1) to the Interim Condensed Consolidated Financial Information.

During the Reporting Period, there was no change in accounting policies or correction of material accounting mistake made by the Company.

FOREIGN EXCHANGE RISK

Foreign currency-denominated assets and liabilities held by the Group are exposed to foreign exchange risks. These assets include deposits, bonds, stocks, funds and derivatives held in foreign currencies. The Group's foreign currency-denominated liabilities include monetary liabilities including borrowings, customers' deposits and claim reserves, as well as non-monetary liabilities measured at fair value.

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

As of June 30, 2020 (in RMB million)	Decrease in equity before tax
Net exposure to fluctuations in exchange rates assuming a simultaneous and uniform 5% depreciation rate of all foreign currency denominated monetary assets and liabilities and non-monetary assets and liabilities measured at fair value against the Renminbi	3,560

USE OF PROCEEDS

An aggregate of 594,056,000 new H Shares were successfully allotted and issued by the Company under the general mandate on December 8, 2014 and the gross proceeds raised from the placing were HKD36,831,472,000. As of June 30, 2020, HKD3,981,742,342.12 had not been used; the difference between the unutilized proceeds and the balance of the specific fund-raising account (HKD4,053,604,902.95) was mainly attributable to the interest earned on the proceeds. Details of use of proceeds during the six months ended June 30, 2020 are as follows:

Total proceeds raised from the issue	Balance of unutilized proceeds as at January 1, 2020	Intended use of the proceeds as previously disclosed	Proceeds used during the Reporting Period	Balance of unutilized proceeds as at June 30, 2020	Utilization plan for the unutilized proceeds
HKD36,831,472,000	HKD3,981,742,342.12	To develop the Company's main businesses and replenish its equity and working capital	-	HKD3,981,742,342.12	No concrete utilization plan currently. To be utilized in line with business development

APPOINTMENT OF AUDITOR

According to the resolutions of the 2019 Annual General Meeting of the Company, the Company appointed PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company's financial statements under CAS and IFRS respectively for the year 2020. The Company's interim financial reports are unaudited.

PENALTIES AND RECTIFICATION

During the Reporting Period, neither the Company nor the Directors, Supervisors, or senior management of the Company were investigated by competent authorities, subjected to coercive measures by judicial authorities or disciplinary authorities, transferred to judicial authorities or held accountable for criminal liabilities, investigated or punished, barred from the market or disqualified by the CSRC, subjected to major administrative penalties by environmental protection, work safety, tax or other administrative authorities, or denounced by any stock exchanges publicly.

INTEGRITY CONDITIONS OF THE COMPANY

During the Reporting Period, the Company had no failure to abide by any effective judicial ruling.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The 2018 annual general meeting, the 2019 first A shareholders' class meeting and the 2019 first H shareholders' class meeting held by the Company on April 29, 2019 deliberated and approved *the Resolution regarding the A Share Repurchase Plan by Means of Centralized Bidding Transactions*. As of April 28, 2020, the Company has completed the repurchase and cumulatively repurchased 70,006,803 A shares of the Company by means of centralized bidding transactions via the trading system of the SSE, representing 0.38296% of the total share capital of the Company. Total funds paid amounted to RMB5,993,765,118.20 (excluding transaction expenses)/RMB5,994,784,083.55 (including transaction expenses). The lowest transaction price was RMB79.27 per share, the highest transaction price was RMB91.43 per share, and the average repurchase price was RMB85.62 per share. The repurchased A shares of the Company will be reserved exclusively for the employee stock ownership plan of the Company, including but not limited to the Long-term Service Plan which has been deliberated and approved at the general meeting of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months from January 1, 2020 to June 30, 2020.

Significant Events

CORPORATE GOVERNANCE

The Company strives to implement corporate governance measures in strict compliance with applicable laws including the *Company Law of the PRC*, the *Securities Law of the PRC*, applicable regulations, and principles set out in the *Corporate Governance Code*, taking into account the Company's specific needs and circumstances. The general meetings, the Board of Directors, the Supervisory Committee and the Executive Committee of the Company served their respective roles and performed their functions conferred by the *Articles of Association*.

General Meetings

The general meetings established and expanded effective channels for communication between the Company and the shareholders, and through listening to their opinions and advice, shareholders' information rights, participation rights and voting rights on significant events of the Company were assured. During the Reporting Period, the notice, convocation and procedures for convening and voting at the general meetings of the Company have complied with the requirements of the *Company Law of the PRC* and the *Articles of Association*. The detailed information is as follows:

General meeting	Date of the meeting	Date of publication of resolutions	Designated media for information disclosure of A share
2019 Annual General Meeting	April 9, 2020	April 10, 2020	<i>China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily</i>

The resolutions of the above general meeting have also been published on the websites of SSE (www.sse.com.cn) and HKEX (www.hkexnews.hk).

Audit and Risk Management Committee

The Board of Directors of the Company has established the Audit and Risk Management Committee according to the *Corporate Governance Code*. The Audit and Risk Management Committee and the management have reviewed the accounting standards and practices adopted by the Company and discussed internal control and financial reporting matters, including reviewing the Company's unaudited interim report.

Compliance with the *Corporate Governance Code*

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the *Corporate Governance Code* for any part of the period from January 1, 2020 to June 30, 2020 save as disclosed below.

Code Provision A.2.1 of the *Corporate Governance Code* provides that the roles of the Chairman and Chief Executive Officer shall be separate and may not be performed by the same individual. However, after considering the relevant principle under Code Provision A.2.1 of the *Corporate Governance Code* and examining the management structure of the Company, the Board is of the view that:

1. Since the Company brought in international strategic investors (namely, The Goldman Sachs Group, Inc. and Morgan Stanley) in 1994, the Company has built up a Board structure in line with international standards. The Board is diversified and is composed of directors with international exposure and professional expertise. The Board has also established a very structured and strict operation system and a set of meeting procedure and protocols. The Chairman, as a convener and chairperson of the Board meetings, does not have any special powers different from those of other directors in the decision-making process.
2. In the day-to-day operations of the Company, the Company has put in place a robust management system and structure, and has established various positions and committees including the Co-Chief Executive Officers (Co-CEOs), President, Executive Committee and management committees. Decisions on all major matters are subject to comprehensive and stringent deliberation and decision-making procedures in order to ensure that the Chief Executive Officer can perform his duties properly and effectively.
3. Since the establishment of the Company, the business and operating results have maintained continuous and fast growth, and the management model has been widely recognized. All along, the Chairman of the Board has assumed the role of the Chief Executive Officer of the Company. Under the leadership of Chairman of the Board and the Chief Executive Officer of the Company, Co-Chief Executive Officers practice unified leadership of the retail integrated financial business, the corporate integrated financial business and the technology business of the Company respectively, and allocate responsibilities professionally. This model has proven to be reliable, efficient and successful. Therefore, the continuity of this model will be beneficial to the future development of the Company.
4. There is clear division of responsibilities of the Board and the management as set out in the *Articles of Association*.

As the current decision-making and operational mechanism of the Company is well-developed, the talent echelon is mature, and the current operational model is proven effective after many years of practice, Mr. Ma Mingzhe, the chairman of the Company, proposed that he will no longer hold the position of Chief Executive Officer. Upon prudent consideration, the Board agreed with the resignation of Mr. Ma Mingzhe as Chief Executive Officer of the Company with effect from July 1, 2020, and the Company no longer deviated from Code Provision A.2.1 of the *Corporate Governance Code* from the same date.

Compliance with the *Model Code by Directors and Supervisors of the Company*

In August 2007, the Company adopted a code of conduct regarding securities transactions by Directors and Supervisors of the Company ("Code of Conduct"), which was amended in October 2018, on terms no less exacting than the required standard set out in the *Model Code*. Specific enquiries have been made to all Directors and Supervisors of the Company, who have confirmed that they had complied with the required standards set out in the *Model Code* and the Code of Conduct for the period from January 1, 2020 to June 30, 2020.

Significant Events

INCOME TAX WITHHOLDING

Enterprise Income Tax Withholding of Overseas Non-Resident Enterprises

Pursuant to the tax laws and regulations of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes dividend to non-resident enterprise holders of H shares as listed on the Company's register of members on the record date, including Hong Kong Securities Clearing Company Nominees Limited.

If any resident enterprise (as defined in the *Enterprise Income Tax Law of the People's Republic of China*) listed on the Company's register of members of H shares on the record date which is duly incorporated in the Chinese mainland or under the laws of an overseas country (or region) but with a Chinese mainland-based de facto management body does not want the Company to withhold the said enterprise income tax, it shall submit to Computershare Hong Kong Investor Services Limited a legal opinion, at or before 4:30 p.m. one business day before closure of register of the H Shareholders for the dividend, issued by a lawyer qualified to practice law in the Chinese mainland and inscribed with the seal of the applicable law firm, that verifies its resident enterprise status. The legal opinion shall be submitted by the Company to the applicable tax authorities for approval, and then excess portions of the tax amounts withheld can be refunded.

Individual Income Tax Withholding of Overseas Individual Shareholders

Pursuant to the applicable tax laws and regulations of the PRC, individual resident shareholders outside the Chinese mainland shall pay individual income tax upon their receipt of the distributed dividends in respect of the shares issued by domestic non-foreign investment enterprises in Hong Kong, which shall be withheld by the Company on behalf of such individual shareholders at the tax rate of 10% in general. However, if the tax laws and regulations and relevant tax agreements state otherwise, the Company will withhold and pay the individual income tax based on the amount of the dividend at the relevant tax rate and in accordance with the procedures as stipulated.

Individual resident shareholders outside the Chinese mainland may enjoy preferential treatments (if any) in accordance with the provisions of applicable tax agreements signed between the countries or regions where they belong by virtue of residential identification and the PRC as well as the tax arrangements made between the Chinese mainland and Hong Kong (Macau). Qualified shareholders are required to submit to Computershare Hong Kong Investor Services Limited a written authorization and relevant evidencing documents, at or before 4:30 p.m. one business day before closure of register of the H Shareholders for the dividend, which shall be submitted by the Company to the applicable tax authorities for approval, and then excess portions of the tax amounts withheld can be refunded.

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

Income Tax Withholding for H Shareholders via the Hong Kong Stock Connect Program

For Chinese mainland investors (including enterprises and individuals) investing in the Company's H Shares via the Hong Kong Stock Connect Program, China Securities Depository and Clearing Corporation Limited, as the nominee holding H Shares for investors via the Hong Kong Stock Connect Program, will receive the dividend distributed by the Company and distribute such dividend to the relevant investors through its depository and clearing system. The dividend to be distributed to the investors via the Hong Kong Stock Connect Program will be paid in Renminbi. Pursuant to the applicable tax laws and regulations of the PRC:

- For Chinese mainland individual investors who invest in the H Shares of the Company via the Hong Kong Stock Connect Program, the Company will withhold individual income tax at the rate of 20% in the distribution of the dividend. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Corporation Limited for tax refund relating to the withholding tax already paid abroad.
- For Chinese mainland securities investment funds that invest in the H Shares of the Company via the Hong Kong Stock Connect Program, the Company will withhold individual income tax in the distribution of the dividend pursuant to the above provisions.
- For Chinese mainland enterprise investors that invest in the H Shares of the Company via the Hong Kong Stock Connect Program, the Company will not withhold income tax in the distribution of the dividend, and such investors shall declare and pay the tax on their own.

Income Tax Withholding for A Shareholders via the Shanghai Stock Connect Program

For Hong Kong investors (including enterprises and individuals) investing in the Company's A Shares via the Shanghai Stock Connect Program, pursuant to the applicable tax laws and regulations of the PRC, the dividend will be paid in Renminbi by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to Hong Kong Securities Clearing Company Limited, and the Company will withhold income tax at the rate of 10%.

For investors via the Shanghai Stock Connect Program who are tax residents of other countries or regions (excluding Hong Kong) which have entered into a tax treaty with the Chinese mainland stipulating a dividend tax rate of less than 10%, those enterprises or individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the Company for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate under such tax treaty will be refunded.

All investors are requested to read this part carefully. Shareholders are recommended to consult their tax advisors for tax effects regarding their holding and disposing of the shares of the Company, involving the Chinese mainland, Hong Kong and other countries and regions.

Significant Events

PROGRESS IN INTERNAL CONTROL ASSESSMENT

The Company has been committed to establishing internal controls in line with international standards and regulatory requirements, and improving internal controls in response to changes in risks and environments. With its local advantages, the Company implements corporate governance in line with international standards, upholds the compliance philosophy of “Laws + 1,” and constantly enhances its risk management to ensure that the Group and its member companies abide by laws and regulations in their business activities, to keep single and accumulated residual risks at levels acceptable to the Company, and to promote the sustainable growth of the Group.

Regarding the management framework for internal controls, the Company has a robust and well-staffed internal control management system in place with well-defined roles and responsibilities in line with applicable laws and regulations as well as business and risk management requirements. The Board of Directors is responsible for the establishment, improvement, and implementation of internal controls. The Audit and Risk Management Committee under the Board of Directors monitors and assesses the implementation of internal controls, coordinates audits of internal controls, and oversees other relevant work. The Supervisory Committee supervises the establishment and implementation of internal controls. The Risk Management Executive Committee under the Group Executive Committee (the management) sets risk management targets, basic policies and rules, monitors risk exposures and available capital, and supervises the risk management systems of subsidiaries and business units. The Company has established robust internal control policies and procedures, and specified the internal control targets, responsibilities and procedures to provide guidelines for business activities and operations. PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) has audited the effectiveness of the Company’s internal controls related to the 2019 Financial Statements and issued the *Internal Control Audit Report*. It is believed that the Company has maintained effective internal controls over financial reporting in all material aspects in accordance with the *Basic Norms for Internal Controls of Enterprises* and relevant regulations.

Regarding internal control operations and assessment, in the first half of 2020, the Company continued to follow the *Basic Norms for Internal Controls of Enterprises* and relevant guidelines, meet regulatory requirements, and improve its governance structure, firewall management, related party transaction management, anti-money laundering management, operational risk management and other management procedures. The Company improved its risk management by strengthening its data infrastructure, technologies, and management approaches. With technology-enabled tools, the Company continued to build a system for monitoring and warning against compliance risks, and planned to establish a risk response mechanism driven by data and scenarios focused on laws and regulations, business processes, job responsibilities, and system management. Under a risk-oriented approach, the Company promoted targeted compliance review and achieved risk information transfer and risk management jointly with the first line of defense. Meanwhile, the Company adopted a data-driven approach to supervise the remediation of issues and tackling risk events. The Company promoted the application of smart technologies in risk management, developed models and scenarios for application, managed risks at earlier stages, explored the root causes of risks, and planned a back-end monitoring system. In information security, the Company improved the terminal information security management mechanisms, processes and smart dashboard tools, conducted strict access management, and strengthened risk monitoring and warning so as to improve the accuracy of terminal security management. In line with the *Guidance for Internal Controls over Operations of Insurance Funds* and its supplementary implementation guidelines, the Company reviewed risks in the operations of insurance funds and relevant controls, developed an internal control framework for the operations of insurance funds, and improved its internal controls over such operations. In addition, the Company continued to optimize its internal control management via policy improvement, process optimization, system development, training and performance appraisal, and further promoted the day-to-day operation in which “everyone is involved in internal controls, everyone is responsible for compliance, and internal controls have been integrated into businesses and processes.”

Regarding anti-money laundering (AML) and sanctions compliance management, the Company continued to uphold the philosophy of “being risk-based and technology-powered, with the legal person being responsible.” The Company promoted digital intelligent AML management with an aim to set an international role model for smart AML and financial crime crackdown. The Company finished Institutional AML Risk Assessment and used the Assessment results to improve AML management. The Company optimized its sanctions compliance management mechanisms and processes by closely following external sanctions developments. The Company built and improved its risk signal transmission mechanisms to send regulatory and industry updates online. The Company reviewed and optimized its AML and sanctions compliance management systems, improved its long-standing mechanisms for customer identification management, centralized the management of new AML obligors, and strengthened technological cooperation with regulators. The Company developed and improved digital tools for risk detection, assessment and management. Meanwhile, the Company enhanced its abilities to prevent and control the money laundering risk and combat financial crimes by strengthening AML data governance, identifying and analyzing money laundering risk patterns, and strengthening dynamic risk monitoring.

Regarding the internal audit and supervision framework, the Company has established an independent, vertical internal audit and supervision framework, and conducted centralized management within the scope allowed by regulatory rules. In accordance with applicable laws and regulations concerning the corporate governance structure and internal rules including the *Articles of Association*, the Company has established the Group Audit and Risk Management Committee, which comprises 50% or more of the Independent Non-executive Directors and is responsible for reviewing financial reports and internal audit and control procedures of the Company. Under the Chief Internal Auditor (CIA) accountability mechanism, the CIA is responsible for managing all audit matters across the Group, and reports to the Group Audit and Risk Management Committee. The Company has established a three-tier internal audit structure comprising the Group Audit and Supervision Department and the Audit and Supervision Project Center, audit and supervision departments of member companies, and regional audit and supervision functions. Audit and supervision departments are independent of business operations and management departments. Audit and supervision departments report to the Board of Directors through the Audit and Risk Management Committee, and are appraised and supervised by the Audit and Risk Management Committee. To ensure objectivity and fairness, auditing and supervisory activities are independent of business operations and management, audit and supervision departments are not directly involved in or responsible for the design and implementation of risk management and internal control frameworks as well as the auditees’ business activities, operations decision making and execution.

In the second half of 2020, the Company will test the effectiveness of internal controls, carry out independent audits and assessments, and remedy the deficiencies identified in internal control assessments. The Company will improve its policies and process management, optimize early warning and risk management tools, and enhance its risk data governance. In addition, the Company will continue to improve its internal control management system platforms, and use smart technologies to upgrade its management approaches. The Company will further perform risk data mining and analysis, strengthen dynamic risk monitoring, and continue to implement compliance and internal control assessments. Moreover, the Company will appraise its compliance and internal control management to highlight the effects and value of internal control assessments and improve the internal controls.

CORPORATE SUSTAINABILITY AND ENVIRONMENTAL PROTECTION

During the Reporting Period, the Company proactively fulfilled its corporate social responsibilities and was not a key pollutant discharging unit announced by the environmental protection authority of the PRC. For details of the Company’s fulfillment of corporate social responsibilities and environmental protection, please refer to the section headed “Sustainability.”

Significant Events

FULFILLMENTS OF UNDERTAKINGS

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

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

As of June 30, 2020, the above undertakings were still being performed and there was no breach of the above undertakings.

Undertaking in Respect of the Issuance of Ping An Convertible Bonds

At the time of issuing A-share convertible bonds in 2013 (“Ping An Convertible Bonds”), in terms of certain subsidiaries engaging in construction of properties for self-use purposes and retirement communities, the Company undertakes that, it complies and will strictly comply with regulations in relation to the insurance funds used in real estate investment and the principle that the insurance funds should only be applied for specific property development purpose without the motive of property speculation or sale in an inappropriate form. The Company will not develop or sell commercial housing by means of investment in retirement communities or real estate for self-use purposes.

As of June 30, 2020, the above undertaking was still being performed and there was no breach of the above undertaking.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As far as is known to any Directors or Supervisors of the Company, as of June 30, 2020, the following persons (other than the Directors, Supervisors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company, which shall be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholder	H/A Shares	Capacity	Notes	Number of H/A Shares	Nature of interest	Percentage of total number of H/A shares in issue (%)	Percentage of total shares in issue (%)
CP Group Ltd.	H	Interest of controlled corporations	(1)	1,660,210,614	Long position	22.29	9.08
		Party to s317 agreement	(1)	47,384,620	Long position	0.63	0.25
		Total:	(1), (2)	1,707,595,234		22.92	9.34
		Interest of controlled corporations	(1)	50,443,713	Short position	0.67	0.27
Dhanin Chearavanont	H	Party to s317 agreement	(2)	1,660,210,614	Long position	22.29	9.08
		Interest of controlled corporations	(2)	47,384,620	Long position	0.63	0.25
		Total:	(1), (2)	1,707,595,234		22.92	9.34
		Party to s317 agreement	(2)	50,443,713	Short position	0.67	0.27
King Ace International Limited	H	Party to s317 agreement	(2)	1,660,210,614	Long position	22.29	9.08
		Interest of controlled corporations	(2)	47,384,620	Long position	0.63	0.25
		Total:	(1), (2)	1,707,595,234		22.92	9.34
		Party to s317 agreement	(2)	50,443,713	Short position	0.67	0.27
UBS Group AG	H	Interest of controlled corporations	(3)	1,561,217,878	Long position	20.96	8.54
			(3)	1,353,324,361	Short position	18.17	7.40

Significant Events

Name of substantial shareholder	H/A Shares	Capacity	Notes	Number of H/A Shares	Nature of interest	Percentage of total number of H/A shares in issue (%)	Percentage of total shares in issue (%)	
JPMorgan Chase & Co.	H	Interest of controlled corporations	(4)	704,329,733	Long position	9.45	3.85	
		Investment manager		250,621,056	Long position	3.36	1.37	
		Person having a security interest in shares		373,298	Long position	0.00	0.00	
		Trustee		151,814	Long position	0.00	0.00	
		Approved lending agent	(4)	252,523,094	Lending pool	3.39	1.38	
		Total:	(4)	1,207,998,995			16.22	6.60
		Interest of controlled corporations	(4)	364,411,396	Short position		4.89	1.99
Citigroup Inc.	H	Person having a security interest in shares		480,500	Long position	0.00	0.00	
		Interest of controlled corporations	(5)	73,906,890	Long position	0.99	0.40	
		Approved lending agent	(5)	455,180,188	Lending pool	6.11	2.49	
		Total:	(5)	529,567,578			7.11	2.89
		Interest of controlled corporations	(5)	53,624,812	Short position		0.72	0.29
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		962,719,102	Long position	8.89	5.27	

Notes: (1) According to the disclosure form filed by CP Group Ltd. on June 17, 2020, CP Group Ltd. was deemed to be interested in a total of 1,660,210,614 H shares (long position) and 50,443,713 H shares (short position) in the Company by virtue of its control over several wholly owned corporations. The entire interests and short positions of CP Group Ltd. in the Company included 50,443,713 H shares (short position) held through unlisted derivatives which are physically settled. In addition, CP Group Ltd. was also deemed to be interested in 47,384,620 H shares (long position) by virtue of section 317 of the SFO.

(2) Boom Dragon Limited held 47,384,620 H shares (long position) in the Company; Boom Dragon Limited was wholly owned by King Ace International Limited, which was in turn wholly owned by Dhanin Chearavanont. In addition, King Ace International Limited were also deemed to be interested in 1,660,210,614 H shares (long position) and 50,443,713 H shares (short position) by virtue of section 317 of the SFO.

(3) According to the disclosure form filed by UBS Group AG on July 6, 2020, UBS Group AG was deemed to be interested in a total of 1,561,217,878 H shares (long position) and 1,353,324,361 H shares (short position) in the Company by virtue of its control over several wholly owned corporations, as well as a non-wholly owned corporation, UBS Hana Asset Management Company Ltd. (51% directly owned). The entire interests and short positions of UBS Group AG in the Company included 1,279,410,440 H shares (long position) and 904,727,973 H shares (short position) were held through derivatives as follows:

Derivatives	Nature of interest	Number of H shares
Listed derivatives - Physically settled	Long position	48,568,629
	Short position	50,092,635
Listed derivatives - Cash settled	Long position	58,050
	Short position	3,349,050
Unlisted derivatives - Physically settled	Long position	943,673,111
	Short position	605,670,075
Unlisted derivatives - Cash settled	Long position	287,110,650
	Short position	245,616,213

- (4) According to the disclosure form filed by JPMorgan Chase & Co. on July 2, 2020, JPMorgan Chase & Co. was deemed to be interested in a total of 704,329,733 H shares (long position) and 364,411,396 H shares (short position) in the Company by virtue of its control over several wholly owned corporations, as well as non-wholly owned corporations including JPMorgan Asset Management (Asia Pacific) Limited (99.99% indirectly owned) and China International Fund Management Co., Ltd. (49% indirectly owned).
The entire interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 252,523,094 H shares (long position). Besides, 641,325,714 H shares (long position) and 279,707,382 H shares (short position) were held through derivatives as follows:

Derivatives	Nature of interest	Number of H shares
Listed derivatives - Physically settled	Long position	21,969,000
	Short position	142,477,500
Listed derivatives - Cash settled	Long position	43,000
	Short position	20,075,150
Unlisted derivatives - Physically settled	Long position	434,443,310
	Short position	40,250,641
Unlisted derivatives - Cash settled	Long position	177,778,086
	Short position	20,601,245
Listed derivatives - Convertible instruments	Long position	7,092,318
	Short position	56,302,846

- (5) According to the disclosure form filed by Citigroup Inc. on April 2, 2020, Citigroup Inc. was deemed to be interested in a total of 73,906,890 H shares (long position) and 53,624,812 H shares (short position) in the Company by virtue of its control over several wholly owned corporations, as well as a non-wholly owned corporation, Citigroup Global Markets Holdings Bahamas Limited (90% indirectly owned).
The entire interests and short positions of Citigroup Inc. in the Company included a lending pool of 455,180,188 H shares (long position). In addition, 57,088,426 H shares (long position) and 47,341,842 H shares (short position) were held through derivatives as follows:

Derivatives	Nature of interest	Number of H shares
Listed derivatives - Physically settled	Long position	28,056,944
	Short position	9,977,000
Unlisted derivatives - Physically settled	Long position	20,649,991
	Short position	33,481,412
Unlisted derivatives - Cash settled	Long position	8,228,075
	Short position	3,730,014
Listed derivatives - Convertible instruments	Long position	153,416
	Short position	153,416

- (6) Figures for the percentage of H shares held have been rounded down to the nearest second decimal place, so they may not add up to the totals due to rounding. The percentage figures are based on the number of shares of the Company as of June 30, 2020.

Save as disclosed above, to the best knowledge of the Directors and Supervisors, as of June 30, 2020, no person (other than the Directors, Supervisors and chief executives of the Company) had any interest or short position in the shares and underlying shares of the Company which shall be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO.

OTHER SIGNIFICANT EVENTS

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

Report on Review of Interim Condensed Consolidated Financial Information

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

(Incorporated in Mainland China with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 115 to 172, which comprises the interim consolidated statement of financial position of Ping An Insurance (Group) Company of China, Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong
27 August 2020

Interim Consolidated Income Statement

For the six-month period ended 30 June 2020

For the six-month period ended 30 June		2020	2019
(in RMB million)	Notes	(Unaudited)	(Unaudited)
Gross written premiums	6	445,505	446,481
Less: Premiums ceded to reinsurers		(12,069)	(11,623)
Net written premiums	6	433,436	434,858
Change in unearned premium reserves		(17,682)	(13,426)
Net earned premiums		415,754	421,432
Reinsurance commission revenue		3,400	3,667
Interest revenue from banking operations	7	94,669	86,583
Interest revenue from non-banking operations	8	56,288	49,402
Fees and commission revenue from non-insurance operations	9	29,488	26,861
Investment income	10	44,629	61,659
Share of profits and losses of associates and jointly controlled entities		8,007	12,164
Other revenues and other gains	11	31,045	28,478
Total revenue		683,280	690,246
Gross claims and policyholders' benefits	12	(336,137)	(330,945)
Less: Reinsurers' share and policyholders' benefits	12	5,848	5,209
Claims and policyholders' benefits	12	(330,289)	(325,736)
Commission expenses on insurance operations		(57,354)	(61,657)
Interest expenses on banking operations	7	(44,264)	(42,827)
Fees and commission expenses on non-insurance operations	9	(5,650)	(4,850)
Net impairment losses on financial assets	13	(40,526)	(30,003)
Net impairment losses on other assets		(1,760)	(979)
Foreign exchange gains		140	457
General and administrative expenses		(83,337)	(83,054)
Interest expenses on non-banking operations		(12,982)	(9,756)
Other expenses		(16,498)	(15,602)
Total expenses		(592,520)	(574,007)
Profit before tax	14	90,760	116,239
Income tax	15	(14,792)	(10,501)
Profit for the period		75,968	105,738
Attributable to:			
- Owners of the parent		68,683	97,676
- Non-controlling interests		7,285	8,062
		75,968	105,738
Earnings per share attributable to ordinary equity holders of the parent:		RMB	RMB
- Basic	17	3.88	5.48
- Diluted	17	3.86	5.47

Interim Consolidated Statement of Comprehensive Income

For the six-month period ended 30 June 2020

For the six-month period ended 30 June (in RMB million)	Note	2020 (Unaudited)	2019 (Unaudited)
Profit for the period		75,968	105,738
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Changes in the fair value of debt instruments at fair value through other comprehensive income		12	(230)
Credit risks provision of debt instruments at fair value through other comprehensive income		788	661
Shadow accounting adjustments		(531)	225
Reserve from cash flow hedging instruments		55	-
Exchange differences on translation of foreign operations		175	(130)
Share of other comprehensive income of associates and jointly controlled entities		(313)	137
Items that will not be reclassified to profit or loss:			
Changes in the fair value of equity instruments at fair value through other comprehensive income		(39,672)	(584)
Shadow accounting adjustments		24,193	(893)
Share of other comprehensive income of associates and jointly controlled entities		3,280	-
Other comprehensive income for the year, net of tax		(12,013)	(814)
Total comprehensive income for the period		63,955	104,924
Attributable to:			
- Owners of the parent		56,844	96,469
- Non-controlling interests		7,111	8,455
		63,955	104,924

Interim Consolidated Statement of Financial Position

As at 30 June 2020

(in RMB million)	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Assets			
Cash and amounts due from banks and other financial institutions	18	569,289	508,706
Balances with the Central Bank	19	247,548	246,771
Financial assets purchased under reverse repurchase agreements	20	93,896	96,457
Premium receivables	21	95,901	82,416
Accounts receivable		25,571	28,579
Derivative financial assets		35,750	18,957
Reinsurers' share of insurance liabilities		19,566	17,703
Policy loans		152,317	139,326
Finance lease receivables	22	186,649	183,957
Loans and advances to customers	23	2,416,118	2,240,396
Financial assets at fair value through profit or loss	24	1,042,849	961,073
Financial assets at amortized cost	25	2,454,217	2,281,225
Debt financial assets at fair value through other comprehensive income	26	501,943	458,165
Equity financial assets at fair value through other comprehensive income	27	279,117	282,185
Investments in associates and jointly controlled entities	28	223,585	204,135
Statutory deposits for insurance operations	29	12,570	12,501
Investment properties		39,534	39,848
Property and equipment		45,464	46,971
Intangible assets		62,371	63,333
Right-of-use assets		16,589	16,553
Deferred tax assets		56,219	50,301
Other assets	30	221,170	197,240
Policyholder account assets in respect of insurance contracts	31	45,740	41,763
Policyholder account assets in respect of investment contracts	31	4,658	4,368
Total assets		8,848,631	8,222,929

Interim Consolidated Statement of Financial Position

As at 30 June 2020

(in RMB million)	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Equity and liabilities			
Equity			
Share capital	32	18,280	18,280
Reserves	33	211,706	225,911
Treasury shares	36	(5,995)	(5,001)
Retained profits	33	477,981	433,971
Equity attributable to owners of the parent		701,972	673,161
Non-controlling interests	33	220,199	179,209
Total equity		922,171	852,370
Liabilities			
Due to banks and other financial institutions	37	868,298	824,025
Financial liabilities at fair value through profit or loss		76,464	39,458
Derivative financial liabilities		46,377	24,527
Assets sold under agreements to repurchase	38	229,989	176,523
Accounts payable		4,718	4,821
Income tax payable		15,437	12,445
Insurance payables		107,639	126,255
Policyholder dividend payable		63,042	59,082
Customer deposits and payables to brokerage customers	39	2,511,930	2,431,713
Bonds payable	40	785,825	699,631
Insurance contract liabilities	41	2,825,939	2,612,184
Investment contract liabilities for policyholders		59,456	57,489
Lease liabilities		16,200	15,986
Deferred tax liabilities		15,741	22,282
Other liabilities		299,405	264,138
Total liabilities		7,926,460	7,370,559
Total equity and liabilities		8,848,631	8,222,929

MA Mingzhe
Director

XIE Yonglin
Director

YAO Jason Bo
Director

Interim Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2020

(in RMB million)	For the six-month period ended 30 June 2020											Total equity
	Reserves					Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Treasury shares	Retained profits	Non-controlling interests	
	Share capital	Share premium	Financial assets at FVOCI reserves	Shadow accounting adjustments	Others							
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
As at 31 December 2019	18,280	111,598	13,896	(4,809)	19,122	12,164	71,964	1,976	(5,001)	433,971	179,209	852,370
Profit for the period	-	-	-	-	-	-	-	-	-	68,683	7,285	75,968
Other comprehensive income for the period	-	-	(38,565)	23,546	2,991	-	-	189	-	-	(174)	(12,013)
Total comprehensive income for the period	-	-	(38,565)	23,546	2,991	-	-	189	-	68,683	7,111	63,955
Dividends declared (Note 16)	-	-	-	-	-	-	-	-	-	(23,673)	-	(23,673)
Appropriations to general reserves	-	-	-	-	-	-	1,000	-	-	(1,000)	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,043)	(3,043)
Equity transactions with non-controlling interests	-	-	-	-	(49)	-	-	-	-	-	1,666	1,617
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	646	646
Key Employee Share Purchase Plan (Note 34)	-	-	-	-	(320)	-	-	-	-	-	-	(320)
Long-term Service Plan (Note 35)	-	-	-	-	(3,885)	-	-	-	-	-	-	(3,885)
Acquisition of treasury shares (Note 36)	-	-	-	-	-	-	-	-	(994)	-	-	(994)
Other equity instruments issued by subsidiaries	-	-	-	-	-	-	-	-	-	-	34,640	34,640
Others	-	-	-	-	888	-	-	-	-	-	(30)	858
As at 30 June 2020	18,280	111,598	(24,669)	18,737	18,747	12,164	72,964	2,165	(5,995)	477,981	220,199	922,171

Interim Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2020

(in RMB million)	For the six-month period ended 30 June 2019											Total equity (Unaudited)
	Reserves										Non-controlling interests (Unaudited)	
	Share capital (Unaudited)	Share premium (Unaudited)	Financial assets at FVOCI reserves (Unaudited)	Shadow accounting adjustments (Unaudited)	Others (Unaudited)	Surplus reserve funds (Unaudited)	General reserves (Unaudited)	Exchange differences on translation of foreign operations (Unaudited)	Treasury shares (Unaudited)	Retained profits (Unaudited)		
As at 31 December 2018	18,280	111,598	4,173	(1,235)	19,718	12,164	55,794	1,507	-	334,509	127,135	683,643
Profit for the period	-	-	-	-	-	-	-	-	-	97,676	8,062	105,738
Other comprehensive income for the period	-	-	(548)	(666)	137	-	-	(130)	-	-	393	(814)
Total comprehensive income for the period	-	-	(548)	(666)	137	-	-	(130)	-	97,676	8,455	104,924
Dividends declared (Note 16)	-	-	-	-	-	-	-	-	-	(20,108)	-	(20,108)
Appropriations to general reserves	-	-	-	-	-	-	576	-	-	(576)	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,861)	(1,861)
Equity transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	(16)	(16)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	112	112
Key Employee Share Purchase Plan (Note 34)	-	-	-	-	(271)	-	-	-	-	-	-	(271)
Long-term Service Plan (Note 35)	-	-	-	-	(4,287)	-	-	-	-	-	-	(4,287)
Acquisition of treasury shares (Note 36)	-	-	-	-	-	-	-	-	(3,421)	-	-	(3,421)
Other equity instruments issued by subsidiaries	-	-	-	-	-	-	-	-	-	-	4,517	4,517
Others	-	-	-	-	437	-	-	-	-	-	303	740
As at 30 June 2019	18,280	111,598	3,625	(1,901)	15,734	12,164	56,370	1,377	(3,421)	411,501	138,645	763,972

Interim Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2020

For the six-month period ended 30 June (in RMB million)	Note	2020 (Unaudited)	2019 (Unaudited)
Net cash flows from operating activities		130,740	181,853
Cash flows from investing activities			
Purchases of investment properties, property and equipment, and intangible assets		(3,311)	(4,188)
Proceeds from disposal of investment properties, property and equipment, and intangible assets		300	1,294
Proceeds from disposal of investments		1,063,507	680,526
Purchases of investments		(1,388,273)	(869,679)
Acquisition of subsidiaries, net		(50)	38
Disposal of subsidiaries, net		(31)	1,468
Interest received		86,412	67,514
Dividends received		21,182	14,617
Rentals received		1,524	1,549
Increase in policy loans		(12,530)	(16,095)
Net cash flows used in investing activities		(231,270)	(122,956)
Cash flows from financing activities			
Capital injected into subsidiaries by non-controlling interests		35,286	4,989
Proceeds from bonds issued		417,157	227,748
Increase/(decrease) in assets sold under agreements to repurchase of insurance operations, net		28,394	(90,437)
Proceeds from borrowed funds		121,877	96,844
Repayment of borrowed funds		(398,625)	(252,603)
Interest paid		(27,237)	(19,095)
Dividends paid		(26,397)	(21,869)
Net increase in insurance placements from banks and other financial institutions		4,700	-
Payment of acquisition of treasury shares		(994)	(3,421)
Payment of share purchased for Long-term Service Plan		(3,989)	(4,296)
Others		(372)	(3,307)
Net cash flows generated from/(used in) financing activities		149,800	(65,447)
Net increase/(decrease) in cash and cash equivalents		49,270	(6,550)
Net foreign exchange differences		1,198	301
Cash and cash equivalents at beginning of the period		303,466	308,024
Cash and cash equivalents at the end of the period	45	353,934	301,775

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2020

1. CORPORATE INFORMATION

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

The registered office address of the Company is 47th, 48th, 109th, 110th, 111th and 112th Floors, Ping An Finance Center, No. 5033 Yitian Road, Futian District, Shenzhen Guangdong Province, China.

2. BASIS OF PREPARATION

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting. The interim report does not include all the information and disclosures required in an annual financial report, and should be read in conjunction with the audited annual report of the Group for the year ended 31 December 2019 and any public announcements made during the interim reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES

(1) CHANGES IN ACCOUNTING ESTIMATES

Material judgment is required in determining insurance contract liabilities and in choosing discount rates/ investment return, mortality, morbidity, lapse rates, policy dividend, and expenses assumptions relating to long-term life insurance contracts. Such assumptions should be determined based on current information available at the end of the reporting period. The Group has changed the above assumptions based on current information available as at 30 June 2020, and updated the estimate of future cashflows, with the corresponding impact on insurance contract liabilities taken into the current period’s income statement. As a result of such changes in assumptions, long-term life insurance policyholders’ reserves were increased by RMB4,421 million as at 30 June 2020 and the profit before tax for the six-month period ended 30 June 2020 was decreased by RMB4,421 million (long-term life insurance policyholders’ reserves were decreased by RMB2,077 million as at 30 June 2019 and the profit before tax for the six-month period ended 30 June 2019 was increased by RMB2,077 million).

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

For the six-month period ended 30 June 2020, there was no significant change in principal subsidiaries, associates and jointly controlled entities of the Group.

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised standard, which has been issued but is not yet effective.

IFRS 17, 'Insurance Contracts', was published on 18 May 2017. IFRS 17 established principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin representing the unearned profit of the contract. The new standard is currently mandatorily effective for financial years commencing on or after 1 January 2023. The Group has started to assess the impact of IFRS 17.

Except for IFRS 17, there are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

5. SEGMENT REPORTING

The segment businesses are separately presented as the insurance segment, the banking segment, the trust segment, the securities segment, the other asset management segment, the technology business segment and the other businesses, based on the products and service offerings. The insurance segment is divided into the life insurance and health insurance and the property and casualty insurance segment which are in line with the nature of products, risk and asset portfolios. The types of products and services from which reportable segments derive revenue are listed below:

- The life and health insurance segment offers a comprehensive range of life insurance products to individual and corporate customers, including term, whole-life, endowment, annuity, investment-linked, universal life and health care and medical insurance, reflecting performance of Ping An Life Insurance Company of China, Ltd. ("Ping An Life"), Ping An Annuity Insurance Company of China, Ltd. ("Ping An Annuity") and Ping An Health Insurance Company of China, Ltd. ("Ping An Health");
- The property and casualty insurance segment offers a wide variety of insurance products to individual and corporate customers, including auto insurance, property insurance, accident and health insurance, reflecting performance of Ping An Property & Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty");
- The banking segment undertakes loan and intermediary business with corporate customers and retail customers as well as wealth management and credit card services with individual customers, reflecting performance of Ping An Bank Co., Ltd. ("Ping An Bank").
- The trust segment provides trust services and undertake investing activities;
- The securities segment undertakes brokerage, trading, investment banking and asset management services;
- The other asset management business segment provides investment management services and financial leasing business, reflecting performance of Ping An Asset Management Co., Ltd. ("Ping An Asset Management") and Ping An International Financial Leasing Co., Ltd. ("Ping An Financial Leasing") and the other asset management;
- The technology business segment provides various financial and daily-life services through internet platforms such as financial transaction information service platform, health care service platform, reflecting performance summary of the technology business subsidiaries, associates and jointly controlled entities.

Except for the above business segments, the other segment did not have a material impact on the Group's operating outcome, and as such are not separately presented.

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2020

5. SEGMENT REPORTING (CONTINUED)

The segment analysis for the six-month period ended 30 June 2020 is as follows:

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gross written premiums	302,863	144,152	-	-	-	-	-	(1,510)	445,505
Less: Premiums ceded to reinsurers	(4,689)	(9,025)	-	-	-	-	-	1,645	(12,069)
Change in unearned premium reserves	(4,886)	(12,788)	-	-	-	-	-	(8)	(17,682)
Net earned premiums	293,288	122,339	-	-	-	-	-	127	415,754
Reinsurance commission revenue	1,115	3,033	-	-	-	-	-	(748)	3,400
Interest revenue from banking operations	-	-	94,986	-	-	-	-	(317)	94,669
Fees and commission revenue from non-insurance operations	-	-	24,355	2,259	3,636	950	-	(1,712)	29,488
Including: Inter-segment fees and commission revenue from non-insurance operations	-	-	1,152	429	41	12	-	(1,634)	-
Interest revenue from non-banking operations	44,621	3,713	-	58	2,122	6,652	112	(990)	56,288
Including: Inter-segment interest revenue from non-banking operations	74	35	-	25	1	1,032	38	(1,205)	-
Investment income	31,043	4,493	7,549	290	1,128	1,579	215	(1,668)	44,629
Including: Inter-segment investment income	3,191	450	2	-	30	58	17	(3,748)	-
Including: Operating lease income from investment properties	2,159	86	17	-	2	77	6	(793)	1,554
Share of profits and losses of associates and jointly controlled entities	3,787	317	-	7	(3)	1,422	3,576	(1,099)	8,007
Other revenues and other gains	12,621	437	232	357	2,541	15,439	11,118	(11,700)	31,045
Including: Inter-segment other revenues	6,439	35	1	-	-	1,645	3,533	(11,653)	-
Including: Non-operating gains	87	10	28	-	-	20	4	1	150
Total revenue	386,475	134,332	127,122	2,971	9,424	26,042	15,021	(18,107)	683,280

5. SEGMENT REPORTING (CONTINUED)

The segment analysis for the six-month period ended 30 June 2020 is as follows: (continued)

(in RMB million)	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Claims and policyholders' benefits	(256,953)	(73,366)	-	-	-	-	-	30	(330,289)
Commission expenses on insurance operations	(37,778)	(21,613)	-	-	-	-	-	2,037	(57,354)
Interest expenses on banking operations	-	-	(44,681)	-	-	-	-	417	(44,264)
Fees and commission expenses on non-insurance operations	-	-	(4,633)	(160)	(852)	(75)	-	70	(5,650)
Net impairment losses on financial assets and other assets	(78)	(1,201)	(38,491)	(38)	(501)	(1,869)	(27)	(81)	(42,286)
Including: Loan impairment losses	-	-	(32,302)	-	-	-	-	-	(32,302)
Including: Impairment losses on investment assets	(73)	24	(5,473)	(35)	(496)	(606)	(2)	(81)	(6,742)
Including: Impairment losses on receivables and others	(5)	(1,225)	(716)	(3)	(5)	(1,263)	(25)	-	(3,242)
Foreign exchange gains/(losses)	(225)	(42)	548	1	2	(141)	2	(5)	140
Investment expenses	(1,704)	(153)	-	-	-	-	-	1,776	(81)
Including: Taxes and surcharges on investment operations	(78)	(3)	-	-	-	-	-	-	(81)
Administrative expenses	(22,738)	(26,772)	(22,178)	(510)	(2,352)	(4,831)	(7,806)	3,931	(83,256)
Including: Taxes and surcharges on insurance operations	(431)	(760)	-	-	-	-	-	-	(1,191)
Interest expenses on non-banking operations	(2,689)	(782)	-	(122)	(1,310)	(8,779)	(345)	1,045	(12,982)
Including: Financial costs	(1,518)	(641)	-	(95)	(1,005)	(8,773)	(345)	1,065	(11,312)
Including: Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions	(1,171)	(141)	-	(27)	(305)	(6)	-	(20)	(1,670)
Other expenses	(12,555)	(166)	(100)	(1)	(2,452)	(5,260)	(2,535)	6,571	(16,498)
Total expenses	(334,720)	(124,095)	(109,535)	(830)	(7,465)	(20,955)	(10,711)	15,791	(592,520)
Profit before tax	51,755	10,237	17,587	2,141	1,959	5,087	4,310	(2,316)	90,760
Income tax	(5,867)	(1,963)	(3,909)	(488)	(394)	(1,867)	(265)	(39)	(14,792)
Profit for the period	45,888	8,274	13,678	1,653	1,565	3,220	4,045	(2,355)	75,968
- Attribute to owners of the parent	45,500	8,234	7,927	1,651	1,509	2,671	3,438	(2,247)	68,683

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2020

5. SEGMENT REPORTING (CONTINUED)

The segment analysis for the six-month period ended 30 June 2019 is as follows:

	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
(in RMB million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gross written premiums	316,661	130,517	-	-	-	-	-	(697)	446,481
Less: Premiums ceded to reinsurers	(3,291)	(9,147)	-	-	-	-	-	815	(11,623)
Change in unearned premium reserves	(3,665)	(9,759)	-	-	-	-	-	(2)	(13,426)
Net earned premiums	309,705	111,611	-	-	-	-	-	116	421,432
Reinsurance commission revenue	401	3,442	-	-	-	-	-	(176)	3,667
Interest revenue from banking operations	-	-	87,111	-	-	-	-	(528)	86,583
Fees and commission revenue from non-insurance operations	-	-	22,555	2,012	2,744	788	-	(1,238)	26,861
Including: Inter-segment fees and commission revenue from non-insurance operations	-	-	1,135	93	93	24	-	(1,345)	-
Interest revenue from non-banking operations	39,455	3,854	-	153	1,854	4,739	107	(760)	49,402
Including: Inter-segment interest revenue from non-banking operations	136	36	-	10	27	757	17	(983)	-
Investment income	49,029	4,345	5,097	515	1,095	3,494	96	(2,012)	61,659
Including: Inter-segment investment income	963	181	-	1	(14)	105	14	(1,250)	-
Including: Operating lease income from investment properties	2,121	103	15	-	2	134	-	(826)	1,549
Share of profits and losses of associates and jointly controlled entities	5,636	1,285	-	47	1	2,523	3,842	(1,170)	12,164
Other revenues and other gains	11,589	367	211	218	2,334	14,337	10,906	(11,484)	28,478
Including: Inter-segment other revenues	6,304	43	23	1	1	1,398	4,577	(12,347)	-
Including: Non-operating gains	112	33	39	2	1	6	2	9	204
Total revenue	415,815	124,904	114,974	2,945	8,028	25,881	14,951	(17,252)	690,246

5. SEGMENT REPORTING (CONTINUED)

The segment analysis for the six-month period ended 30 June 2019 is as follows: (continued)

	Life and health insurance	Property and casualty insurance	Banking	Trust	Securities	Other asset management	Technology business	Other businesses and elimination	Total
(in RMB million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Claims and policyholders' benefits	(259,775)	(66,045)	-	-	-	-	-	84	(325,736)
Commission expenses on insurance operations	(44,421)	(19,002)	-	-	-	-	-	1,766	(61,657)
Interest expenses on banking operations	-	-	(43,472)	-	-	-	-	645	(42,827)
Fees and commission expenses on non-insurance operations	-	-	(4,164)	(75)	(577)	(34)	-	-	(4,850)
Net impairment losses on financial assets and other assets	316	(712)	(27,204)	-	(202)	(3,132)	(4)	(44)	(30,982)
Including: Loan impairment losses	-	-	(23,597)	-	-	-	-	-	(23,597)
Including: Impairment losses on investment assets	322	77	(2,676)	-	(206)	(1,488)	-	37	(3,934)
Including: Impairment losses on receivables and others	(6)	(789)	(931)	-	4	(1,644)	(4)	(81)	(3,451)
Foreign exchange gains/(losses)	41	1	530	-	-	(132)	-	17	457
Investment expenses	(1,076)	(116)	-	-	-	-	-	1,139	(53)
Including: Taxes and surcharges on investment operations	(49)	(4)	-	-	-	-	-	-	(53)
Administrative expenses	(25,295)	(25,369)	(20,588)	(430)	(2,113)	(4,870)	(7,867)	3,531	(83,001)
Including: Taxes and surcharges on insurance operations	(384)	(648)	-	-	-	-	-	-	(1,032)
Interest expenses on non-banking operations	(1,595)	(722)	-	(52)	(1,337)	(6,526)	(180)	656	(9,756)
Including: Financial costs	(1,015)	(527)	-	(20)	(895)	(6,517)	(180)	669	(8,485)
Including: Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions	(580)	(195)	-	(32)	(442)	(9)	-	(13)	(1,271)
Other expenses	(10,442)	(236)	(73)	(1)	(2,260)	(5,095)	(3,595)	6,100	(15,602)
Total expenses	(342,247)	(112,201)	(94,971)	(558)	(6,489)	(19,789)	(11,646)	13,894	(574,007)
Profit before tax	73,568	12,703	20,003	2,387	1,539	6,092	3,305	(3,358)	116,239
Income tax	(2,539)	(808)	(4,600)	(513)	(287)	(1,690)	(31)	(33)	(10,501)
Profit for the period	71,029	11,895	15,403	1,874	1,252	4,402	3,274	(3,391)	105,738
- Attribute to owners of the parent	70,322	11,837	8,934	1,871	1,199	3,913	2,802	(3,202)	97,676

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2020

5. SEGMENT REPORTING (CONTINUED)

The segment assets, liabilities and equity as at 30 June 2020 and 31 December 2019 are as follows:

At 30 June 2020									
(in RMB million)	Life and health insurance (Unaudited)	Property and casualty insurance (Unaudited)	Banking (Unaudited)	Trust (Unaudited)	Securities (Unaudited)	Other asset management (Unaudited)	Technology business (Unaudited)	Other businesses and elimination (Unaudited)	Total (Unaudited)
Segment assets	3,293,255	444,274	4,178,622	27,586	173,335	726,359	138,994	(133,794)	8,848,631
Segment liabilities	3,022,377	344,665	3,827,225	6,732	140,872	652,725	37,404	(105,540)	7,926,460
Segment equity	270,878	99,609	351,397	20,854	32,463	73,634	101,590	(28,254)	922,171
- Attribute to owners of the parent	262,750	99,146	174,689	20,829	31,050	50,493	90,886	(27,871)	701,972

At 31 December 2019									
(in RMB million)	Life and health insurance (Audited)	Property and casualty insurance (Audited)	Banking (Audited)	Trust (Audited)	Securities (Audited)	Other asset management (Audited)	Technology business (Audited)	Other businesses and elimination (Audited)	Total (Audited)
Segment assets	3,062,412	415,435	3,939,070	27,135	138,964	637,279	132,217	(129,583)	8,222,929
Segment liabilities	2,808,318	322,435	3,626,087	6,529	107,323	574,697	37,173	(112,003)	7,370,559
Segment equity	254,094	93,000	312,983	20,606	31,641	62,582	95,044	(17,580)	852,370
- Attribute to owners of the parent	246,069	92,548	169,814	20,581	30,256	45,381	85,737	(17,225)	673,161

6. GROSS AND NET WRITTEN PREMIUMS

For the six-month period ended 30 June (in RMB million)	2020 (Unaudited)	2019 (Unaudited)
Gross written premiums and premium deposits	499,448	500,658
Less: Premium deposits of policies without significant insurance risk transfer	(1,766)	(1,964)
Premium deposits separated out from universal life and investment-linked products	(52,177)	(52,213)
Gross written premiums	445,505	446,481
Long-term life business gross written premiums	277,741	294,513
Short-term life business gross written premiums	23,386	17,324
Property and casualty business gross written premiums	144,378	134,644
Gross written premiums	445,505	446,481
Gross written premiums		
Life insurance		
Individual business	286,743	300,428
Group business	14,384	11,409
	301,127	311,837
Property and casualty insurance		
Auto insurance	95,741	92,420
Non-auto insurance	40,526	32,085
Accident and health insurance	8,111	10,139
	144,378	134,644
Gross written premiums	445,505	446,481
Net of reinsurance premiums ceded		
Life insurance		
Individual business	284,027	298,787
Group business	14,147	11,318
	298,174	310,105
Property and casualty insurance		
Auto insurance	92,139	88,930
Non-auto insurance	35,228	26,409
Accident and health insurance	7,895	9,414
	135,262	124,753
Net written premiums	433,436	434,858

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2020

7. NET INTEREST INCOME FROM BANKING OPERATIONS

For the six-month period ended 30 June (in RMB million)	2020 (Unaudited)	2019 (Unaudited)
Interest revenue from banking operations		
Due from the Central Bank	1,700	1,660
Due from financial institutions	4,079	4,807
Loans and advances to customers	72,695	65,249
Financial investments	16,195	14,867
Subtotal	94,669	86,583
Interest expenses on banking operations		
Due to the Central Bank	1,985	2,360
Due to financial institutions	5,322	5,904
Customer deposits	29,192	27,028
Bonds payable	7,723	7,439
Others	42	96
Subtotal	44,264	42,827
Net interest income from banking operations	50,405	43,756

8. INTEREST REVENUE FROM NON-BANKING OPERATIONS

For the six-month period ended 30 June (in RMB million)	2020 (Unaudited)	2019 (Unaudited)
Financial assets at amortized cost	50,696	44,388
Debt financial assets at fair value through other comprehensive income	5,592	5,014
	56,288	49,402

9. NET FEES AND COMMISSION INCOME FROM NON-INSURANCE OPERATIONS

For the six-month period ended 30 June (in RMB million)	2020 (Unaudited)	2019 (Unaudited)
Fees and commission revenue from non-insurance operations		
Brokerage commission	2,540	1,847
Underwriting commission	435	359
Trust service fees	1,776	1,705
Fees and commission from banking business	23,203	21,457
Others	1,534	1,493
Subtotal	29,488	26,861
Fees and commission expenses on non-insurance operations		
Brokerage commission	830	552
Fees and commission on banking business	4,633	4,164
Others	187	134
Subtotal	5,650	4,850
Net fees and commission income from non-insurance operations	23,838	22,011

10. INVESTMENT INCOME

For the six-month period ended 30 June (in RMB million)	2020 (Unaudited)	2019 (Unaudited)
Net investment income	27,960	28,560
Realized gains from disposal	21,532	5,223
Unrealized (losses)/gains	(4,863)	27,876
Total investment income	44,629	61,659

(1) NET INVESTMENT INCOME

For the six-month period ended 30 June (in RMB million)	2020 (Unaudited)	2019 (Unaudited)
Financial assets at fair value through profit or loss	20,452	18,868
Equity financial assets at fair value through other comprehensive income	5,954	8,143
Operating lease income from investment properties	1,554	1,549
	27,960	28,560

(2) REALIZED GAINS FROM DISPOSAL

For the six-month period ended 30 June (in RMB million)	2020 (Unaudited)	2019 (Unaudited)
Financial instruments at fair value through profit or loss	15,941	3,906
Debt financial assets at fair value through other comprehensive income	3,330	57
Financial assets at amortized cost	531	(2)
Derivative financial instruments	532	342
Gain on disposals of loans and advances at fair value through other comprehensive income	1,076	547
Income from precious metal transactions	116	362
Investment in subsidiaries, associates and jointly controlled entities	6	11
	21,532	5,223

(3) UNREALIZED (LOSSES)/GAINS

For the six-month period ended 30 June (in RMB million)	2020 (Unaudited)	2019 (Unaudited)
Financial assets at fair value through profit or loss		
- Bonds	(741)	(748)
- Funds	5,538	8,650
- Stocks	(9,423)	14,277
- Wealth management investments and other investments	87	5,728
Derivative financial instruments	(367)	(28)
Financial liabilities at fair value through profit or loss	43	(3)
	(4,863)	27,876

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11. OTHER REVENUES AND OTHER GAINS

For the six-month period ended 30 June (in RMB million)	2020 (Unaudited)	2019 (Unaudited)
Sales revenue	12,057	10,890
Management fee from investment-linked products and from investment contracts	1,805	1,648
Expressway toll fee	175	541
Annuity management fee	327	198
Consulting and management fee income	2,980	2,310
Finance leasing income	8,038	7,924
Others	5,663	4,967
	31,045	28,478

12. CLAIMS AND POLICYHOLDERS' BENEFITS

(1)

For the six-month period ended 30 June (in RMB million)	2020		
	Gross (Unaudited)	Reinsurers' share (Unaudited)	Net (Unaudited)
Claims and claim adjustment expenses	101,579	(5,348)	96,231
Surrenders	17,300	-	17,300
Annuities	4,271	-	4,271
Maturities and survival benefits	16,599	-	16,599
Policyholder dividends	13,374	-	13,374
Increase in policyholders' reserves	168,325	(500)	167,825
Interest credited to policyholder contract deposits	14,689	-	14,689
	336,137	(5,848)	330,289

For the six-month period ended 30 June (in RMB million)	2019		
	Gross (Unaudited)	Reinsurers' share (Unaudited)	Net (Unaudited)
Claims and claim adjustment expenses	92,889	(5,225)	87,664
Surrenders	13,110	-	13,110
Annuities	5,785	-	5,785
Maturities and survival benefits	17,292	-	17,292
Policyholder dividends	13,776	-	13,776
Increase in policyholders' reserves	170,716	16	170,732
Interest credited to policyholder contract deposits	17,377	-	17,377
	330,945	(5,209)	325,736

12. CLAIMS AND POLICYHOLDERS' BENEFITS (CONTINUED)

(2)

For the six-month period ended 30 June (in RMB million)	2020		
	Gross	Reinsurers'	Net
	(Unaudited)	share (Unaudited)	(Unaudited)
Long-term life insurance contract benefits	247,838	(1,564)	246,274
Short-term life insurance claims	11,616	(940)	10,676
Property and casualty insurance claims	76,683	(3,344)	73,339
	336,137	(5,848)	330,289

For the six-month period ended 30 June (in RMB million)	2019		
	Gross	Reinsurers'	Net
	(Unaudited)	share (Unaudited)	(Unaudited)
Long-term life insurance contract benefits	252,174	(868)	251,306
Short-term life insurance claims	9,203	(894)	8,309
Property and casualty insurance claims	69,568	(3,447)	66,121
	330,945	(5,209)	325,736

13. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

For the six-month period ended 30 June (in RMB million)	2020	2019
	(Unaudited)	(Unaudited)
Accounts receivable	234	54
Loans and advances to customers	32,302	23,597
Debt financial assets at fair value through other comprehensive income	801	500
Financial assets at amortized cost	5,662	3,146
Finance lease receivables	1,063	866
Loan commitments	41	593
Due from banks and other financial institutions	135	426
Placements with banks and other financial institutions	35	117
Others	253	704
	40,526	30,003

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14. PROFIT BEFORE TAX

Profit before tax is arrived at after charging the following items:

For the six-month period ended 30 June (in RMB million)	2020 (Unaudited)	2019 (Unaudited)
Employee costs	37,315	37,596
Interest expenses on policyholder contract deposits and investment contract reserves	14,689	17,377
Depreciation of investment properties	658	656
Depreciation of property and equipment	3,081	2,725
Amortization of intangible assets	1,201	1,257
Depreciation of right-of-use assets	3,667	3,839
Net impairment losses on financial assets	40,526	30,003
Net impairment losses on other assets	1,760	979
Cost of sales	5,865	5,354

15. INCOME TAX

For the six-month period ended 30 June (in RMB million)	2020 (Unaudited)	2019 (Unaudited)
Current income tax	22,340	11,906
Deferred income tax	(7,548)	(1,405)
	14,792	10,501

Certain subsidiaries enjoy tax preferential treatments and these subsidiaries are not material to the Group. Except for those subsidiaries enjoying tax preferential treatments, the applicable corporate income tax rate of the Group for 2020 was 25%.

According to the *Circular on Pre-tax Deduction of Fee and Commission Expense for Insurers* (No. 72, 2019) (the "Circular") issued by the Ministry of Finance and the State Administration of Taxation on May 29, 2019, the maximum proportion of pre-tax deduction of fee and commission expense for insurers has been raised to 18% (inclusive) of the balance of premium income less surrenders for the current year, and the excess may be carried forward to the following year. Insurers shall compute and pay their income tax for 2018 in accordance with the Circular. The impact of the Circular on income tax of the Group for 2018 was RMB10,453 million, which had been factored into the income tax for 2019.

16. DIVIDENDS

For the six-month period ended 30 June (in RMB million)	2020 (Unaudited)	2019 (Unaudited)
2019 final dividend – RMB1.30 (2018: RMB1.10) per ordinary share (i)	23,673	20,108
2020 interim dividend – RMB0.80 (2019: RMB0.75) per ordinary share (ii)	14,568	13,680

(i) On 20 February 2020, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2019, agreeing to declare a cash dividend in the amount of RMB1.30 (tax inclusive) per share. The total amount of the cash dividend for 2019 was RMB23,673 million.

On 9 April 2020, the above profit appropriation plan was approved by the shareholders of the Company at the annual general meeting.

(ii) On 27 August 2020, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for Interim Dividend of 2020, and declared an interim cash dividend of RMB0.80 (tax inclusive) per share. The total amount of the interim dividend payment for 2020 is RMB14,568 million (tax inclusive) based on the total share capital of 18,280,241,410 shares less the 70,006,803 A shares of the Company in the repurchased securities account as of 30 June, 2020. The actual total amount of dividend payment is subject to the total number of shares that will be entitled to the dividend distribution on the record date of A shareholders. The amount was not recognized as a liability as at 30 June 2020.

17. EARNINGS PER SHARE

(1) BASIC

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the six-month period ended 30 June 2020.

For the six-month period ended 30 June	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of the parent (in RMB million)	68,683	97,676
Weighted average number of ordinary shares in issue (million shares)	17,683	17,815
Basic earnings per share (in RMB)	3.88	5.48

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2020

17. EARNINGS PER SHARE (CONTINUED)

(2) DILUTED

Diluted earnings per share was computed by dividing the adjusted profit attributable to the equity holders of the Company based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue. The shares granted by the Company under the Key Employee Share Purchase Plan (Note 34) and Long-term Service Plan (Note 35) have a potential dilutive effect on the earnings per share.

For the six-month period ended 30 June	2020 (Unaudited)	2019 (Unaudited)
Earnings (in RMB million)		
Profit attributable to owners of the parent	68,683	97,676
Weighted average number of ordinary shares (million shares)		
Weighted average number of ordinary shares in issue	17,683	17,815
Adjustments for:		
- Assumed vesting of Key Employee Share Purchase Plan	25	31
- Assumed vesting of Long-term Service Plan	89	15
Weighted average number of ordinary shares for diluted earnings per share	17,797	17,861
Diluted earnings per share (in RMB)	3.86	5.47

18. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash on hand	4,880	5,461
Term deposits	250,803	220,070
Due from banks and other financial institutions	229,788	203,606
Placements with banks and other financial institutions (i)	83,818	79,569
	569,289	508,706

18. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

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

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Measured at amortized cost:		
Placements with banks	71,710	59,287
Placements with other financial institutions	4,667	13,909
Gross	76,377	73,196
Less: Provision for impairment losses	(179)	(180)
Net	76,198	73,016
Measured at fair value through other comprehensive income:		
Placements with other financial institutions	7,620	6,553
Total	83,818	79,569

As at 30 June 2020, cash and amounts due from banks and other financial institutions of RMB8,652 million (31 December 2019: RMB7,198 million) were restricted from use.

As at 30 June 2020, the provision for impairment losses of placements with banks and other financial institutions measured at fair value through other comprehensive income is RMB109 million (31 December 2019: RMB72 million).

19. BALANCES WITH THE CENTRAL BANK

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Statutory reserve deposits with the Central Bank for banking operations (i)	204,934	212,545
- Statutory reserve deposits with the Central Bank for banking operations-RMB	199,953	206,659
- Statutory reserve deposits with the Central Bank for banking operations-Foreign Currencies	4,981	5,886
Surplus reserve deposits with the Central Bank	41,815	31,223
Fiscal deposits with the Central Bank	799	3,003
	247,548	246,771

(i) In accordance with relevant regulations, subsidiaries of the Group engaged in bank operations are required to place mandatory reserve deposits with the People's Bank of China for customer deposits in both RMB and foreign currencies. As at 30 June 2020, the mandatory deposits are calculated at 9% (31 December 2019: 9.5%) of customer deposits denominated in RMB and 5% (31 December 2019: 5%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its day to day operations.

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20. FINANCIAL ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bonds	87,664	89,445
Bills	-	40
Stocks and others	6,424	7,144
Gross	94,088	96,629
Less: Provision for impairment losses	(192)	(172)
Net	93,896	96,457

21. PREMIUM RECEIVABLES

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Premium receivables	100,029	85,907
Less: Provision for doubtful receivables	(4,128)	(3,491)
Premium receivables, net	95,901	82,416
Life insurance	20,134	18,521
Property and casualty insurance	75,767	63,895
Premium receivables, net	95,901	82,416

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

An aging analysis of premium receivables is as follows:

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 3 months	92,520	80,009
Over 3 months but within 1 year	3,551	2,668
Over 1 year	3,958	3,230
	100,029	85,907

22. FINANCE LEASE RECEIVABLES

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Finance lease receivables, net of unearned finance income	191,132	187,575
Less: Provision for impairment losses	(4,483)	(3,618)
	186,649	183,957

The Group's long-term receivables are financial leases receivable to offset the net unrealized financial gains.

23. LOANS AND ADVANCES TO CUSTOMERS

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Measured at amortized cost		
Corporate customers		
Loans	857,352	790,547
Individual customers		
Xinyidai	147,983	157,364
Credit card receivables	512,504	540,434
Property mortgage loans and collateral mortgage loans	456,709	411,066
Auto loans	203,642	179,224
Others	96,917	69,133
Gross	2,275,107	2,147,768
Add: Interest receivable	6,477	5,703
Less: Loan loss provisions	(87,501)	(69,560)
Net	2,194,083	2,083,911
Measured at fair value through other comprehensive income		
Corporate customers		
Loans	87,994	61,582
Discounted bills	134,041	94,903
Subtotal	222,035	156,485
Carrying amount	2,416,118	2,240,396

As at 30 June 2020, discounted bills with a carrying amount of RMB4,757 million (31 December 2019: RMB5,498 million) were pledged as collateral for amounts due to the Central Bank.

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2020

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Movement of loan loss provisions is as follows:

<i>(in RMB million)</i>	For the six-month period ended 30 June 2020 (Unaudited)	For the year ended 31 December 2019 (Audited)
Measured at amortized cost		
As at 1 January	69,560	54,033
Charge for the period/year	31,462	52,989
Write-offs and transfers during the period/year	(20,553)	(47,681)
Recovery of loans written off previously	7,195	11,110
Unwinding of discount of impairment allowances recognized as interest income	(109)	(481)
Others	(54)	(410)
As at 30 June/31 December	87,501	69,560
Measured at fair value through other comprehensive income		
As at 1 January	453	154
Charge for the period/year	840	299
As at 30 June/31 December	1,293	453
As at 30 June/31 December	88,794	70,013

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (audited)
Bonds		
Government bonds	85,513	60,741
Financial bonds	115,914	106,056
Corporate bonds	77,832	59,494
Funds	245,376	214,065
Stocks	104,294	115,602
Preferred shares	32,984	26,133
Unlisted equity investments	86,375	83,617
Debt schemes	13,883	13,755
Wealth management investments	224,944	224,653
Other investments	55,734	56,957
	1,042,849	961,073
Listed	193,262	202,802
Unlisted	849,587	758,271
Total	1,042,849	961,073

25. FINANCIAL ASSETS AT AMORTIZED COST

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bonds		
Government bonds	1,456,718	1,234,172
Financial bonds	415,510	450,904
Corporate bonds	99,020	109,005
Debt schemes	108,622	120,494
Wealth management investments	262,607	268,387
Other investments	133,683	114,982
Gross	2,476,160	2,297,944
Less: provisions	(21,943)	(16,719)
Net	2,454,217	2,281,225
Listed	203,678	129,359
Unlisted	2,250,539	2,151,866
	2,454,217	2,281,225

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26. DEBT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bonds		
Government bonds	181,947	140,318
Financial bonds	115,869	132,160
Corporate bonds	75,636	58,247
Margin accounts receivables	32,205	24,447
Wealth management investments	96,286	102,993
	501,943	458,165
Listed	65,055	49,350
Unlisted	436,888	408,815
	501,943	458,165

As at 30 June 2020, the total provision of impairment losses recognized for debt financial assets at fair value through other comprehensive income is RMB3,009 million (31 December 2019: RMB2,334 million).

27. EQUITY FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Stocks	195,835	199,556
Preferred shares	80,829	80,547
Unlisted equity investments	2,453	2,082
	279,117	282,185
Listed	276,664	280,103
Unlisted	2,453	2,082
	279,117	282,185

For the equity investments which are not held for trading but for long term investments, the Group has irrevocably elected them at initial recognition to recognize in this category.

There is no material disposal of equity financial assets at fair value through other comprehensive income in the current year. The dividends income of equity financial assets at fair value through other comprehensive income recognized during the year are disclosed in Note 10.

28. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The Group's investments in associates and jointly controlled entities as at 30 June 2020 is as follows:

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Associates		
Veolia Water (Kunming) Investment Co., Ltd.	317	304
Veolia Water (Yellow River) Investment Co., Ltd.	200	203
Veolia Water (Liuzhou) Investment Co., Ltd.	141	136
Shanxi Taichang Expressway Co., Ltd.	845	850
Beijing-Shanghai High-Speed Railway Equity Investment Scheme	11,286	8,006
Massive Idea Investments Limited	1,054	1,018
Guangzhou Jinglun Property Development Co., Ltd.	1,009	952
Shenzhen Jinzheng Science & Technology Co., Ltd.	788	790
Xuhui Holdings Co., Ltd.	3,868	3,827
Lufax Holding Ltd ("Lufax Holding")	32,254	28,226
Ping An Healthcare and Technology Co., Ltd. ("Ping An Good Doctor")	18,352	18,384
HealthKonnnect Medical and Health Technology Management Company Limited ("Ping An HealthKonnnect")	4,186	4,222
OneConnect Financial Technology Co., Ltd. ("OneConnect")	2,934	3,196
Shenzhen China Merchants-Ping An Asset Management Co., Ltd.	1,114	1,274
ZhongAn Online P&C Insurance Co., Ltd.	1,594	1,597
Beijing Beiqi Penglong Automobile Service Co., Ltd.	1,624	1,551
China Yangtze Power Co., Ltd.	14,825	14,494
China Traditional Chinese Medicine Holdings Co., Ltd.	2,521	2,406
China Fortune Land Development Co., Ltd.	20,459	19,627
Scientia Technologies Limited ("Scientia") (Note)	79	132
China Tianying Inc.	1,197	1,162
China Jinmao Holding Group Co., Ltd.	7,936	7,650
Ping An Consumer Finance Co., Ltd. ("Ping An Consumer Finance")	1,494	-
Others	36,584	34,481
Subtotal	166,661	154,488
Jointly controlled entities		
Yunnan KunYu Highway Development Co., Ltd.	800	793
Nanjing Mingwan Real Estate Co., Ltd.	2,266	2,163
Beijing ZhaoTai Property Development Co., Ltd.	1,489	1,493
Wuhan DAJT Property Development Co., Ltd.	873	868
Xi'an Languang Meidu Enterprise Management Service Limited	1,290	1,198
Others	50,206	43,132
Subtotal	56,924	49,647
Investments in associates and jointly controlled entities	223,585	204,135

Note: Scientia holds 99.9% ordinary shares of Ping An International Smart City Technology Co., Ltd.

Associates and jointly controlled entities above have no significant contingent liabilities for the Group.

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29. STATUTORY DEPOSITS FOR INSURANCE OPERATIONS

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Ping An Life	6,760	6,760
Ping An Property & Casualty	4,200	4,200
Ping An Annuity	972	972
Ping An Health	375	375
Others	19	19
Subtotal	12,326	12,326
Less: Provision for impairment losses	(8)	(5)
Add: Interest receivable	252	180
Total	12,570	12,501

Statutory deposits for insurance operations are placed with PRC national commercial banks in accordance with the relevant regulations issued by the China Banking and Insurance Regulatory Commission (the "CBIRC") based on 20% of the registered capital for the insurance company subsidiaries and 5% of the registered capital for insurance sales agency subsidiaries within the Group, respectively. Statutory deposit for insurance operations can only be utilized to settle liabilities during liquidation of insurance companies and insurance sales agency companies.

30. OTHER ASSETS

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Other receivables	125,354	108,914
Due from reinsurers	12,178	11,514
Foreclosed assets	4,108	4,906
Prepayments	18,384	3,240
Precious metals held for trading	33,932	51,976
Dividends receivable	5,483	260
Inventories	6,255	6,169
Amounts in the processing clearance and settlement	9,476	4,713
Others	12,363	11,052
Gross	227,533	202,744
Less: Loss provisions	(6,363)	(5,504)
Including: Other receivables	(3,655)	(3,050)
Due from reinsurers	(19)	(19)
Foreclosed assets	(1,280)	(926)
Inventories	(68)	(64)
Precious metals held for trading	(694)	(785)
Others	(647)	(660)
Net	221,170	197,240

31. POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE/ INVESTMENT CONTRACTS

(1) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE CONTRACTS

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash and amounts due from banks and other financial institutions	7,804	7,018
Financial assets at fair value through profit or loss		
Bonds	1,844	1,904
Funds	31,821	28,819
Stocks	3,761	3,143
Other investments	446	501
Financial assets purchased under reverse repurchase agreements	13	316
Other assets	51	62
	45,740	41,763

(2) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INVESTMENT CONTRACTS

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash and amounts due from banks and other financial institutions	1,010	1,087
Financial assets at fair value through profit or loss		
Bonds	1,798	1,393
Funds	1,177	1,235
Other investments	500	538
Financial assets purchased under reverse repurchase agreements	138	-
Other assets	35	115
	4,658	4,368

32. SHARE CAPITAL

(million shares)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Number of shares registered, issued and fully paid, with a par value of RMB1 each	18,280	18,280

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33. RESERVES, RETAINED PROFITS AND NON-CONTROLLING INTERESTS

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures and fund businesses. The Group's respective entities engaged in such businesses would need to make appropriations for such reserves based on their respective year-end profit or risk assets, the companies operating in the insurance should make appropriations for general reserves based on 10% of net profit, the company operating in banking should make appropriations based on 1.5% of risk assets, the company operating in securities should make appropriations based on 10% of net profit, the companies operating in trust should make appropriations based on 5% of trust claim reserves, the companies operating in futures should make appropriation based on 10% of net profit, and the companies operating in fund should make appropriation based on 10% of fund management fees as determined in accordance with PRC Accounting Standards, and based on the applicable PRC financial regulations, in their annual financial statements. Such reserves are not available for dividend distribution or transfer to share capital.

In accordance with the relevant regulations, the net profit after tax of the Company for profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profits determined in accordance with IFRSs.

34. KEY EMPLOYEE SHARE PURCHASE PLAN

The Company has adopted an Key Employee Share Purchase Plan for the key employees (including executive directors and senior management) of the Company and its subsidiaries. Shares shall be vested and awarded to the key employees approved for participation in the plan, subject to the achievement of certain performance targets.

Movement of reserves relating to the Key Employee Share Purchase Plan is as follows:

For the six-month period ended 30 June 2020 (in RMB million)	Shares held for share purchase plan (Unaudited)	Value of employee services (Unaudited)	Total (Unaudited)
As at 1 January	(1,517)	1,248	(269)
Purchased (i)	(638)	-	(638)
Share-based compensation expenses (ii)	-	261	261
Exercised	503	(503)	-
Expired	57	-	57
As at 30 June	(1,595)	1,006	(589)

34. KEY EMPLOYEE SHARE PURCHASE PLAN (CONTINUED)

For the six-month period ended 30 June 2019 (in RMB million)	Shares held for share purchase plan (Unaudited)	Value of employee services (Unaudited)	Total (Unaudited)
As at 1 January	(1,291)	1,002	(289)
Purchased (i)	(588)	-	(588)
Share-based compensation expenses (ii)	-	288	288
Exercised	333	(333)	-
Expired	29	-	29
As at 30 June	(1,517)	957	(560)

(i) During the period from 24 February 2020 to 27 February 2020, 7,955,730 ordinary A shares were purchased from the market. The average price of shares purchased was RMB80.17 per share. The total purchasing cost was RMB638 million (transaction expenses included).

During the period from 25 March 2019 to 27 March 2019, 8,078,395 ordinary A shares were purchased from the market. The average price of shares purchased was RMB72.79 per share. The total purchasing cost was RMB588 million (transaction expenses included).

(ii) The share-based compensation expense of the Key Employee Share Purchase Plan and the total value of employee services were RMB261 million during the six-month period ended 30 June 2020 (six-month period ended 30 June 2019: RMB288 million).

35. LONG-TERM SERVICE PLAN

The Company has adopted a Long-term Service Plan for the employees of the Company and its subsidiaries. Shares shall be vested and awarded to the employees participated in the Long-term Service Plan, subject to the confirmation of their applications made when they retire from the Company.

Movement of reserves relating to the Long-term Service Plan is as follows:

For the six-month period ended 30 June 2020 (in RMB million)	Shares held for Long-term Service Plan (Unaudited)	Value of employee services (Unaudited)	Total (Unaudited)
As at 1 January	(4,296)	81	(4,215)
Purchased (i)	(3,989)	-	(3,989)
Share-based compensation expenses (ii)	-	104	104
Exercised	-	-	-
Expired	-	-	-
As at 30 June	(8,285)	185	(8,100)

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35. LONG-TERM SERVICE PLAN (CONTINUED)

For the six-month period ended 30 June 2019 (in RMB million)	Shares held for Long-term Service Plan (Unaudited)	Value of employee services (Unaudited)	Total (Unaudited)
As at 1 January	-	-	-
Purchased (i)	(4,296)	-	(4,296)
Share-based compensation expenses (ii)	-	9	9
Exercised	-	-	-
Expired	-	-	-
As at 30 June	(4,296)	9	(4,287)

(i) From 24 February 2020 to 28 February 2020, 49,759,305 ordinary A shares were purchased from the market. The average price of shares purchased was RMB80.15 per share. The total purchasing cost was RMB3,989 million (transaction expenses included).

From 7 May 2019 to 14 May 2019, 54,294,720 ordinary A shares were purchased from the market. The average price of shares purchased was RMB79.10 per share. The total purchasing cost was RMB4,296 million (transaction expenses included).

(ii) The share-based compensation expense and the total value of employee services of the Long-term Service Plan were RMB104 million during the six-month period ended 30 June 2020 (six-month period ended 30 June 2019: RMB9 million).

36. TREASURY SHARES

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Treasury shares	5,995	5,001

As at 30 June 2020, 70,006,803 A shares had been purchased from the Shanghai Stock Exchange by centralized bidding. The lowest purchase price was RMB79.27 per share and the highest purchase price was RMB91.43 per share. The total repurchasing cost was RMB5,995 million (transaction expenses included).

37. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Deposits from other banks and financial institutions	413,500	381,322
Due to the Central Bank	119,852	113,331
Short term borrowings	118,692	112,285
Long term borrowings	216,254	217,087
	868,298	824,025

38. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bonds	229,989	176,523

As at 30 June 2020, bonds with carrying amount of RMB168,946 million (31 December 2019: RMB109,180 million) were pledged as collaterals for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the interbank market. The collaterals are restricted from trading during the period of the repurchase transaction.

As at 30 June 2020, the bonds with carrying amount of RMB183,870 million (31 December 2019: RMB124,602 million) were deposited in the collateral pool. The collaterals are restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool without delay provided that the value of certain bonds is no less than the balance of related repurchase transactions.

For bonds repurchase transactions through stock exchange, the Group is required to deposit certain exchange traded bonds and/or bonds transferred under new pledged repurchase transaction with fair value converted at a standard rate pursuant to stock exchange's regulation no less than the balance of related repurchase transaction into a collateral pool.

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39. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

<small>(in RMB million)</small>	<small>30 June 2020</small>	<small>31 December 2019</small>
	<small>(Unaudited)</small>	<small>(Audited)</small>
Customer deposits		
Current and savings accounts		
- Corporate customers	538,105	537,959
- Individual customers	226,341	199,966
Term deposits		
- Corporate customers	1,049,712	1,040,542
- Individual customers	394,419	367,771
Guarantee deposits	182,126	185,259
Term deposits with the Central Bank	12,911	16,716
Fiscal deposits	33,757	29,422
Remittance payables and outward remittance	17,730	15,433
Subtotal	2,455,101	2,393,068
Payables to brokerage customers		
- Individual customers	50,824	35,360
- Corporate customers	6,005	3,285
Subtotal	56,829	38,645
Total	2,511,930	2,431,713

As at 30 June 2020, bonds classified as financial assets carried as amortized costs with a carrying amount of RMB14,137 million (31 December 2019: a carrying amount of RMB18,503 million) were pledged as collaterals for term deposits with the Central Bank.

40. BONDS PAYABLE

The information of the Group's major bonds payable is as follows:

(in RMB million)				Early					30 June	31 December
Issuer	Type	Guarantee	Maturity	redemption option	Par value	Issued year	Interest type	Coupon rate (per annum)	2020	2019
									(Unaudited)	(Audited)
Ping An Financial Leasing	Private placement notes	None	5 years	End of the third year	5,000	2017	Fixed	5.30%-5.56%	5,110	5,083
Ping An Financial Leasing	Medium term notes	None	Undated	End of the third year	2,100	2017	Fixed	5.50%	-	2,135
Ping An Bank	Hybrid capital debt instrument	None	15 years	End of the tenth year	3,650	2011	Fixed	7.50%	3,697	3,835
Ping An Bank	Tier-2 capital bonds	None	10 years	End of the fifth year	10,000	2016	Fixed	3.85%	10,085	10,279
Ping An Bank	Financial bonds	None	3 years	None	15,000	2017	Fixed	4.20%	15,596	15,282
Ping An Bank	Financial bonds	None	3 years	None	35,000	2018	Fixed	3.79%	35,694	35,037
Ping An Bank	Tier-2 subordinated bonds	None	10 years	End of the fifth year	30,000	2019	Fixed	4.55%	30,225	30,907
Ping An Bank	Interbank deposits	None	Less than 1 year	None	284,220	2019	Fixed	2.60%-3.25%	-	282,372
Ping An Bank	Interbank deposits	None	Less than 1 year	None	138,850	2019	Fixed	2.9%-3.13%	138,116	136,050
Ping An Bank	Interbank deposits	None	Less than 1 year	None	281,860	2020	Fixed	1.35%-2.95%	278,728	-
Ping An Bank	Financial bonds	None	3 years	None	30,000	2020	Fixed	2.30%	30,068	-
Ping An Life	Capital supplement bonds	None	10 years	End of the fifth year	5,000	2015	Fixed	First 5 years: 3.90% Next 5 years: 4.90% (If not redeemed)	5,203	5,091
Ping An Life	Capital supplement bonds	None	10 years	End of the fifth year	10,000	2016	Fixed	First 5 years: 3.82% Next 5 years: 4.82% (If not redeemed)	10,259	10,423
Ping An Life	Offshore USD bonds	None	5 years	None	3,280	2016	Fixed	2.88%	3,590	3,535
Ping An Life	Capital supplement bonds	None	10 years	End of the fifth year	20,000	2020	Fixed	First 5 years: 3.58% Next 5 years: 4.58% (If not redeemed)	20,161	-
Ping An Property & Casualty	Capital supplement bonds	None	10 years	End of the fifth year	5,000	2015	Fixed	First 5 years: 4.79% Next 5 years: 5.79% (If not redeemed)	5,332	5,197
Ping An Property & Casualty	Capital supplement bonds	None	10 years	End of the fifth year	3,500	2017	Fixed	First 5 years: 5.10% Next 5 years: 6.10% (If not redeemed)	3,623	3,525
Ping An Property & Casualty	Capital supplement bonds	None	10 years	End of the fifth year	10,000	2019	Fixed	First 5 years: 4.64% Next 5 years: 5.64% (If not redeemed)	10,128	10,336
Value Success Limited ("Value Success")	Offshore HKD bonds	Yes	5 years	None	1,272	2016	Fixed	3.00%	1,412	1,383
Value Success	Offshore USD bonds	Yes	5 years	None	2,003	2016	Fixed	3.20%	2,143	2,110
Li Guan International Co., Ltd.	Offshore USD bonds	Yes	5 years	None	3,440	2018	Fixed	4.38%	3,562	3,505
Li Guan International Co., Ltd.	Offshore USD bonds	Yes	5-10 years	None	4,140	2019	Fixed	3.63%-4.25%	4,240	4,174

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40. BONDS PAYABLE (CONTINUED)

(in RMB million)				Early					30 June	31 December
Issuer	Type	Guarantee	Maturity	redemption	Par value	Issued	Interest	Coupon rate	2020	2019
				option		year	type	(per annum)	(Unaudited)	(Audited)
Li Guan International Co., Ltd.	Offshore HKD bonds	Yes	1 year	None	3,002	2019	Fixed	2.65%	-	3,198
Li Guan International Co., Ltd.	Offshore USD bonds	Yes	1 year	None	1,395	2019	Fixed	2.50%	1,436	1,396
Li Guan International Co., Ltd.	Offshore SGD bonds	Yes	1 year	None	1,657	2020	Fixed	2.25%	1,688	-
Li Guan International Co., Ltd.	Offshore USD bonds	Yes	5 years	None	4,248	2020	Fixed	2.75%	4,240	-
Ping An Securities Co., Ltd. ("Ping An Securities")	Private corporate bonds	None	3 years	None	1,300	2017	Fixed	4.65%	-	1,352
Ping An Securities	Private corporate bonds	None	3 years	End of the second and third year	1,200	2017	Fixed	4.99%	-	1,252
Ping An Securities	Private corporate bonds	None	2 years	None	2,840	2018	Fixed	5.60%	-	2,964
Ping An Securities	Private corporate bonds	None	3 years	None	1,000	2018	Fixed	5.30%	1,007	1,033
Ping An Securities	Corporate bonds	None	5 years	End of the third year	3,000	2018	Fixed	4.10%	3,078	3,017
Ping An Securities	Corporate bonds	None	5 years	End of the third year	7,000	2019	Fixed	3.70%-3.75%	7,052	7,183
Ping An Securities	Private corporate bonds	None	396 days-436 days	None	2,350	2019	Fixed	3.80%-4.05%	-	2,420
Ping An Securities	Private corporate bonds	None	517 days-5 years	None	7,100	2019	Fixed	3.90%-4.20%	7,183	7,285
Ping An Securities	Corporate bonds	None	5 years	End of the third year	1,500	2020	Fixed	3.40%	1,521	-
Ping An Securities	Private corporate bonds	None	1 year	None	1,000	2020	Fixed	2.86%	1,010	-
Ping An Securities	Private corporate bonds	None	3 years	None	3,000	2020	Fixed	3.19%	3,029	-
Ping An Securities	Short-term financing bills	None	88 days-91 days	None	9,000	2020	Fixed	1.53%-2.10%	9,019	-
Ping An Securities	Structured notes	None	80 days-273 days	None	5,000	2020	Fixed	2.00%-3.30%	5,018	-
Ping An Securities	Structured notes	None	14 days	None	376	2020	Fixed	5.45%-5.50%	376	-
Ping An Securities	Structured notes	None	1 year	None	808	2020	Fixed	7.23%-10.00%	827	-
Shenzhen Ping An Real Estate Investment Co., Ltd.	Private corporate bonds	None	1 year	End of the sixth month	688	2019	Fixed	10.00%	-	754
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	1 year	Yes	369	2019	Fixed	7.90%	-	385
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	1 year	Yes	1,567	2019	Fixed	7.70%-7.80%	1,682	1,620

40. BONDS PAYABLE (CONTINUED)

(in RMB million)				Early					30 June	31 December
Issuer	Type	Guarantee	Maturity	redemption	Par value	Issued	Interest	Coupon rate	2020	2019
				option		year	type	(per annum)	(Unaudited)	(Audited)
Shenzhen Dingshantong Investment Co. Ltd	Corporate bonds	None	1 year	Yes	1,513	2019	Fixed	7.55%-7.80%	1,605	1,545
Ping An Real Estate Co., Ltd. ("Ping An Real Estate")	Corporate bonds	None	7 years	End of the fifth year	4,000	2016	Fixed	3.28%	4,116	4,049
Ping An Real Estate	Corporate bonds	None	5 years	End of the third year	2,500	2017	Fixed	4.88%-5.27%	2,592	2,529
Ping An Real Estate	Corporate bonds	None	3 years	End of the third year	1,500	2018	Fixed	5.00%	1,515	1,552
Fuxiang Investment Management Limited	Medium term notes	Yes	5 years	End of the third year	1,254	2017	Fixed	3.80%	1,379	1,377
Fuqing Investment Management Co., Ltd.	Offshore USD bonds	Yes	3 years	None	2,750	2019	Fixed	4.00%	2,813	2,786

41. INSURANCE CONTRACT LIABILITIES

(in RMB million)	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
Long-term life insurance policyholders' reserves	1,813,648	1,665,080
Policyholder contract deposits	681,784	648,514
Policyholder account liabilities in respect of insurance contracts	45,740	41,763
Unearned premium reserves	177,250	158,680
Claim reserves	107,517	98,147
	2,825,939	2,612,184

42. FIDUCIARY ACTIVITIES

(in RMB million)	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
Assets under trust schemes	425,984	439,253
Assets under annuity investments and annuity schemes	564,331	507,588
Assets under asset management schemes	1,143,355	970,877
Entrusted loans of banking operations	205,182	214,517
Entrusted investments of banking operations	665,280	590,499
	3,004,132	2,722,734

All of above are off-balance sheet items.

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43. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments mainly consist of cash and amounts due from banks and other financial institutions, term deposits, bonds, funds, stocks, loans, borrowings, deposits from other banks and financial institutions, customer deposits and payables to brokerage customers, etc.

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

(in RMB million)	Carrying values		Fair values	
	30 June 2020 (Unaudited)	31 December 2019 (Audited)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Financial assets				
Cash and amounts due from banks and other financial institutions	569,289	508,706	569,289	508,706
Balances with the Central Bank and statutory deposits for insurance operations	260,118	259,272	260,118	259,272
Financial assets purchased under reverse repurchase agreements	93,896	96,457	93,896	96,457
Accounts receivable	25,571	28,579	25,571	28,579
Derivative financial assets	35,750	18,957	35,750	18,957
Finance lease receivables	186,649	183,957	186,649	183,957
Loans and advances to customers	2,416,118	2,240,396	2,416,118	2,240,396
Financial assets at fair value through profit or loss	1,042,849	961,073	1,042,849	961,073
Financial assets at amortized cost	2,454,217	2,281,225	2,553,211	2,355,335
Debt financial assets at fair value through other comprehensive income	501,943	458,165	501,943	458,165
Equity financial assets at fair value through other comprehensive income	279,117	282,185	279,117	282,185
Other assets	128,199	107,237	128,199	107,237
Financial liabilities				
Due to banks and other financial institutions	868,298	824,025	868,298	824,025
Financial liabilities at fair value through profit or loss	76,464	39,458	76,464	39,458
Derivative financial liabilities	46,377	24,527	46,377	24,527
Assets sold under agreements to repurchase	229,989	176,523	229,989	176,523
Accounts payable	4,718	4,821	4,718	4,821
Customer deposits and payables to brokerage customers	2,511,930	2,431,713	2,511,930	2,431,713
Bonds payable	785,825	699,631	785,415	699,720
Other liabilities	196,512	157,431	196,512	157,431

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

43. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The methods used to determine fair value of financial assets and liabilities and the breakdown of fair value hierarchy are disclosed in the 2019 annual report of the Group. The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques:

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

Level 2: either directly (such as price) or indirectly (such as calculated based on price) other than quoted prices included within Level 1 that are observable for the asset or liability;

Level 3: inputs which are based on parameters other than observable market data (unobservable inputs).

The level of fair value measurement is determined by the lowest level input that is significant to the entire measurement. As such, the significance of a particular input should be considered from an overall perspective in the fair value measurement.

Valuation methods for Level 2 and Level 3 financial instruments:

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

For Level 3 financial instruments, the consideration of being classified as Level 3 is mainly based on the significance of the unobservable factors to the overall fair value measurement.

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43. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The following table shows an analysis of financial instruments recorded at fair value by 3 levels of the fair value hierarchy:

(in RMB million)	30 June 2020			Total fair value (Unaudited)
	Level 1 (Unaudited)	Level 2 (Unaudited)	Level 3 (Unaudited)	
Financial assets				
Financial assets at fair value through profit or loss				
Bonds	14,610	264,590	59	279,259
Funds	143,916	97,273	4,187	245,376
Stocks	101,147	3,147	-	104,294
Wealth management investments and other investments	1,255	246,105	166,560	413,920
	260,928	611,115	170,806	1,042,849
Derivative financial assets				
Interest rate swaps	-	27,133	-	27,133
Currency forwards and swaps	-	3,016	-	3,016
Others	-	5,601	-	5,601
	-	35,750	-	35,750
Debt financial assets at fair value through other comprehensive income				
Bonds	22,490	350,744	218	373,452
Wealth management investments and other investments	-	92,354	36,137	128,491
	22,490	443,098	36,355	501,943
Equity financial assets at fair value through other comprehensive income				
Stocks	195,835	-	-	195,835
Preferred shares	-	80,829	-	80,829
Unlisted equity investments	-	-	2,453	2,453
	195,835	80,829	2,453	279,117
Placements with banks and other financial institutions measured at fair value through other comprehensive income	-	7,620	-	7,620
Loans and advances to customers measured at fair value through other comprehensive income	-	-	222,035	222,035
Total financial assets	479,253	1,178,412	431,649	2,089,314
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	-	27,411	-	27,411
Currency forwards and swaps	-	2,974	-	2,974
Others	-	15,992	-	15,992
	-	46,377	-	46,377
Financial liabilities at fair value through profit or loss	11,533	64,061	870	76,464
Total financial liabilities	11,533	110,438	870	122,841

43. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

(in RMB million)	31 December 2019			Total fair value (Audited)
	Level 1 (Audited)	Level 2 (Audited)	Level 3 (Audited)	
Financial assets				
Financial assets at fair value through profit or loss				
Bonds	15,484	210,748	59	226,291
Funds	130,725	78,965	4,375	214,065
Stocks	111,289	4,313	-	115,602
Wealth management investments and other investments	-	263,009	142,106	405,115
	257,498	557,035	146,540	961,073
Derivative financial assets				
Interest rate swaps	-	10,065	-	10,065
Currency forwards and swaps	-	4,578	-	4,578
Others	-	4,314	-	4,314
	-	18,957	-	18,957
Debt financial assets at fair value through other comprehensive income				
Bonds	18,179	312,546	-	330,725
Wealth management investments and other investments	-	102,217	25,223	127,440
	18,179	414,763	25,223	458,165
Equity financial assets at fair value through other comprehensive income				
Stocks	199,553	3	-	199,556
Preferred shares	-	80,547	-	80,547
Unlisted equity investments	-	-	2,082	2,082
	199,553	80,550	2,082	282,185
Placements with banks and other financial institutions measured at fair value through other comprehensive income	-	6,553	-	6,553
Loans and advances to customers measured at fair value through other comprehensive income	-	-	156,485	156,485
Total financial assets	475,230	1,077,858	330,330	1,883,418
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	-	10,160	-	10,160
Currency forwards and swaps	-	3,312	-	3,312
Others	-	11,055	-	11,055
	-	24,527	-	24,527
Financial liabilities at fair value through profit or loss	5,966	32,606	886	39,458
Total financial liabilities	5,966	57,133	886	63,985

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

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43. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

From 1 Jan 2020 to 30 June 2020, there were no significant transfers between Level 1 and Level 2 fair value measurements, nor significant transfers into or out of Level 3 fair value measurements. (From 1 Jan 2019 to 30 June 2019, there were no significant transfers between Level 1 and Level 2 fair value measurements, nor significant transfers into or out of Level 3 fair value measurements.)

44. RISK AND CAPITAL MANAGEMENT

(1) INSURANCE RISK

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

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

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

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

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

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. However, for contracts with discretionary participation features, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refuse to pay premiums or exercise annuity conversion options, etc. Thus, the resultant insurance risk is subject to policyholders' behaviour and decisions.

Concentration of insurance risks

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

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by insurance contract liabilities in Note 41.

Assumptions

(a) Long-term life insurance contracts

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

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

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

Other key assumptions include delays in settlement, etc.

(c) Reinsurance

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

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

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44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK

Market risk is the risk of changes in fair value of financial instruments and future cash flows from fluctuation of market prices, which includes three types of risks from volatility of foreign exchange rates (foreign currency risk), market interest rates (interest rate risk) and market prices (price risk).

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk faced by the Group mainly comes from movements in the USD/RMB and HKD/RMB exchange rates. The Group set limitation to its position of foreign currency, monitor the size of foreign currency position, and limit the foreign currency position within the threshold set by utilizing hedging strategy.

(b) Price risk

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

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

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

(c) Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instruments and is fixed until maturity.

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK

Credit risks refer to the risk of losses incurred by the inability of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, financial assets at amortized cost and debt financial assets at fair value through other comprehensive income, reinsurance arrangement with reinsurers, policy loans, margin financing and with the exposure arising from loan commitments and financial guarantee contracts, etc. The Group uses a variety of controls to identify, measure, monitor and report credit risk.

Credit risk management

Credit risk of banking business

The banking business of the Group has formulated a set of credit management processes and internal control mechanisms, so as to carry out the whole process management of credit business. Credit management procedures for its corporate and retail loans comprise credit origination, credit review, credit approval, disbursement, post credit management. In addition, the banking business of the Group has formulated procedure manuals for credit management, which clarifies the duties of each part in the credit management processes, effectively monitoring credit risk and enhancing credit compliance.

The banking business of the Group further enhances credit risk monitoring and early warning management mechanism to monitor the credit risks, respond to the changes in credit environment proactively, analyse the credit risk situations and trends regularly, take measures prospectively to control risk. The Group has established enhancement mechanism for problematic credit, aiming to accelerate the progress of handling problematic credit and preventing non-performing loans.

Credit risks arising from credit commitments are similar to those of loans and advances. Therefore, financial guarantees and loan commitments are also subject to the same application, post crediting monitoring and collateral requirements as loan and advances business.

Credit risk of investment business

As to debt investment, the Group rates these investments by internal credit rating policies, selects counterparties with high credit quality and sets strict entry criteria.

The Group's debt investment mainly includes domestic government bonds, Central Bank bills, financial institution bonds, corporate bonds and debt investment schemes. The Group manages the credit risk for these investments mainly through controlling the investment scales, selecting counterparties within the financial institutions with appropriate credit quality prudently, balancing the credit risks and rate of return of investment and considering the internal and external credit rating information comprehensively.

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44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Credit risk management (continued)

Credit risk of insurance business

The Group evaluated the credit rating of the reinsurance companies before signing the reinsurance contracts, and choose the reinsurance companies with higher credit quality to reduce the credit risk.

The limit of policy loans are based on the cash values of valid insurance policies, with appropriate discounts, and the validity periods of policy loans are within the validity periods of insurance policies. The credit risk associated with policy loans did not have material impact on the Group's consolidated financial statements as at 30 June 2020 and 31 December 2019.

Forward-looking information and management overlay

The determinations of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macroeconomic variables associated with credit risk and expected credit losses for each portfolio. The Group has developed macroeconomic forward looking adjustment model by establishing a pool of macro-economic indicators, preparing data, filtering model factors and adjusting forward-looking elements, and the indicators include gross domestic product (GDP) year on year percentage change, customer price index (CPI) year on year percentage change, purchasing manager's index (PMI) and other macroeconomic variables. Through regression analysis, the relationship among these economic indicators in history with EAD, PD and LGD is determined, and the EAD, PD, LGD are then determined through forecasting economic indicator.

At the end of June 2020, the Group combined statistical analysis results to determine the weights of different scenarios, and also considered the range of possible outcomes represented by each scenario, to determine the final macroeconomic assumptions and weights for measuring the relevant expected credit loss. The impact of these economic indicators on PD and LGD varies to different businesses. The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators with PD and LGD. The Group evaluates and forecasts these economic indicators at least annually, provides the best estimates for the future, and regularly evaluates the results. Similar to other economic forecasts, the estimates of economic indicators have high inherent uncertainties, actual results may have significant difference with estimates. The Group considered the estimates above represented the optimal estimation of possible outcomes.

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Credit risk management (continued)

The impact of the changes of external economic environment, such as the impact of COVID-19, on the credit risk that had not been reflected by the ECL model, has also been considered and raised an additional management overlay to credit impairment provision, to further enhance the risk compensation capability.

The following table presents the credit risk exposure of the financial assets under the scope of expected credit loss. Without considering guarantee or any other credit enhancement measures, for on-balance sheet assets, the maximum credit risk exposure is presented as the net carrying amount of the financial assets:

Net carrying amount (in RMB million)	30 June 2020 (Unaudited)			Maximum credit risk exposure
	Stage 1	Stage 2	Stage 3	
Cash and amounts due from banks and other financial institutions	569,289	-	-	569,289
Balances with the Central Bank and statutory deposits for insurance operations	260,118	-	-	260,118
Financial assets purchased under reverse repurchase agreements	93,407	-	489	93,896
Accounts receivable	25,251	268	52	25,571
Finance lease receivables	181,053	4,917	679	186,649
Loans and advances to customers	2,364,720	33,992	17,406	2,416,118
Financial assets at amortized cost	2,429,291	8,756	16,170	2,454,217
Debt financial assets at fair value through other comprehensive income	498,641	2,013	1,289	501,943
Other assets	136,079	-	269	136,348
Subtotal	6,557,849	49,946	36,354	6,644,149
Off-balance sheet	1,170,488	4,332	877	1,175,697
Total	7,728,337	54,278	37,231	7,819,846

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44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Credit risk management (continued)

Net carrying amount (in RMB million)	31 December 2019 (Audited)			Maximum credit risk exposure
	Stage 1	Stage 2	Stage 3	
Cash and amounts due from banks and other financial institutions	508,706	-	-	508,706
Balances with the Central Bank and statutory deposits for insurance operations	259,272	-	-	259,272
Financial assets purchased under reverse repurchase agreements	95,947	305	205	96,457
Accounts receivable	28,222	324	33	28,579
Finance lease receivables	179,785	3,605	567	183,957
Loans and advances to customers	2,183,509	41,474	15,413	2,240,396
Financial assets at amortized cost	2,259,305	2,125	19,795	2,281,225
Debt financial assets at fair value through other comprehensive income	457,068	248	849	458,165
Other assets	111,697	-	253	111,950
Subtotal	6,083,511	48,081	37,115	6,168,707
Off-balance sheet	921,502	4,805	665	926,972
Total	7,005,013	52,886	37,780	7,095,679

(4) LIQUIDITY RISK

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

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

The banking business of the Group is exposed to potential liquidity risk. The Group utilizes multiple supervisory methods, establish comprehensive liquidity risk management framework, effectively recognize, measure, monitor and control liquidity risk, maintain sufficient liquidity level to satisfy various funds requirement and to react to adverse market status. In case of monitoring liquidity risks effectively, the Group pays attentions to the funds sources and diversified utilization, keep relatively high level of liquid assets consistently. The Group monitors the sourcing and usage of funds, deposit to loan ratio, and quick ratio on a daily basis. Besides adopting various liquidity risk, the Group compares the expected results against the ones derived from stress tests, critically assesses the potential impact to the future liquidity risk, and formulates remedial actions according to specific situations. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, and maintaining stable deposits, etc.

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

The table below summarizes the remaining contractual maturity profile of financial assets, financial liabilities and insurance contract liabilities of the Group (excluding balances of investment-linked contracts) based on undiscounted contractual cash flows/expected cash flows.

(in RMB million)	30 June 2020 (Unaudited)						Total
	Undated	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Cash and amounts due from banks and other financial institutions	-	167,672	111,784	99,468	262,819	-	641,743
Balances with the Central Bank and statutory deposits	204,858	42,690	133	423	13,525	13	261,642
Financial assets purchased under reverse repurchase agreements	-	553	88,828	4,903	451	-	94,735
Premium receivables	-	8,406	21,859	7,897	57,571	168	95,901
Accounts receivable	-	1,522	8,154	11,099	5,908	-	26,683
Policy Loans	-	2,833	146,083	12,504	-	-	161,420
Finance lease receivables	-	1,889	23,488	62,985	120,318	2,546	211,226
Loans and advances to customers	-	22,301	645,969	731,732	817,292	620,272	2,837,566
Financial assets at fair value through profit or loss	537,396	12,090	49,968	79,274	285,386	164,863	1,128,977
Financial assets at amortized cost	-	28,239	109,575	320,304	965,707	2,449,399	3,873,224
Debt financial assets at fair value through other comprehensive income	-	481	33,708	98,494	259,623	203,124	595,430
Equity financial assets at fair value through other comprehensive income	279,118	-	-	-	-	-	279,118
Other assets	-	30,739	53,787	64,427	6,602	31	155,586
	1,021,372	319,415	1,293,336	1,493,510	2,795,202	3,440,416	10,363,251
Due to banks and other financial institutions	-	177,911	307,241	300,792	101,855	9,691	897,490
Financial liabilities at fair value through profit or loss	835	1,143	74,180	311	-	-	76,469
Assets sold under agreements to repurchase	-	-	229,966	68	-	-	230,034
Accounts payable	-	267	1,209	3,050	192	-	4,718
Insurance payables	-	75,141	10,057	3,971	1,574	-	90,743
Policyholder dividend payable	-	63,042	-	-	-	-	63,042
Customer deposits and payables to brokerage customers	-	880,263	699,374	491,049	497,697	257	2,568,640
Bonds payable	-	-	233,095	298,987	236,298	63,010	831,390
Insurance contract liabilities	-	-	17,485	(1,873)	(27,667)	7,017,595	7,005,540
Investment contract liabilities for policyholders	-	-	2,135	6,320	24,683	35,312	68,450
Lease liabilities	-	483	1,893	5,177	10,846	1,309	19,708
Other liabilities	-	33,254	38,352	114,133	50,432	1,017	237,188
	835	1,231,504	1,614,987	1,221,985	895,910	7,128,191	12,093,412
Derivative cash flows							
Derivative financial instruments settled on a net basis	-	-	968	1,441	553	10	2,972
Derivative financial instruments settled on a gross basis							
- Cash inflow	-	16,191	548,333	380,553	40,888	-	985,965
- Cash outflow	-	(22,931)	(548,611)	(386,242)	(43,151)	-	(1,000,935)
	-	(6,740)	(278)	(5,689)	(2,263)	-	(14,970)

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44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

(in RMB million)	31 December 2019 (Audited)						Total
	Undated	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Cash and amounts due from banks and other financial institutions	-	142,771	90,277	118,836	193,701	1,996	547,581
Balances with the Central Bank and statutory deposits for insurance operations	212,462	34,309	531	574	11,981	1,305	261,162
Financial assets purchased under reverse repurchase agreements	-	488	91,631	4,641	451	-	97,211
Premium receivables	-	24,650	24,130	14,895	18,721	20	82,416
Accounts receivable	-	221	6,803	8,505	13,928	-	29,457
Policy Loans	-	2,424	109,549	27,905	-	-	139,878
Finance lease receivable	-	1,349	22,015	60,708	123,291	3,759	211,122
Loans and advances to customers	-	15,714	658,927	700,976	702,072	539,397	2,617,086
Financial assets at fair value through profit or loss	514,672	15,687	50,772	108,414	207,814	126,128	1,023,487
Financial assets at amortized cost	-	17,899	110,558	307,979	956,241	2,102,544	3,495,221
Debt financial assets at fair value through other comprehensive income	-	706	26,652	99,302	206,953	224,960	558,573
Equity financial assets at fair value through other comprehensive income	282,185	-	-	-	-	-	282,185
Other assets	-	34,008	35,385	57,911	5,781	56	133,141
	1,009,319	290,226	1,227,230	1,510,646	2,440,934	3,000,165	9,478,520
Due to banks and other financial institutions	-	182,693	228,155	316,124	120,137	10,764	857,873
Financial liabilities at fair value through profit or loss	886	1,375	37,046	180	-	-	39,487
Assets sold under agreements to repurchase	-	-	176,337	252	-	-	176,589
Accounts payable	-	181	1,424	3,084	232	-	4,921
Insurance payables	-	70,443	9,229	8,931	1,142	-	89,745
Policyholder dividend payable	-	59,082	-	-	-	-	59,082
Customer deposits and payables to brokerage customers	-	839,298	613,366	500,910	532,738	9,319	2,495,631
Bonds payable	-	-	229,094	270,986	198,507	40,533	739,120
Insurance contract liabilities	-	-	18,590	(14,098)	(31,960)	6,718,190	6,690,722
Investment contract liabilities for policyholders	-	-	1,788	5,194	20,898	31,995	59,875
Lease liabilities	-	452	1,871	5,041	11,565	629	19,558
Other liabilities	-	38,844	36,719	112,142	46,357	1,752	235,814
	886	1,192,368	1,353,619	1,208,746	899,616	6,813,182	11,468,417
Derivative cash flows							
Derivative financial instruments settled on a net basis	-	-	1,159	602	(1,271)	7	497
Derivative financial instruments settled on a gross basis							
- Cash inflow	-	20,354	241,604	267,473	36,491	-	565,922
- Cash outflow	-	(25,204)	(242,242)	(268,643)	(36,287)	-	(572,376)
	-	(4,850)	(638)	(1,170)	204	-	(6,454)

44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

The table below summarizes the remaining contractual maturity profile of the credit commitments of the Group:

(in RMB million)	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
30 June 2020						
Credit commitments (Unaudited)	82,700	147,113	331,424	300,572	258,558	1,120,367
31 December 2019						
Credit commitments (Audited)	71,177	118,838	285,703	237,882	215,100	928,700

Management expects the credit commitments will not be entirely used during the commitment period.

The assets and liabilities related to investment-linked contracts which are regarded as insurance contracts are presented as policyholder account assets and liabilities in respect of insurance contracts. The assets and liabilities related to investment-linked contracts which are regarded as investment contracts are presented as policyholder account assets and liabilities in respect of investment contracts. The assets and liabilities of each investment-linked fund are segregated from each other and from the rest of the Group's invested assets for record keeping purposes. As the investment risks of investment-linked contracts were entirely borne by policyholders, the assets and liabilities related to investment-linked contracts were not included in the analysis of liquidity risk management. Investment-linked contracts are repayable on demand. The Group manages liquidity risk related to the investment-linked contracts by investing mainly in assets with high liquidity, as disclosed in Note 31.

(5) MISMATCHING RISK OF ASSETS AND LIABILITIES

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

(6) OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, employees and systems or from uncontrollable external events. Operational risk in this context includes legal risk, but does not include strategic risk and reputational risk. The Group is exposed to many types of operational risks in the conduct of its business. The Group manages operational risk by establishing and continuously improving risk management framework, formalizing policies and standards, using management tools and reporting mechanism, strengthening communication and enhancing training to staff members.

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44. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(7) CAPITAL MANAGEMENT

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

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

The Group complied with the externally imposed capital requirements as at 30 June 2020 and no changes were made to its capital base, capital management objectives, policies and procedures as compared to the previous year.

45. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following items (original maturities within three months):

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash and amounts due from banks and other financial institutions		
Cash on hand	4,880	5,461
Term deposits	4,097	3,260
Due from banks and other financial institutions	148,579	122,432
Placements with banks and other financial institutions	66,192	46,589
Balances with the Central Bank	41,799	31,211
Subtotal	265,547	208,953
Cash equivalents		
Bonds	795	5,269
Financial assets purchased under reverse repurchase agreements	87,592	89,244
Subtotal	88,387	94,513
Total	353,934	303,466

46. SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) SHAREHOLDERS HOLDING MORE THAN 5% OF THE COMPANY'S SHARE ARE AS SET OUT BELOW:

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

As at 30 June 2020, CP Group held 8.81% (31 December 2019: 8.97%) equity interests in the Company and is the largest shareholder of the Company.

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(2) OTHER MAJOR RELATED PARTIES

Name of related party	Relationship with the Company
Lufax Holding	Associate
Ping An Good Doctor	Associate
Ping An HealthKonnnect	Associate
OneConnect	Associate

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

For the six-month period ended 30 June (in RMB million)	2020 (Unaudited)	2019 (Unaudited)
CP Group		
Premiums income from	18	10
Claims expenses to	7	1
Rental revenue from	12	-
SIHC		
Premiums income from	2	2
Interest expenses to	7	1
Lufax Holding		
Interest expenses to	140	68
Other revenues from	1,427	1,301
Other expenses to	755	466
Ping An Good Doctor		
Interest expenses to	81	44
Other revenues from	326	86
Other expenses to	1,091	1,141
Ping An HealthKonnnect		
Interest revenue from	-	4
Interest expenses to	26	4
Other revenues from	191	56
Other expenses to	168	163
OneConnect		
Interest revenue from	18	52
Interest expenses to	17	19
Foreign exchange gains/(losses)	(40)	1
Other revenues from	484	182
Other expenses to	620	441

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2020

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
CP Group		
Customer deposits and payables to brokerage customers	-	1
SIHC		
Customer deposits and payables to brokerage customers	3,365	147
Lufax Holding		
Customer deposits and payables to brokerage customers	13,227	14,601
Accounts payable and other payables	8,146	9,688
Accounts receivable and other receivables	463	2,522
Ping An Good Doctor		
Customer deposits and payables to brokerage customers	3,567	3,887
Accounts payable and other payables	2,702	2,124
Accounts receivable and other receivables	71	35
Ping An HealthKonnnect		
Customer deposits and payables to brokerage customers	479	533
Accounts payable and other payables	1,636	362
Accounts receivable and other receivables	6,825	6,495
OneConnect		
Customer deposits and payables to brokerage customers	1,411	2,937
Loans and advances to customers	700	1,200
Derivative financial assets/(liabilities)	(37)	3
Accounts payable and other payables	740	1,653
Accounts receivable and other receivables	508	175

In addition to transactions and balances stated above, the Group transferred 100% shareholding of Gem Alliance Limited to Lufax Holding, which issued convertible bonds amounting to USD1,953.8 million to the Group as the consideration in 2016. As at 30 June 2020, the Group still held these convertible bonds.

In April 2020, the Company and the subsidiaries of Lufax Holding jointly invested in the Ping An Consumer Finance. The capital contribution of the Company is RMB1,500 million, which represents 30% of the total share of Ping An Consumer Finance.

47. COMMITMENTS

(1) CAPITAL COMMITMENTS

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

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Contracted, but not provided for	4,119	2,820
Authorized, but not contracted for	3,557	3,730
	7,676	6,550

(2) CREDIT COMMITMENTS

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bank acceptances	444,647	363,574
Guarantees issued	76,003	69,006
Letters of credit issued	63,109	62,643
Others	490	811
Subtotal	584,249	496,034
Unused limit of credit cards and loan commitments	536,117	433,267
Total	1,120,366	929,301
Credit risk weighted amounts of credit commitments	293,596	275,106

Credit commitments disclosed in the table above do not include the financial guarantees accounted for as insurance contracts by the Group.

(3) INVESTMENT COMMITMENTS

The Group's investment commitments to associates and jointly controlled entities are as follows:

(in RMB million)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Contracted but not provided for	89,403	62,396

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2020

48. CONTINGENT LIABILITIES

Owing to the nature of the insurance, bank and other financial services businesses, the Group is involved in contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigations and arbitrations. 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 the management can reasonably estimate the outcome of the lawsuits taking into account the applicable legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or the management believes the probability is low or remote. For pending lawsuits, the 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.

49. EVENTS AFTER THE REPORTING PERIOD

On 19 August 2020, Ping An Bank received the CBIRC's Approval on Business Opening of Ping An Wealth Management Co., Ltd. (Yinbaojianfu [2020] No.513), by which the CBIRC had approved Ping An Wealth Management Co., Ltd., a wholly-owned subsidiary of Ping An Bank, to start business. According to the CBIRC's approval, the registered capital of Ping An Wealth Management Co., Ltd. is RMB5 billion. It mainly engages in asset management related business, including the issuance of publicly offered wealth management products, the issuance of privately offered wealth management products, and wealth management advisory and consulting services.

On 27 August 2020, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for Interim Dividend of 2020, and declared an interim dividend of RMB0.80 (tax inclusive) per share for 2020 as stated in Note 16.

50. COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform to the current period's presentation.

51. APPROVAL OF THE FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorized for issue by the Board of Directors of the Company on 27 August 2020.

Glossary

In this Report, unless the context otherwise indicates, the following expressions shall have the following meanings:

Ping An, Company, the Company, Group, the Group, Ping An Group	Ping An Insurance (Group) Company of China, Ltd.
Ping An Life	Ping An Life Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Health	Ping An Health Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Annuity	Ping An Annuity Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Property & Casualty	Ping An Property & Casualty Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Bank	Ping An Bank Co., Ltd., a subsidiary of the Company
SDB, Shenzhen Development Bank	Shenzhen Development Bank Co., Ltd., an associate of the Company since May 2010, became a subsidiary of the Company in July 2011. It was renamed "Ping An Bank Co., Ltd." on July 27, 2012.
Ping An Trust	Ping An Trust Co., Ltd., a subsidiary of the Company
Ping An New Capital	Shenzhen Ping An New Capital Investment Co., Ltd., a subsidiary of Ping An Trust
Ping An Securities	Ping An Securities Co., Ltd., a subsidiary of Ping An Trust
Ping An Futures	Ping An Futures Co., Ltd., a subsidiary of Ping An Securities
Ping An Caizhi	Ping An Caizhi Investment Management Co., Ltd., a subsidiary of Ping An Securities
Ping An Securities (Hong Kong)	Ping An of China Securities (Hong Kong) Co., Ltd., a subsidiary of Ping An Securities
Ping An Pioneer Capital	Ping An Pioneer Capital Co., Ltd., a subsidiary of Ping An Securities
Ping An Financial Leasing	Ping An International Financial Leasing Co., Ltd., a subsidiary of the Company
Ping An Asset Management	Ping An Asset Management Co., Ltd., a subsidiary of the Company
Ping An Overseas Holdings	China Ping An Insurance Overseas (Holdings) Limited, a subsidiary of the Company
Ping An Financial Technology	Shenzhen Ping An Financial Technology Consulting Co., Ltd., a subsidiary of the Company

Glossary

Ping An Technology	Ping An Technology (Shenzhen) Co., Ltd., a subsidiary of the Company
Ping An Financial Services	Shenzhen Ping An Financial Services Co., Ltd., a subsidiary of Ping An Financial Technology
Lufax Holding	Lufax Holding Ltd, an associate of the Company
Lufax	Shanghai Lujiazui International Financial Asset Exchange Co., Ltd., a subsidiary of Lufax Holding
E-wallet	Ping An E-wallet Electronic Commerce Co., Ltd., a subsidiary of Ping An Financial Technology
Ping An Good Doctor	Ping An Healthcare and Technology Company Limited, an associate of the Company
OneConnect	OneConnect Financial Technology Co., Ltd., an associate of the Company
Ping An HealthKconnect	HealthKconnect Medical and Health Technology Management Company Limited, an associate of the Company
Autohome	Autohome Inc., a subsidiary of Ping An Financial Technology
Shanghai Jahwa	Shanghai Jahwa United Co., Ltd., a subsidiary of Ping An Life
CP Group Ltd.	Charoen Pokphand Group Company Limited, the flagship company of CP Group
RMB	Chinese Renminbi unless otherwise specified
CAS	The <i>Accounting Standards for Business Enterprises</i> and the other relevant regulations issued by the Ministry of Finance of the People's Republic of China
IFRS	<i>International Financial Reporting Standards</i> issued by the International Accounting Standards Board
Written Premium	All premiums received from the policies underwritten by the Company, which are prior to the significant insurance risk testing and separating of hybrid risk contracts
Corporate Governance Code	The <i>Corporate Governance Code</i> as contained in Appendix 14 to the <i>HKEX Listing Rules</i>

SFO	The <i>Securities and Futures Ordinance</i> (Chapter 571 of the <i>Laws of Hong Kong</i>)
Model Code	The <i>Model Code for Securities Transactions by Directors of Listed Companies</i> as contained in Appendix 10 to the <i>HKEX Listing Rules</i>
Articles of Association	The <i>Articles of Association</i> of Ping An Insurance (Group) Company of China, Ltd.
HKEX	The Stock Exchange of Hong Kong Limited
HKEX Listing Rules	The <i>Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited</i>
SSE	Shanghai Stock Exchange
SSE Listing Rules	The <i>Rules Governing the Listing of Stocks on Shanghai Stock Exchange</i>
PBC	The People's Bank of China
Ministry of Finance	The Ministry of Finance of the People's Republic of China
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission

Corporate Information

REGISTERED NAMES

Full name of the Company (Chinese/English)

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

Short name of the Company (Chinese/English)

中國平安
Ping An of China

LEGAL REPRESENTATIVE

MA Mingzhe

TYPES OF SECURITIES AND LISTING PLACES

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

STOCK SHORT NAMES AND CODES

A share 中國平安 601318
H share Ping An of China 2318

AUTHORIZED REPRESENTATIVES

YAO Jason Bo
SHENG Ruisheng

SECRETARY OF THE BOARD OF DIRECTORS

SHENG Ruisheng

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POSTAL CODE

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COMPANY WEBSITE

www.pingan.cn

DESIGNATED MEDIA FOR A-SHARE INFORMATION DISCLOSURE

China Securities Journal
Shanghai Securities News
Securities Times and *Securities Daily*

WEBSITES FOR PUBLICATION OF REGULAR REPORTS

www.sse.com.cn
www.hkexnews.hk

LOCATION OF REGULAR REPORTS AVAILABLE FOR INSPECTION

Board Office of the Company

CONSULTING ACTUARIES

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LEGAL ADVISOR

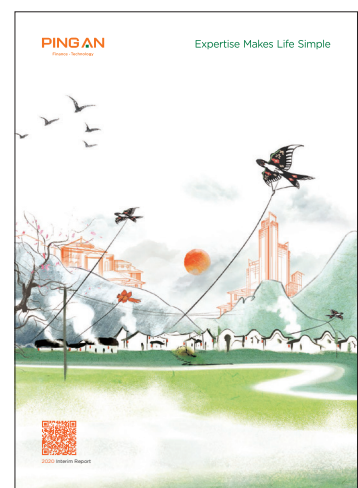
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AMERICAN DEPOSITARY SHARES REGISTRAR

The Bank of New York Mellon



Well-being: every family's permanent wish.

A nearby view of ink and wash traditional architecture echoes a distant view of modern high-tech buildings, highlighting every family's permanent wish for well-being. The color green conveys a vibrant sense of hope, through the combination of pale color and watercolor techniques. The swallows symbolize good luck, representing everyone's wish for a happy life.

 This report is printed on environmental friendly paper manufactured from elemental chlorine-free pulp and acid free.

