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PINGAN

Finance · Technology

中国平安保险(集团)股份有限公司

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

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

(Stock Code: 2318)

**ANNOUNCEMENT OF UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

The board of directors (the “**Board**”) of Ping An Insurance (Group) Company of China, Ltd. (“**Ping An**” or the “**Company**”) hereby announces the unaudited results of the Company and its subsidiaries for the six months ended June 30, 2021. This announcement, containing the full text of the 2021 Interim Report of the Company, complies with the relevant requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**HKEX**”) in relation to the information to accompany preliminary announcements of interim results.

This results announcement, which is prepared in accordance with the International Financial Reporting Standards, is simultaneously available on the websites of the HKEX (www.hkexnews.hk) and the Company (www.pingan.cn). The printed version of the Company's 2021 Interim Report will be delivered to the holders of H shares of the Company and available for viewing on the websites of the HKEX (www.hkexnews.hk) and the Company (www.pingan.cn) before late September 2021.

By order of the Board
Ma Mingzhe
Chairman

Shenzhen, the PRC, August 26, 2021

As at the date of this announcement, the executive directors of the Company are Ma Mingzhe, Xie Yonglin, Tan Sin Yin, Yao Jason Bo and Cai Fangfang; the non-executive directors of the Company are Soopakij Chearavanont, Yang Xiaoping and Huang Wei; the independent non-executive directors of the Company are Ouyang Hui, Ng Sing Yip, Chu Yiyun, Liu Hong, Ng Kong Ping Albert and Jin Li.

Contents

ABOUT US

- 1 Introduction
- 4 Chairman's Statement
- 7 Financial Highlights

MANAGEMENT DISCUSSION AND ANALYSIS

- 8 Customer Development
- 14 Technology-Powered Business Transformation
- 18 Healthcare as a New Driver of Value Growth
- 20 Business Analysis
 - 20 Performance Overview
 - 24 Life and Health Insurance Business
 - 34 Property and Casualty Insurance Business
 - 40 Investment Portfolio of Insurance Funds
 - 46 Banking Business
 - 55 Asset Management Business
 - 61 Technology Business
- 68 Analysis of Embedded Value
- 78 Liquidity and Capital Resources
- 84 Sustainability

CORPORATE GOVERNANCE

- 98 Changes in the Share Capital and Shareholders' Profile
- 100 Directors, Supervisors and Senior Management
- 102 Significant Events

FINANCIAL STATEMENTS

- 118 Report on Review of Interim Condensed Consolidated Financial Information
- 119 Interim Consolidated Income Statement
- 120 Interim Consolidated Statement of Comprehensive Income
- 121 Interim Consolidated Statement of Financial Position
- 123 Interim Consolidated Statement of Changes in Equity
- 125 Interim Consolidated Statement of Cash Flows
- 126 Notes to the Interim Condensed Consolidated Financial Information

OTHER INFORMATION

- 177 Glossary
- 180 Corporate Information

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. Neither the Company nor 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 retail financial services group. Ping An actively responds to China's 14th Five-Year Plan, and serves the real economy and national strategies including Digital China and Healthy China via financial services. Ping An executes its "finance + technology" and "finance + ecosystem" strategies, and furthers its transformation toward smart, digital operations, focusing on "Pan Financial Assets" and "Pan Healthcare." Ping An employs technologies to increase efficiency, enhance risk management, and reduce operating costs of its financial businesses. Moreover, Ping An promotes innovation in fintech and healthtech, and applies innovative technologies to its ecosystems, namely financial services, healthcare, auto services, and smart city services. Ping An develops heartwarming products and services by leveraging fintech and its healthcare ecosystem. By doing so, Ping An empowers financial services with technologies, empowers ecosystems with technologies, and empowers financial services with ecosystems. Ping An continuously optimizes the integrated financial business model of "one customer, multiple products, and one-stop services," leveraging local advantages while adhering to global standards for corporate governance and business management. Ping An provides diverse products and convenient services to 223 million retail customers and 627 million internet users. While remaining focused on retail business, Ping An extends its "1 + N" philosophy to its corporate business to satisfy customer demands for integrated financial services and increase the value of its corporate customers and the contribution of its corporate business.

Introduction

- **Profit and cash dividends continued to increase.** Ping An achieved a 21.0% annualized operating ROE, with operating profit attributable to shareholders of the parent company rising 10.1% year on year to RMB81,836 million in the first half of 2021. Ping An attaches importance to shareholder returns and will pay an interim dividend of RMB0.88 per share in cash, up 10.0% year on year. As approved by the Board of Directors, Ping An plans to repurchase RMB5-10 billion worth of A shares with proprietary funds.
- **Customer development further progressed.** Ping An's retail customers exceeded 223 million as of June 30, 2021, among which 38.7% held multiple contracts with different subsidiaries. New financing scale achieved through corporate business cross-selling increased 36.1% year on year in the first half of 2021.
- **Life & Health (the life and health insurance business) advanced its reform and transformation.** Ping An Life actively explored high-quality development paths, leveraging the Group's technologies and ecosystems to pioneer the reform. Improvements have been seen at some of the pilot business outlets, with first year premium per outlet up 6% since the beginning of the pilot reform. Moreover, Ping An Life implemented tiered, refined management of sales agents, vigorously developed Diamond Agents, steadily enhanced ordinary agents, and trained high-quality new agents. Per capita productivity of the agent channel improved steadily.
- **Property & Casualty (the property and casualty insurance business) maintained good business quality.** Combined ratio improved by 2.2 pps to 95.9% and operating profit grew 30.4% year on year to RMB10,791 million in the first half of 2021. "Ping An Auto Owner," the largest automotive service app in China, had over 139 million registered users as of June 30, 2021, with over 31 million monthly active users in June.
- **Ping An Bank maintained stable business growth and continued to improve its asset quality.** Ping An Bank's revenue grew 8.1% year on year to RMB84,680 million in the first half of 2021. Net profit rose 28.5% year on year to RMB17,583 million. Non-performing loan ratio improved by 0.10 pps year to date to 1.08% and provision coverage ratio rose 58.13 pps to 259.53% as of June 30, 2021.
- **Healthcare ecosystem strategy progressed rapidly.** Ping An Smart Healthcare empowered over 40,000 medical institutions and benefited approximately 950,000 doctors in 170 cities as of June 30, 2021. Nearly 62% of Ping An's over 223 million retail customers used services from the healthcare ecosystem. Such customers held 3.2 contracts and RMB41,000 in assets under management (AUM) per capita respectively, both higher than those retail customers who did not use services from the healthcare ecosystem. Ping An Life launched the Ping An Zhen Xiang RUN Health Services Plan to provide nearly 30 types of heartwarming full-cycle health management services covering scenarios including health management, sub-health management, chronic disease management, and disease management.
- **Innovative businesses grew further.** Total revenue of technology business rose 14.2% year on year to RMB48,809 million in the first half of 2021. Lufax Holding's business grew steadily, with net profit up 33.3% year on year. Revenues of Ping An Good Doctor and OneConnect both grew over 30% year on year in the first half of 2021.

- Ping An continued to strengthen its core technological capabilities.** Ping An's technology patent applications increased by 3,508 year to date to 34,920 as of June 30, 2021, more than most other international financial institutions'. Ping An uses artificial intelligence (AI) to promote sales, improve efficiency, and contain risks for its financial businesses. Sales realized by AI service representatives increased 54% year on year to approximately RMB111 billion in the first half of 2021. AI service representatives covered 2,155 scenarios as of June 30, 2021, and served customers approximately one billion times, accounting for 84% of total customer service volume in the first half of 2021. AI cumulatively collected RMB173.7 billion of overdue loans in the first half of 2021, up 96% year on year. The 30-day recovery rate of AI collection grew 18 pps year on year to 78%.
- Ping An contributed to China's carbon neutrality goals through green finance and supported rural development through Ping An Rural Communities Support.** Ping An

contributes to China's carbon peak and neutrality goals by comprehensively upgrading its green finance initiative, leveraging integrated financial services, utilizing green insurance, green investment and green credit, and supporting green development with strong measures. Moreover, Ping An continues to advance Ping An Rural Communities Support, moving from poverty alleviation to rural revitalization. Ping An cumulatively provided RMB36,024 million for poverty alleviation and industry revitalization as of June 30, 2021, supporting the construction of beautiful countryside.

- Brand value continued to increase.** In 2021, Ping An moved up five places from the previous year to 16th in the *Fortune* Global 500 list (2nd among global financial companies), rose from 7th to 6th in the *Forbes* Global 2000 list, and ranked 49th in the BrandZ™ Top 100 Most Valuable Global Brands list (1st among global banks and insurers for the first time, and 1st among global insurance brands for the sixth consecutive year).

Total Assets (in RMB million)



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



Basic Operating Earnings per Share (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

EXPERTISE MAKES LIFE SIMPLE

2021 is a year of challenges and opportunities. The great Communist Party of China celebrated its centenary, moving from the first centenary goal to the second. China kicked off its 14th Five-Year Plan and Ping An entered its 33rd year. We are to embrace the exciting and promising era. Through this interim report, we hope to provide investors and society with an update on the progress of our reform, innovation, and business. We do our best to deliver satisfactory results by offering constantly upgraded heartwarming products and services, increasing dividends, and fulfilling social responsibilities.

During its 33 years of development, Ping An decisively adopted the strategy of "integrated finance + technological innovation," with "Expertise makes life simple" as one of the most important promises we made for our brand. What do we mean by "simple"? At Ping An, we provide one-stop solutions for financial and daily life services under scenarios including "purchases of homes, vehicles, and insurance" and "investments, savings, and credit cards." With these professional services, Ping An provides customers with "worry-free, time-saving, and money-saving" integrated financial services. Technological innovation gives strong impetus to integrated finance, enabling more convenient, more efficient, and higher-quality integrated financial services with better customer experience.

We have been committed to developing "heartwarming financial services" under the "integrated finance + healthcare services" strategy since the beginning of 2021. Our healthcare ecosystem allows customers to access heartwarming, innovative service models of "finance + medical services," "finance + healthcare," and "finance + eldercare." The healthcare ecosystem also increases customer service frequency and customer stickiness, helping us get a larger share in customers' "wallets" and more service time. In addition, we go all out to convert our internet users into financial customers, and increase the number of products held by each financial customer and the profit per customer. Over time, our customer

retention rate will be higher, and our agents and front-line teams will have better skills and sense to serve customers. As a result, agent income will be higher, and our business will be stronger and more sustainable.

We know that the customer is king, shareholders are the cornerstone of our business, and it is our ultimate mission to give back to society and serve the country. We continued to proactively advance Ping An Life's reform amid challenges and difficulties in the first half of 2021. We are reshaping the agent force's value and spirit with a culture of "original aspirations, wholeheartedness, and perseverance," always striving to build long-term competitive advantages. Despite a complicated, difficult business environment, we increased interim dividends and will repurchase shares again to maximize shareholder returns. We moved from poverty alleviation to rural revitalization in response to the country's call. We rapidly contributed to China's carbon peak and neutrality goals (2030-2060). We also upgraded our green finance initiative in early 2021 to explore innovative practices in green insurance, green investment, green credit, green operations, and public welfare. In this way, we are doing our part in ecological civilization construction.

Thanks to the further development of our integrated finance strategy, Ping An's business and profit grew steadily and cash dividend continued to increase. Ping An achieved a 21.0% annualized operating ROE, with operating profit attributable to shareholders of the parent company rising 10.1% year on year to RMB81,836 million in the first half of 2021. Ping An attaches importance to shareholder returns and will pay an interim dividend of RMB0.88 per share in cash, up 10.0% year on year. As approved by the Board of Directors, the Company plans to repurchase RMB5-10 billion worth of A shares with proprietary funds. **Brand value continued to increase.** In 2021, Ping An moved up five places from the previous year to 16th in the *Fortune* Global 500 list, rose from 7th to 6th in the *Forbes* Global 2000 list, and ranked 49th in the BrandZ™ Top 100 Most Valuable Global Brands list (1st among global banks and insurers for the first time, and 1st among global insurance brands for the sixth consecutive year).

Ping An Life proactively advanced its reform to foster high-quality development. Ping An Life has pursued high-quality growth since the start of 2021, leveraging the Group's technologies and ecosystems to advance the reforms in channels and products. In terms of channels, Ping An Life advanced the transformation toward high-quality teams and tiered, refined management, promoting "1 standard + 3 tiers + 4 tools" (1 evaluation standard: 5-Star outlets with strong performance, high quality and good behaviors; 3 tiers: differentiated management of three tiers of teams; 4 tools: 4 digital tools) for all-around empowerment. In terms of products, Ping An developed the healthcare ecosystem to empower the reform in products, offering "insurance + healthcare" and "insurance + eldercare" products and services. Ping An Life actively adjusted and empowered its sales force via digitization to vigorously develop Diamond Agents, steadily enhance ordinary agents, and train high-quality new agents. By doing so, the life agent channel's per capita productivity steadily increased. Life & Health delivered an annualized operating ROE of 35.0% in the first half of 2021, remaining at a high level. Reform is a hard nut to crack, and the reform process is a winding road. However, the reform offers a bright future. We believe that the ultimate success of the reform will enable Ping An Life to embark on a new journey for sustainable, healthy growth and development in the next decade.



Ping An Life's first 3.0 workplace, Shenzhen Branch's Chegongmiao Sales Services Outlet, offers a better working and training environment to sales agents, enabling better customer services.

Ping An P&C maintained good business quality. Combined ratio improved by 2.2 pps year on year to 95.9% and operating profit grew 30.4% year on year to RMB10,791 million in the first half of 2021. "Ping An Auto Owner," the largest automotive service app in China, had over 139 million registered users as of June 30, 2021, with over 31 million monthly active users in June. **Ping An Bank maintained stable business growth and continued to improve its asset quality.** Ping An Bank's revenue grew 8.1% year on year to RMB84,680 million in the first half of 2021. Net profit rose 28.5% year on year to RMB17,583 million. Non-performing loan ratio improved by 0.10 pps year to date to 1.08% and provision coverage ratio rose 58.13 pps year to date to 259.53% as of June 30, 2021.

Healthcare ecosystem strategy progressed rapidly. The healthcare ecosystem is an important guarantee for us to provide "heartwarming financial services." Ping An Smart Healthcare empowered over 40,000 medical institutions and benefited approximately 950,000 doctors in 170 cities as of June 30, 2021. Nearly 62% of Ping An's over 223 million retail customers used services from the healthcare ecosystem. Ping An Life launched the Ping An Zhen Xiang RUN Health Services Plan to provide nearly 30 types of heartwarming full-cycle health management services covering scenarios including health management, sub-health management, chronic disease management, and disease management. Ping An combined its financial technologies and healthcare ecosystem to develop its eldercare business, and launched the high-end eldercare brand "Ping An Zhen Yi Nian." Through the innovative model of "finance + healthcare + eldercare," Ping An established China's leading eldercare brand and service standards by working with world-leading rehabilitation teams and top nursing chain companies, so that Chinese seniors can enjoy a high-quality retirement life.



As a key measure of Ping An Life's reform concerning products, Ping An combines fintech with the healthcare ecosystem to penetrate the eldercare industry and establish China's leading eldercare service standards.

Chairman's Statement

Technology-powered innovative business grew rapidly.

Ping An's technological innovation focuses on the innovation of underlying fintech and healthtech. Ping An attaches great importance to developing its core technologies and securing proprietary intellectual property rights. Ping An's technology patent applications increased by 3,508 year to date to 34,920 as of June 30, 2021, which is more than most other international financial institutions'. Ping An uses AI to promote sales, improve efficiency, and contain risks for its financial businesses. Sales realized by AI service representatives increased 54% year on year to approximately RMB111 billion in the first half of 2021. AI service representatives covered 2,155 scenarios as of June 30, 2021, and served customers approximately one billion times, accounting for 84% of total customer service volume in the first half of 2021. Total revenue of technology business rose 14.2% year on year to RMB48,809 million in the first half of 2021. Lufax Holding's business grew steadily, with net profit up 33.3% year on year. Revenues of Ping An Good Doctor and OneConnect both grew over 30% year on year in the first half of 2021.

Ping An contributed to China's carbon neutrality goals through green finance.

In 2021, Ping An contributed to China's carbon peak and neutrality goals by comprehensively upgrading its green finance initiative, leveraging integrated financial services, and utilizing green insurance, green investment and green credit. Moreover, Ping An continued to advance Ping An Rural Communities Support, moving from poverty alleviation to rural revitalization. Ping An cumulatively provided RMB36,024 million for poverty alleviation and industry revitalization as of June 30, 2021, supporting the construction of beautiful countryside. Ping An supported the establishment of 12 Party building sites in seven provinces, benefiting more than 30,000 villagers. Moreover, Ping An organized over 30,000 "Ping An Guardian Initiative" public welfare events to promote the general public's financial literacy, consumer rights awareness, and safety literacy.



Baihetan Hydropower Station, the world's second largest hydropower station, was put into operation in June 2021. Ping An funded the project with several billion yuan to support hydropower station construction, resident migration, and resettlement infrastructure.

With the COVID-19 virus continuing to mutate, the worst pandemic in a century will continue to rage in the second half of 2021. Given China's significant strategic achievements in epidemic prevention and control, China has entered the stage of regular epidemic containment with gradual economic recovery. **China will fight COVID-19 while seeking growth and promoting reform. As a saying goes, "Success comes to those who share in one purpose."** We believe that the Chinese people will confidently tackle challenges under the strong leadership of the Central Committee of the Communist Party of China with Comrade Xi Jinping as its core. Ping An will take measures to overcome difficulties and pursue high-quality development and growth centering on Ping An Life's reform and digital empowerment.

Expertise makes life simple and technology makes integrated financial services heartwarming.

We will unswervingly focus on strengthening our main integrated financial businesses and accelerating technological innovation as well as ecosystem development. We will promote healthy business development under the philosophy of "Expertise makes life simple, technology makes financial services heartwarming, and healthcare makes life better." Moreover, we will actively fulfill corporate social responsibilities, and create steadily growing value for customers, shareholders, and society. We will make unremitting efforts to realize people's aspiration for a better life and the common prosperity of society.



Chairman

Shenzhen, PRC
August 26, 2021

Financial Highlights

(in RMB million)	For the six months ended June 30, 2021/ As of June 30, 2021	For the six months ended June 30, 2020/ As of December 31, 2020	Change
CUSTOMER DEVELOPMENT			
Number of internet users (in million)	627.19	598.04	4.9%, YTD
Number of retail customers (in million)	223.05	218.43	2.1%, YTD
Number of contracts per customer (contract)	2.76	2.76	-, YTD
Operating profit per customer (in RMB)	310.42	310.20	0.1%, YoY
Proportion of retail customers holding multiple contracts with different subsidiaries (%)	38.7	38.0	0.7 pps, YTD
Proportion of new customers sourced from Group's internet user base (%)	35.5	35.4	0.1 pps, YoY
THE GROUP			
Operating profit attributable to shareholders of the parent company	81,836	74,310	10.1%, YoY
Operating ROE (annualized, %)	21.0	21.6	-0.6 pps, YoY
Basic operating earnings per share (in RMB)	4.64	4.20	10.5%, YoY
Interim dividend per share (in RMB)	0.88	0.80	10.0%, YoY
Net profit attributable to shareholders of the parent company	58,005	68,683	-15.5%, YoY
Equity attributable to shareholders of the parent company	791,836	762,560	3.8%, YTD
Group comprehensive solvency margin ratio (%)	235.1	236.4	-1.3 pps, YTD
Total assets	9,887,668	9,527,870	3.8%, YTD
Total liabilities	8,858,754	8,539,965	3.7%, YTD
LIFE AND HEALTH INSURANCE BUSINESS			
Operating return on embedded value (annualized, %)	14.9	18.7	-3.9 pps, YoY
Embedded value	863,585	824,574	4.7%, YTD
Value of first half year's new business	27,387	31,031	-11.7%, YoY
Operating profit	50,230	51,535	-2.5%, YoY
Residual margin	968,212	960,183	0.8%, YTD
Comprehensive solvency margin ratio of Ping An Life (%)	240.5	241.8	-1.3 pps, YTD
PROPERTY AND CASUALTY INSURANCE BUSINESS			
Net profit	10,791	8,274	30.4%, YoY
Combined ratio (%)	95.9	98.1	-2.2 pps, YoY
Comprehensive solvency margin ratio (%)	279.0	241.4	37.6 pps, YTD
BANKING BUSINESS			
Net profit	17,583	13,678	28.5%, YoY
Net interest margin (annualized, %)	2.83	2.87	-0.04 pps, YoY
Cost-to-income ratio (%)	27.35	27.30	0.05 pps, YoY
Non-performing loan ratio (%)	1.08	1.18	-0.10 pps, YTD
Provision coverage ratio for loans more than 60 days overdue (%)	306.11	219.78	86.33 pps, YTD
Core tier 1 capital adequacy ratio (%)	8.49	8.69	-0.20 pps, YTD
ASSET MANAGEMENT BUSINESS			
Trust business net profit	1,254	1,653	-24.1%, YoY
Securities business net profit	1,748	1,565	11.7%, YoY
TECHNOLOGY BUSINESS			
Operating profit	6,962	4,045	72.1%, YoY

Notes: (1) Certain figures have been reclassified or restated to conform to relevant periods' presentation.
 (2) Figures may not match the calculation due to rounding.

Customer Development

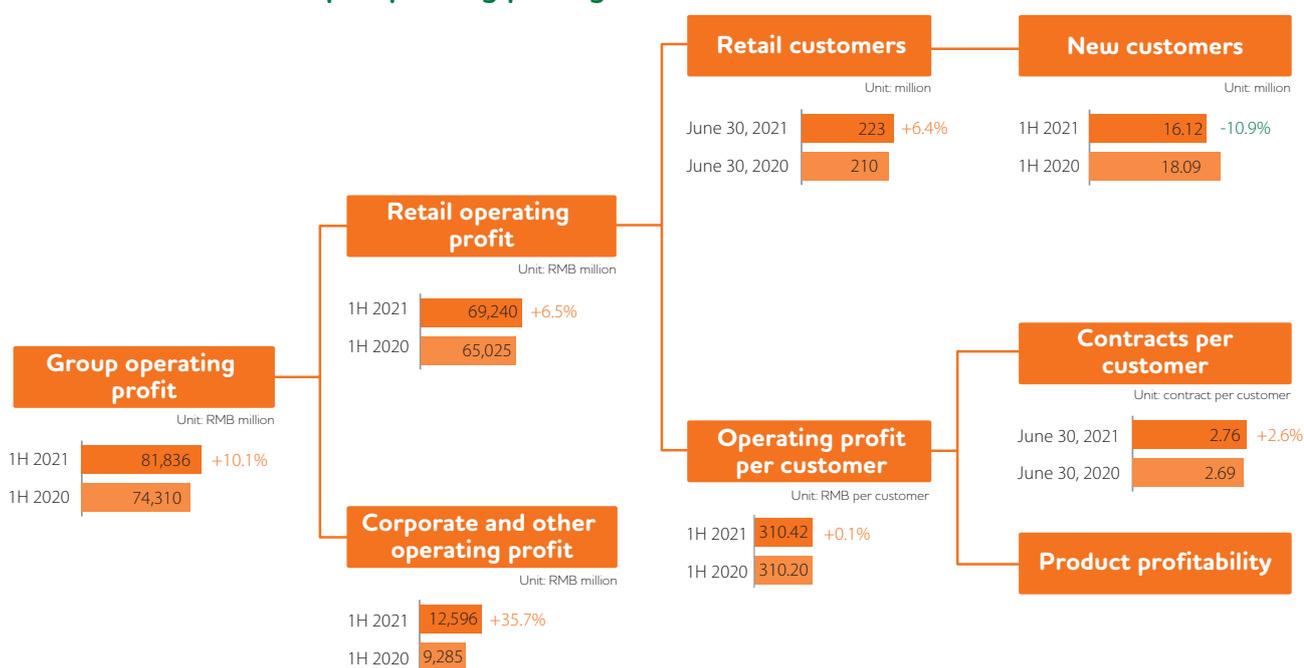
- Ping An's retail operating profit increased 6.5% year on year to RMB69,240 million in the first half of 2021, accounting for 84.6% of its operating profit attributable to shareholders of the parent company.
- Retail customers⁽¹⁾ grew 2.1% year to date to over 223 million as of June 30, 2021. The Group acquired 16.12 million new retail customers in the first half of 2021, 35.5% of whom were sourced from its internet user base. As the Group's retail cross-selling continued to deepen, 38.7% of retail customers held multiple contracts with different subsidiaries, up 0.7 pps year to date. Internet users⁽²⁾ increased 4.9% year to date to over 627 million.
- Corporate business grew steadily under the philosophy of "one customer, multiple products, and one-stop services" in the first half of 2021. Written premium of the corporate channel achieved through cross-selling rose 27.5% year on year. New financing scale achieved through corporate business cross-selling expanded 36.1% year on year.

CUSTOMER DEVELOPMENT STRATEGY

Ping An has been dedicated to the development of both retail and corporate customers under a customer-centric philosophy and the integrated finance strategy. Ping An adopts the philosophy of "one customer, multiple products, and one-stop services" for developing its retail business. Under a heartwarming financial service brand, Ping An provides one-stop integrated financial service solutions by leveraging advantages in its ecosystems. Under a "1 + N" service model of the corporate business (one customer + N products), Ping An focuses on tiered development of strategic customers, micro-, small and medium-sized enterprises, and financial institutions. Ping An satisfies diverse customer needs through three models, namely a sophisticated investment and financing model, a simple standard model, and a trading collaboration model.

Notes: (1) Retail customers refer to retail customers holding valid financial products with the core financial companies of the Group.
(2) Internet users refer to unique registered users with accounts on internet services platforms (including webpage platforms and mobile apps) of the technology companies and core financial companies of the Group.

Core drivers of the Group's operating profit growth



Note: The above operating profits are the operating profits attributable to the shareholders of the parent company. Figures may not match the calculation due to rounding.

RETAIL CUSTOMER DEVELOPMENT

Retail customer development strategy

Ping An adopts the philosophy of “one customer, multiple products, and one-stop services” for developing its retail business. Ping An built the online-merge-offline precision marketing platform centering on financial master accounts and based on data, products, benefits and a unified marketing services platform. By doing so, Ping An instantly provides customers with scenario-based products and benefits to realize efficient customer conversion. Ping An continued to empower financial services with technologies, empower ecosystems with technologies, and empower financial services with ecosystems by leveraging advantages in its ecosystems. Moreover, Ping An strengthened strategic cooperation with key corporate customers, and leveraged its open bank capabilities to realize win-wins in terms of traffic and product services. Under a heartwarming financial service brand, Ping An satisfies diverse customer needs and improves customer experience through one-stop integrated financial service solutions. 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 for its strong retail business growth.

Retail operating profit

Ping An’s retail operating profit increased 6.5% year on year to RMB69,240 million in the first half of 2021, accounting for 84.6% of its operating profit attributable to shareholders of the parent company.

Retail customers and internet users increased steadily

Ping An delivered excellent customer experience by enhancing its basic capabilities in data, accounts, products, benefits, and the unified marketing services platform.

- Data empowerment. Ping An developed customer profiles in a compliant manner with customer authorization on the basis of a large customer base and huge business ecosystems to precisely identify customer needs and enable scenario-based products and services.
- Financial master accounts. Ping An continuously optimized customer experience in scenarios including payments and fund settlement. AUM in financial master accounts grew 71.2% year to date to RMB237,062 million as of June 30, 2021.
- Products and benefits. Ping An established new marketing paths by customer segment, upgraded products and models, and expanded ecosystem scenarios to cover the full customer and user life cycles. For instance, Ping An upgraded its insurance trust products by combining them with eldercare programs or whole-life insurance promotion strategies to improve customer experience. Ping An has built a strong brand image in this area as a market leader in terms of the scale and growth of product sales. New insurance trust product sales amounted to RMB16,905 million in the first half of 2021, up 141.9% year on year. Moreover, Ping An established an integrated financial benefit system for its retail customers on the basis of its product portfolio to facilitate dealings. Ping An actively developed strategic cooperation with external partners to pilot cooperation via offline outlets and advance the mutual recognition of memberships. Moreover, Ping An explored new auto-services scenarios, upgraded products and services, and built an online-merge-offline closed-loop process for vehicle replacement.
- A unified marketing services platform. Ping An upgraded seasonal marketing campaigns, and built a customer referral and conversion system based on online campaigns and product benefits. Total sales increased 48.4% year on year to RMB5.06 trillion during the Ping An January 8 Marketing Campaign.

The Group had over 223 million retail customers as of June 30, 2021, up 2.1% year to date. Of the 16.12 million new retail customers acquired in the first half of 2021, 35.5% were sourced from the Group’s internet user base.

Customer Development

Retail customer mix

(in million)	June 30, 2021	December 31, 2020	Change (%)
Life insurance ⁽¹⁾	64.61	65.29	(1.0)
Auto insurance ⁽¹⁾	54.66	53.09	3.0
Retail banking	83.42	77.00	8.3
Credit card	64.65	61.87	4.5
Securities, fund and trust	55.67	55.84	(0.3)
Others ⁽²⁾	66.93	64.89	3.1
The Group	223.05	218.43	2.1

Notes: (1) Numbers of insurance company customers are based on holders of in-force policies rather than all policy beneficiaries.
 (2) Others include other investments, lending and insurance products.
 (3) 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, 2021 is not equal to the sum of customers as of December 31, 2020 and new customers acquired in the Reporting Period due to customer attrition.

Ping An provides users with one-stop services, constantly improves online user experience, and aligns services more closely with user needs. The Group had over 627 million internet users as of June 30, 2021, up 4.9% year to date. Five of Ping An's portfolio of apps have accumulated more than 100 million registered users each. On average, each internet user used 2.15 online service features from Ping An. Moreover, yearly active users⁽¹⁾ reached over 335 million as user activity and stickiness increased due to efficient internet user development.

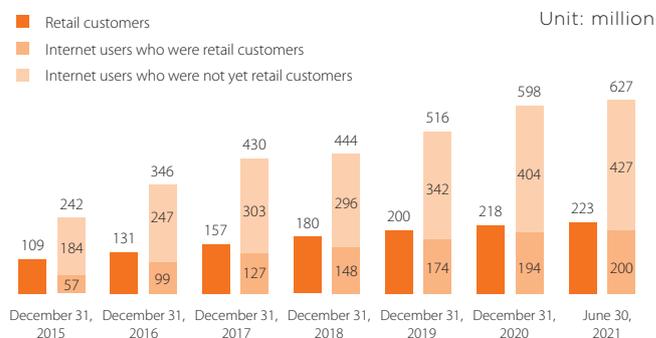
Internet users

(in million)	June 30, 2021	December 31, 2020	Change (%)
Number of internet users⁽²⁾	627.19	598.04	4.9
Technology companies	447.61	421.73	6.1
Core financial companies	454.22	432.15	5.1

Notes: (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.
 (2) Internet users of the Group include the users of technology companies and core financial companies, excluding duplicates.

Ping An continues to convert internet users into retail customers. Retail customers who were also internet users increased 3.1% year to date to over 200 million as of June 30, 2021.

Retail customer and internet user structure

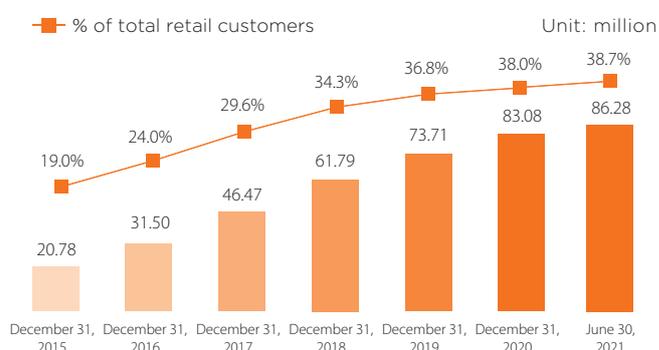


Notes: (1) Figures may not match the calculation due to rounding.
 (2) We tightened the definition of retail customers by removing customers with complimentary insurance only at the end of 2019, and restated data for the comparable periods of 2017 and 2018.
 (3) We tightened the definition of internet users by removing unique users of suspended internet platforms at the end of 2019, and restated data for the comparable periods of 2017 and 2018.

Retail cross-selling continued to deepen

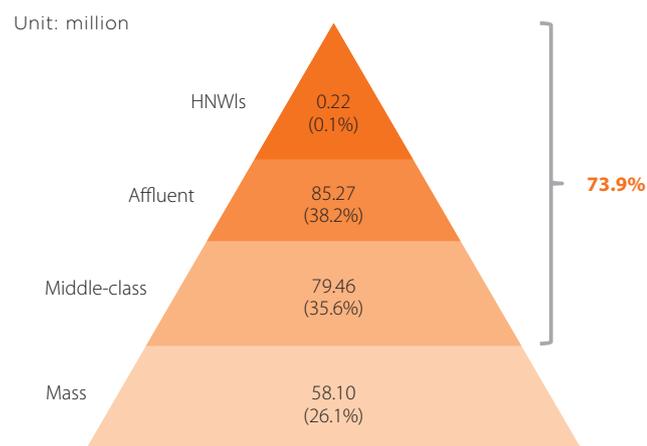
As Ping An advanced its integrated financial business strategy, cross-selling penetration increased, and nearly 15.56 million customer migrations occurred between the core financial companies of Ping An in the first half of 2021. Despite an expanding customer base, 86.28 million or 38.7% of retail customers held multiple contracts with different subsidiaries as of June 30, 2021, up 0.7 pps year to date. Contracts per customer grew 2.6% year on year to 2.76.

Number of retail customers holding multiple contracts with different subsidiaries



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. The Group had nearly 165 million middle-class and higher-level retail customers as of June 30, 2021, accounting for 73.9% of the total. On average, each high net worth individual (HNWI) held 14.11 contracts, far more than each affluent customer. The longer customers have been with Ping An, the more contracts they hold, and the more valuable they are. Ping An had over 123 million customers who had been with it for five or more years as of June 30, 2021, with contracts per customer being 3.16, far more than the average of 1.86 contracts held by customers who had been with Ping An for less than two years.

Retail customer wealth structure and proportion



Retail customers and contracts per customer by segment

	As of June 30, 2021	
	Number of customers (in million)	Contracts per customer
HNWIs	0.22	14.11
Affluent	85.27	3.73
Middle-class	79.46	2.38
Mass	58.10	1.80
The Group	223.05	2.76

Notes: (1) Mass customers are those with annual income below RMB100,000, middle-class customers between RMB100,000 and RMB240,000, 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.

Retail customers and contracts per customer by years with Ping An

	As of June 30, 2021	
	Number of customers (in million)	Contracts per customer
5 or more years	123.20	3.16
2-5 years	65.59	2.48
Less than 2 years	34.26	1.86
The Group	223.05	2.76

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

Cross-selling between insurance businesses continued to deepen. In particular, Ping An Health's premium income from cross-selling by Ping An Life's agents rose 26.0% year on year in the first half of 2021.

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

For the six months ended June 30 (in RMB million)	2021		2020	
	Channel contribution		Channel contribution	
	Amount	Percentage (%)	Amount	Percentage (%)
Ping An P&C	20,573	15.4	23,332	16.2
Short-term insurance business of Ping An				
Annuity	4,789	38.5	4,981	39.0
Ping An Health	4,274	71.0	3,393	69.3

Going forward, Ping An will remain customer-centric, strengthen technological capabilities, and use innovative products and better services to improve customer experience. In this way, Ping An will boost both retail customer value and enterprise value.

Customer Development

CORPORATE BUSINESS DEVELOPMENT

Corporate business value

In corporate business, Ping An focuses on boosting its shared and own values under the “1 + N” integrated financial services model. In supporting the Group’s strategy, corporate business provides high-quality assets for insurance fund allocation and retail business, sharing the corporate business value to help achieve the Group’s retail business goals. In boosting its own value, Ping An’s corporate business promotes synergies among the Group’s member companies, tiered customer development, and cross-selling under a customer-centric approach to increase each corporate customer’s value.

Corporate customer development strategy

In corporate business, Ping An focuses on tiered development of strategic customers, micro-, small and medium-sized enterprises, and financial institutions. Ping An provides differentiated services to satisfy customer needs for integrated financial services through three models, namely a sophisticated investment and financing model, a simple standard model, and a trading collaboration model. Moreover, Ping An uses technological capabilities to improve customer experience, reduce service costs, support the real economy, and promote financial inclusion.

Comprehensive drivers from tailor-made solutions for strategic customers

In serving nationwide strategic customers and regional large customers, Ping An focuses on customers in industries that contribute significantly to people’s livelihoods and facilitate long-term economic development. In business management, Ping An develops relations with strategic customers under a sophisticated investment and financing model, leveraging its advantages in insurance fund investment. Starting with major industries including infrastructure, Ping An provides offerings along industry chains and across ecosystems to increase customer stickiness and value as well as acquire more customers through existing ones. Ping An provides strategic customers with comprehensive solutions combining “commercial banking + investment banking + investment” and “financing + intelligence.” Ping An developed corporate customers comprehensively with Ping An Bank as the core channel in the first half of 2021. Ping An identifies business needs in the mixed-ownership reform of central enterprises, mergers and acquisitions, refinancing, corporate

deleveraging, and other sectors. Ping An integrates “finance + ecosystem” resources across the Group, develops business in industry scenarios, and has implemented the corporate strategic customer service model successfully in multiple business sectors. In infrastructure, Ping An has unique advantages with the integrated model of “investment, financing, construction, and operations.” Ping An won a bid for a large public-private-partnership metro line project (involving a total investment of over RMB30 billion). The project has generated multiple deals including follow-up syndicated lending, construction, insurance, and technology operations. Taking advantage of the “industry expert + solution expert + diverse funding” model, Ping An built innovative structures of mezzanine funds and merger & acquisition funds. Via such structures, Ping An provided key customers in public utility and port industries with differentiated financial services including capital increases, share purchases, and asset mobilization, involving total project investments of over RMB15 billion. Ping An’s corporate investment and financing business cumulatively brought RMB326.0 billion in deposits in the first half of 2021.

A technology-powered centralized business portal for micro-, small and medium-sized businesses

In serving micro-, small and medium-sized enterprises, Ping An makes financing more accessible to customers 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 to customers by introducing super-fast online review and streamlining credit approval processes. In business management, Ping An develops relations with micro-, small and medium-sized enterprises under the simple standard model. As their financial needs are simple and standard, Ping An acquires such customers in batches with standard products and technologies, seeking to grow its financial business scale and expand its market share. Based on the “Ping An Digital Pocket” app, Ping An used top-selling products and customer benefits to develop the Group’s centralized business portal for micro-, small and medium-sized enterprises in the first half of 2021. Ping An converted 330,000 customers into Ping An Bank’s “Ping An Digital Pocket” app users through the collaboration of member companies as of June 30, 2021, and continued to convert such users into Ping An Bank’s customers through platform services and specific scenarios.

Collaboration with financial institution customers to improve service efficiency

In serving financial institutions, Ping An strives to build a service alliance between the Group and financial institution customers with a focus on sharing technological service capabilities. In business management, Ping An develops relations with financial institutions under the trading collaboration model. As pilot entities for integrated financial services, Ping An's member companies are developing an internal bond business ecosystem with the Group's bond investment system in 2021. The system enables member companies to make investment decisions, boost trading returns, and reduce investment risks via uniform strategic research, performance appraisal, and risk warning.

Significant results of corporate customer development, with steady increases in value contributions

As a source of premium customers and assets, corporate business contributed to the steady growth of retail business, and sourced assets for the investment of insurance funds. The outstanding balance of retail assets referred by corporate business grew 3.2% year to date to RMB1.25 trillion as of June 30, 2021. The underlying assets invested by insurance funds sourced from corporate business⁽¹⁾ amounted to RMB581,325 million, with an increment that expanded 26.5% year on year to RMB74,708 million in the first half of 2021.

Corporate customer development yielded significant results in the first half of 2021, with improving customer services and a significantly expanding business scale. Corporate premiums achieved through cross-selling⁽²⁾ grew 21.7% year on year to RMB9,774 million, in which written premium of the corporate channel⁽³⁾ increased 27.5% year on year in the first half of 2021. The new financing scale achieved through corporate business cross-selling⁽⁴⁾ increased 36.1% year on year to RMB371,501 million in the first half of 2021.

Performance of corporate integrated finance

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

	2021	2020	Change (%)
Corporate premiums achieved through cross-selling ⁽²⁾	9,774	8,033	21.7
Including: Written premium of the corporate channel ⁽³⁾	3,302	2,590	27.5
New financing scale achieved through corporate business cross-selling ⁽⁴⁾	371,501	272,959	36.1

- Notes: (1) 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.
- (2) The corporate premiums achieved through cross-selling refer to written premiums of insurance policies sold by the Group to corporate customers through cross-selling.
- (3) The written premium of the corporate channel refers to the corporate premiums achieved through cross-selling less that achieved by Ping An Life.
- (4) 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.

Performance of integrated finance realized through Ping An Bank

As the "engine" of the Group's corporate business, Ping An Bank has advantageous distribution channels. The premiums and financing referred by Ping An Bank rose 20.2% and 18.2% year on year respectively in the first half of 2021.

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

	2021	2020	Change (%)
Premiums referred by Ping An Bank ⁽¹⁾	2,279	1,896	20.2
Financing referred by Ping An Bank ⁽²⁾	260,752	220,612	18.2

- 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 tiered customer development. By enhancing the "1 + N" service model, Ping An will improve customer services, strengthen risk management, continuously advance corporate customer development, 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 empower its ecosystems. Ping An's technology patent applications increased by 3,508 year to date to 34,920 as of June 30, 2021. Ping An continued to rank first globally by fintech and digital healthcare patent applications, and ranked among the world's top three players in terms of AI and blockchain patent applications.
- Ping An cumulatively won dozens of international honors in AI, digital healthcare and other fields, and won championships in dozens of international technology competitions. In AI, Ping An topped the rankings in four tasks at the International Workshop on Semantic Evaluation (SemEval) in March 2021. In digital healthcare, Ping An won the championship in a task at MEDIQA 2021, a medical question-and-answer contest in biological text processing hosted by the Association for Computational Linguistics (ACL), in April 2021.

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 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 ecosystems. Ping An applies an array of technologies in diverse scenarios to increase efficiency, cut costs, enhance risk management, develop excellent products, strengthen customer acquisition, and boost revenues. Moreover, Ping An develops and empowers industry ecosystems with advanced technologies by sharing leading innovative products and services with external entities.

Ping An boosts customer stickiness, retention, and value through diverse products and services in its ecosystems by broadening scenario coverage and deepening scenario mining. The Group's internet users exceeded 627 million as of June 30, 2021. The Group acquired 16.12 million new retail customers in the first half of 2021, 35.5% of whom were sourced from its internet user base. Retail customers who used services in the Group's ecosystems held 2.9 financial contracts and RMB34,000 in AUM per capita respectively, 2.4 and 3.8 times those of customers who did not use such services respectively.

Ping An continues to focus on developing core technologies and securing proprietary intellectual property rights.

Ping An had a first-class technology team of over 110,000 technology employees, including over 4,500 scientists, as of June 30, 2021. Moreover, Ping An's eight research institutes and 57 laboratories cooperate with top universities including Peking University, Tsinghua University, and Fudan University as well as leading research institutes to pursue technological breakthroughs. Ping An's technology patent applications increased by 3,508 year to date to 34,920 as of June 30, 2021, which is more than most other international financial institutions'. Of the technology patent applications, nearly 96% were for inventions, and 8,452 were made under the Patent Cooperation Treaty (PCT) and abroad. Ping An continued to rank first globally by fintech and digital healthcare patent applications, and ranked among the world's top three players in terms of AI and blockchain patent applications⁽¹⁾. Ping An won the 22nd China Patent Excellence Award in the first half of 2021.

Note: (1) The data is based on the ranking information of patent applications published during 2018-2020.

Ping An has been internationally recognized for technological breakthroughs in terms of global contests and academic papers.

In respect of global contests, Ping An cumulatively won over 70 international championships, including seven garnered in the first half of 2021.

- In AI, Ping An topped the rankings in four out of twelve tasks, including “Reading Comprehension of Abstract Meaning” and “Identifying and Categorizing Humorous and Offensive Texts in Social Media,” at SemEval, which has great industrial and academic influence, in March 2021.
- In digital healthcare, Ping An ranked first in a multi-answer summarization task at MEDIQA 2021, a medical question-and-answer contest in biological text processing hosted by ACL in April 2021.

In respect of academic papers, Ping An cumulatively published over 210 papers in internationally renowned journals in various fields, including over 80 published in the first half of 2021.

- Ping An published a paper as the first author in *Nature Communications* in February 2021. The paper proposed a measurement model that can detect all the types of hip fractures visible in X-ray images for the first time.
- Ping An published a research in *Briefings in Bioinformatics*, an international computational biology journal, in May 2021. The research unveiled a molecular pre-training model for new drug discovery in computational biology for the first time, representing a major breakthrough in AI-driven pharmaceutical development.
- Over 10 papers by Ping An were selected into the International Conference on Acoustics, Speech and Signal Processing (ICASSP), a top conference in its field, in the first half of 2021. Moreover, Ping An published four papers in the *Elsevier Journal of Medical Image Analysis*, a top journal on medical image analysis, in the first half of 2021.

EMPOWERING MAIN FINANCIAL BUSINESSES WITH TECHNOLOGIES

From the perspective of transforming and upgrading Ping An’s main businesses, technology benefits are reflected in larger sales, higher business efficiency, and stronger risk management.

In sales promotion, Ping An accelerates the application of new technologies in business scenarios including life insurance to improve productivity. Ping An Life continued to promote its online-merge-offline sales model. The AI Customer Visit Assistant enabled convenient simultaneous online interactions among 300 persons at large online product presentation/entrepreneurship seminars. Ping An Life’s proprietary AI Short Video Maker enabled agents to create high-quality short videos about insurance knowledge, wealth management, and healthy lifestyles, diversifying their business development practices. Under such unconventional business development approach, Ping An Life’s average monthly customers reached online amounted to over 1.1 million in the first half of 2021, up more than 60% compared with the average monthly number for 2020.

In efficiency improvement, Ping An leverages technologies to optimize business processes, boost operational efficiency, and improve customer experience. Ping An empowers human service representatives with AI. The amount of services provided by AI service representatives⁽¹⁾ grew 16.3% year on year to approximately one billion times in the first half of 2021, representing 84% of Ping An’s total customer service volume, and improving the labor efficiency by 26%⁽²⁾. Sales realized by AI service representatives increased 54% year on year to approximately RMB111 billion⁽³⁾. Their proportion in the total sales volume of all service representatives grew from 24% for the first half of 2020 to 39%, up 15 pps year on year. Ping An’s AI service representatives covered 2,155 scenarios as of June 30, 2021, offering services covering lending, credit cards, and insurance. Ping An P&C’s intelligent document recognition technology stayed ahead in the industry. The average accuracy rate of our optical character recognition (OCR) technology for key documents exceeded 97.3% with 91.1% of personal auto insurance policies being underwritten through self-service, and 93.4% of personal auto insurance policy modifications being completed through self-service. Ping An P&C strengthened the interaction capabilities of its robot assistants, which answered questions 24/7 online nearly 126 million times in the first half of 2021 with a 96.2% accuracy rate.

- Notes: (1) The amount of services provided by AI service representatives refers to the total number of times of inbound and outbound call services provided by speech robots and text robots for lending, credit card, and insurance business lines.
- (2) Labor efficiency improvement for the period of 2018-2020 was reflected by a manpower decline.
- (3) Due to business adjustments, sales realized by AI service representatives in the Reporting Period exclude sales contributed by Ping An Bank and Lufax Holding. Relevant metrics and data for the comparable period have been restated accordingly.

Technology-Powered Business Transformation

In risk management, Ping An employs cutting-edge analytics engines to enhance the quality and efficiency of risk management. Technologies including OCR, natural language processing (NLP), and knowledge graphs are conducive to information identification and claims review in underwriting and claims processes. Such technologies can identify underwriting risks related to nearly 1,600 common diseases, and facilitate claims review for medical insurance against nearly 1,000 diseases. AI cumulatively collected RMB173.7 billion of overdue loans⁽¹⁾ in the first half of 2021, up 96% year on year. The 30-day recovery rate of AI collection was 78%, up 18 pps year on year.

Note: (1) Overdue loans cumulatively collected by AI comprise overdue credit card receivables, auto loans, consumer loans, and unsecured loans cumulatively collected by AI.

EMPOWERING FINANCIAL SERVICES ECOSYSTEM WITH TECHNOLOGIES

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 online through "open platforms + open marketplaces."

In services for financial institutions, OneConnect facilitated over RMB48.0 billion of loans in the first half of 2021. OneConnect cumulatively served 641 banks and 110 insurance institutions as of June 30, 2021, collectively reaching hundreds of millions of end-customers.

In services for retail customers and merchants, E-wallet provided nearly 349 million retail users with financial and consumer services including wealth management, shopping, payment, and loyalty point management as of June 30, 2021. Moreover, E-wallet empowered 2.15 million business customers by providing solutions for payment and customer loyalty management.

EMPOWERING AUTO SERVICES ECOSYSTEM WITH TECHNOLOGIES

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 P&C, Ping An Bank, and Ping An Financial Leasing.

As to retail customers, Autohome had 44.10 million daily active users on mobile apps⁽²⁾ in June 2021, up 16.1% year on year. Registered users of Ping An P&C's "Ping An Auto Owner" app exceeded 139 million as of June 30, 2021, with over 31 million monthly active users in June. Ping An Bank continuously advances ecosystem-based customer development among auto owners, focusing on auto owner credit cards and building a comprehensive auto services ecosystem. The ecosystem centers on refueling benefits, supported by other benefits including car wash, car parking, electric car charging, and car maintenance. In this way, Ping An Bank provides auto owners with customized one-stop auto financial services.

As to businesses, revenue of Autohome's data products for the first half of 2021 increased 54.7% year on year. Autohome served 20 new energy vehicle ("NEV") brands⁽³⁾. With a high penetration rate, Autohome realized rapid development of new business via industry-leading digitization. Ping An Financial Leasing's auto leasing business volume amounted to RMB33,571 million.

Notes: (2) Average daily active users on mobile devices include those on mobile webpages, mobile apps, and miniprograms.

(3) The NEV brands comprise new automakers and independent NEV brands of traditional automakers.

EMPOWERING SMART CITY ECOSYSTEM WITH TECHNOLOGIES

Ping An's smart city business offers comprehensive and integrated smart city solutions centering on government services, business development, and citizen services to fulfill its mission of serving the country, real economy, and society. Ping An's smart city business leverages technologies to empower city governance, support industries, advance people's livelihoods, and facilitate the digital government, digital economy, and digital society. Ping An's smart city business cumulatively served 156 cities, 1.68 million companies, and 130 million citizens as of June 30, 2021.

In digital government services, Ping An helps local governments enhance governance capabilities and modernize governance practices at an accelerated pace through its integrated solutions and leading proprietary technologies including AI, blockchain, and cloud computing. Ping An's smart government system has been deployed in over 50 cities and over 80 commissions, offices, and bureaus, helping local governments analyze more than 400 themes and over 15,000 metrics covering macroeconomic conditions and industries.

In promoting the digital economy, Ping An built a "smart brain" to help companies pursue digitization and smart business decision-making, aiming to provide comprehensive business services, optimize the business environment, and drive high-quality economic growth. In business services, the smart business services platform built by Ping An provided over 1.5 million companies with services throughout their lifecycles including government subsidy application and risk management. Ping An built a government policy library with over two million domestic policies. In smart environmental protection, "Super Brain" developed by Ping An has gone live in ten provinces/cities. "Super Brain" has covered more than 110,000 businesses, 310 rivers and 6,000 environmental monitoring points in Shenzhen, and conducted smart monitoring of 230 pollutants in seven industries.

In digital citizen services, Ping An empowers governments to digitize services with technologies and optimize citizens' daily life experience with an aim to improve citizens' senses of happiness, gain, and security. In citizen services, the integrated citizen services platform built by Ping An was accessed over 3.3 billion times by nearly 42 million users in nearly 30 cities as of June 30, 2021. The platform supports online processing of over 16,000 service items on mobile devices, and 24/7 AI-enabled instant filing and approval of over 3,500 service items. In vocational education, Ping An cumulatively served 56 million users, with courses broadcast 456 million times. In corporate training, Ping An cumulatively served over 1,700 government and corporate customers, recording 1.61 billion attendances at online conferences and business training.

Healthcare as a New Driver of Value Growth

- Ping An has nearly 30 years of experience and unique competitive advantages in healthcare. Healthcare ecosystem will be one of the core long-term strategies of Ping An.
- Ping An is accelerating the implementation of its healthcare ecosystem strategy. In respect of healthcare management authorities, Ping An Smart Healthcare cumulatively empowered over 40,000 medical institutions in 170 cities and benefited approximately 950,000 doctors as of June 30, 2021. We will further advance our strategic layout in the healthcare sector and enhance service capabilities by participating in the restructuring of Founder Group and the joint operations of Ping An Longhua General Hospital.
- Synergies between Ping An's healthcare ecosystem and main financial businesses are also emerging. In customer acquisition and retention, nearly 62% of Ping An's over 223 million retail customers used services from the healthcare ecosystem. Such customers held 3.2 contracts and RMB41,000 in AUM per capita respectively, 1.6 times and 2.6 times respectively as many as those who did not use healthcare services from the healthcare ecosystem. In product innovation, Ping An Life, Ping An Good Doctor and Ping An Smart Healthcare jointly launched the Ping An Zhen Xiang RUN Health Services Plan to provide nearly 30 types of heartwarming full-cycle health management services covering scenarios including health management, sub-health management, chronic disease management, and disease management.

“HEALTHCARE ECOSYSTEM” STRATEGY

Ping An continues to execute its healthcare ecosystem strategy. Healthcare expenditure is one of the most important and frequent consumer expenses. The healthcare market has huge growth potential driven by factors including population aging, income growth and policy guidance. The close integration of the healthcare ecosystem strategy with Ping An's main financial businesses will generate significant synergies. Ping An will continue to invest heavily in technologies to build cutting-edge digital healthcare capabilities and core competences around financial scenarios. Ping An is launching new innovative service models in “finance + medical services,” “finance + healthcare” and “finance + eldercare,” committed to developing a healthcare ecosystem featuring scenario-based, high-frequency heartwarming services.

“HEALTHCARE ECOSYSTEM” PROGRESS

Ping An's comprehensive healthcare ecosystem encompasses 14 entities collaborating to serve the healthcare industry on all fronts including healthcare

management authorities, patients, service providers, payers and technologies. Ping An seeks horizontal integration and value maximization by grabbing user traffic from the user end, managing medical institutions from the payment end, and empowering service providers. Furthermore, Ping An pursues vertical collaboration among hospitals, doctors and pharmacies, and builds competitive moats by serving healthcare management authorities and empowering ecosystem members with technologies. Moreover, the healthcare ecosystem generates great synergies for the Group's main businesses. Nearly 62% of Ping An's over 223 million retail customers used services from the healthcare ecosystem. Such customers held 3.2 contracts and RMB41,000 in AUM per capita respectively, 1.6 times and 2.6 times respectively as many as those who did not use healthcare services from the healthcare ecosystem.

In respect of healthcare management authorities,

Ping An empowers healthcare management authorities and medical institutions with solutions including public emergency platforms (for alerting, forecast, prevention and early implementation), medical institution monitoring, chronic disease management, telemedicine, and the AskBob medical platform. Ping An Smart Healthcare cumulatively served over 40,000 medical institutions in 170 cities across 30 provinces as of June 30, 2021. Covering 3,000 diseases, Ping An's AI-based medical system was used over 500 million times in the first half of 2021, benefiting approximately 950,000 doctors and serving 3.06 million chronic disease patients. Ping An won the bid to build a public health emergency decision-making and steering system for Hubei Province in the first half of 2021. Ping An is committed to building this exemplary system, which is the first provincial-level public health emergency platform in China. Moreover, Ping An helped regulators of Guangdong Province incorporate over 21,000 private clinics into an epidemic containment grid, giving full play to primary healthcare.

In respect of patients, Ping An Good Doctor provides individual and corporate users with 24/7 comprehensive, multi-layered, one-stop healthcare services through its in-house full-time medical staff and proprietary AI-based medical system. Strong healthcare service capabilities backed by online-merge-offline resources are applied to four scenarios, namely health management, sub-health management, chronic disease management, and disease management. Ping An Good Doctor had an aggregate of 401 million registered users and cumulatively processed nearly 1,183 million online consultations as of June 30, 2021. In addition, Ping An empowered ecosystem partners with high-quality resources including AI and medical services, and developed over 600 core corporate customers in the first half of 2021. Furthermore, Ping An partnered with about 3,000 hospitals and 163,000 pharmacies as of June 30, 2021. Ping An Life, Ping An Good Doctor, and Ping An Smart Healthcare jointly launched the Ping An Zhen Xiang RUN Health Services Plan to provide nearly 30 types of heartwarming full-cycle health management services covering scenarios including health management, sub-health management, chronic disease management, and disease management.

In respect of service providers, Ping An takes online and offline healthcare management authorities as portals to build a four-layer doctor system comprising AI doctors, in-house doctors, external doctors, and renowned doctors. Ping An

maintains an online doctor network of top renowned doctors, specialists, and general practitioners from across the country, and empowers medical institutions and doctors offline with AI models. Through joint operations, Ping An will develop Ping An Longhua General Hospital into a high-end exemplary general hospital providing precise, smart and heartwarming services in Guangdong Province. Ping An is participating in Founder Group's restructuring, hoping to enhance its strategic presence in healthcare with PKU Healthcare's top-notch medical brand and resources. Moreover, Ping An will continue to build its global medical network, which already covers over 1,130 partner hospitals.

In respect of payers, Ping An HealthKconnect develops the Smart Social Health Insurance (SHI) Integrated Platform centering around a smart SHI system, which provides Healthcare Security Administrations with macro decision support and operational monitoring, advancing the digitization of SHI management. Starting from SHI, Ping An HealthKconnect provides integrated medical management solutions covering hospitals, doctors, pharmacies, and insured members. Ping An HealthKconnect cumulatively won 22 provincial-level platform construction project bids as of June 30, 2021, including 10 bids won in the first half of 2021. Moreover, Ping An HealthKconnect empowers commercial insurers in terms of insurance product design, risk management, and marketing channels. Ping An had over 64 million life insurance customers as of June 30, 2021. Written premium of Ping An's health insurance business exceeded RMB78 billion in the first half of 2021.

In respect of technologies, Ping An has built one of the world's largest healthcare databases, and ranked first globally by the number of digital healthcare patent applications. Moreover, Ping An's digital healthcare continued to make strides and gain international recognition, with over 40 high-quality research papers published in top international journals from January 1, 2020 to June 30, 2021. In addition to establishing its own businesses and partnering others, Ping An has invested in healthcare-related companies around the world, covering fields including disease screening and diagnostics as well as advanced therapies. Ping An effectively supports the sustainable development of healthcare management authorities, patients, service providers, and payers by building technological capabilities in advance.

Business Analysis

Performance Overview

- Ping An delivered an annualized operating ROE of 21.0% with operating profit attributable to shareholders of the parent company rising 10.1% year on year to RMB81,836 million in the first half of 2021.
- Ping An's net profit attributable to shareholders of the parent company decreased 15.5% year on year to RMB58,005 million in the first half of 2021, equating to an annualized ROE of 15.0%.
- Ping An's basic operating earnings per share rose 10.5% year on year to RMB4.64 in the first half of 2021. As approved by the Board of Directors, Ping An will pay an interim dividend of RMB0.88 per share in cash for 2021, up 10.0% year on year.

CONSOLIDATED RESULTS

Ping An offers a wide range of financial products and services via multiple distribution channels under a uniform brand. Ping An engages in financial business through subsidiaries including Ping An Life, Ping An P&C, 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 technology business through subsidiaries, associates and jointly controlled entities including Autohome, Lufax Holding, OneConnect, Ping An Good Doctor, and Ping An HealthKconnect.

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

	2021	2020	Change (%)
Operating profit attributable to shareholders of the parent company	81,836	74,310	10.1
Basic operating earnings per share (in RMB)	4.64	4.20	10.5
Operating ROE (annualized, %)	21.0	21.6	-0.6 pps
Interim dividend per share (in RMB)	0.88	0.80	10.0
Net profit attributable to shareholders of the parent company	58,005	68,683	(15.5)
ROE (annualized, %)	15.0	19.8	-4.8 pps

OPERATING PROFIT OF THE GROUP

Operating profit is a meaningful business performance evaluation metric given the long-term nature of our major life and health insurance business. We define operating profit after tax as reported net profit excluding the following items which are of short-term, volatile or one-off nature:

- 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 material non-operating items and others is the impact of material items that management considered to be non-operating incomes and expenses, which in the first half of 2021 refers to the revaluation gain or loss on the convertible bonds issued by Lufax Holding to the Group.

Note: (1) Refer to the significant accounting policies in the notes of the Company's 2020 Annual Report for the information about the discount rate.

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

The global economy's recovery prospects were improved by proactive fiscal and monetary policies, boosting global demands in the first half of 2021. China consolidated and advanced achievements in epidemic prevention and containment as well as economic and social development with the rollout and inoculation of COVID-19 vaccines. The Chinese economy remained stable, showing a positive recovery trend. The financial industry maintained stable growth, with increasing volumes of main businesses as well as improving effectiveness and efficiency in serving the real economy. Risks in key sectors were effectively prevented and contained, with business health significantly enhanced. However, uncertainties in the global trend of COVID-19 complicated the international economic environment. In addition, the domestic economic recovery was still unbalanced, and the foundation for stable recovery and development was not solid as discretionary consumption demand was still recovering. The demand for long-term protection products remained depressed. Ping An adopted various forward-looking measures including strengthening risk management, advancing reforms, rebuilding its culture of "original aspirations, wholeheartedness, and perseverance" and promoting digitization. By doing so, Ping An delivers heartwarming financial services and lays a solid foundation for long-term sustainable, healthy growth.

The Group's operating profit attributable to shareholders of the parent company rose 10.1% year on year to RMB81,836 million in the first half of 2021. Basic operating earnings per share rose 10.5% year on year to RMB4.64. Net profit attributable to shareholders of the parent company decreased 15.5% year on year to RMB58,005 million mainly because the Company made adjustments including impairment provisions to investments related to China Fortune Land Development Co., Ltd. ("China Fortune"). Life & Health's new business growth declined, policy persistency ratios fluctuated, and claims variance lowered as claim payments normalized in the first half of 2021 versus lower claim payments in the first half of 2020 because of COVID-19. As a result, Life & Health's operating profit attributable to shareholders of the parent company decreased 3.2% year on year to RMB49,495 million.

Ping An made adjustments including impairment provisions, valuation adjustments, and other equity adjustments totaling RMB35.9 billion to investments related to China Fortune in the first half of 2021. The impacts on net profit after tax attributable to shareholders of the parent company and operating profit after tax attributable to shareholders of the parent company were negative RMB20.8 billion and negative RMB6.1 billion respectively.

Ping An attaches great importance to investment risks caused by the debt crisis of China Fortune. The Group has organized comprehensive self-examinations and self-corrections in the departments and subsidiaries concerned, optimized investment decision-making procedures, and further tightened investment concentration limits. Going forward, Ping An will continuously enhance prudence in investing, strengthen post-investment risk management, and improve group-wide risk governance. Moreover, Ping An will continue to work with various parties to resolve the debt crisis of China Fortune.

For the six months ended June 30 (in RMB million)	2021								
	Life & Health business	Property & Casualty 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	29,256	10,741	10,191	1,253	1,677	5,078	2,644	(2,835)	58,005
Net profit attributable to non-controlling interests	529	50	7,392	1	71	737	726	452	9,958
Net profit (A)	29,785	10,791	17,583	1,254	1,748	5,815	3,370	(2,383)	67,963
Excluding:									
Short-term investment variance (B)	(15,245)	-	-	-	-	-	-	-	(15,245)
Impact of discount rate change (C)	(5,200)	-	-	-	-	-	-	-	(5,200)
Impact of one-off material non-operating items and others (D)	-	-	-	-	-	-	(3,592)	-	(3,592)
Operating profit (E=A-B-C-D)	50,230	10,791	17,583	1,254	1,748	5,815	6,962	(2,383)	92,000
Operating profit attributable to shareholders of the parent company	49,495	10,741	10,191	1,253	1,677	5,078	6,236	(2,835)	81,836
Operating profit attributable to non-controlling interests	735	50	7,392	1	71	737	726	452	10,164

Business Analysis

Performance Overview

2020

For the six months ended June 30 (in RMB million)	Life & Health business	Property & Casualty 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 (B)	(1,987)	-	-	-	-	-	-	-	(1,987)
Impact of discount rate change (C)	(3,660)	-	-	-	-	-	-	-	(3,660)
Impact of one-off material non-operating items and others (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

Notes: (1) Life & Health business represents the results of three subsidiaries, namely Ping An Life, Ping An Annuity, and Ping An Health. Property & Casualty business represents the results of Ping An P&C. 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 other 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 Autohome, Lufax Holding, OneConnect, Ping An Good Doctor, and Ping An HealthKconnect. Eliminations include offsets against cross-shareholding among business lines.

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

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

(in RMB million)	June 30, 2021	December 31, 2020	Change (%)
Life & Health business	284,491	273,161	4.1
Property & Casualty business	112,684	102,991	9.4
Banking business	189,637	182,067	4.2
Asset management business	110,957	105,061	5.6
Including: Trust business	24,975	23,475	6.4
Securities business	33,835	32,346	4.6
Other asset management business	52,147	49,240	5.9
Technology business	103,063	104,523	(1.4)
Other businesses and elimination	(8,996)	(5,243)	71.6
The Group	791,836	762,560	3.8

OPERATING ROE (ANNUALIZED)

For the six months ended June 30 (%)	2021	2020	Change (pps)
Life & Health business	35.0	39.2	(4.2)
Property & Casualty business	20.0	17.2	2.8
Banking business	10.7	9.3	1.4
Asset management business	15.0	11.6	3.4
Including: Trust business	10.4	16.8	(6.4)
Securities business	10.2	9.8	0.4
Other asset management business	20.6	11.0	9.6
Technology business	11.8	8.2	3.6
Other businesses and elimination	N/A	N/A	N/A
The Group	21.0	21.6	(0.6)

Business Analysis

Life and Health Insurance Business

- Implementing tiered, refined management of sales agents, Ping An Life vigorously developed Diamond Agents, stabilized ordinary agents, enhanced productivity, and trained high-quality new agents to drive high-quality team transformation.
- Ping An Life continuously advanced its pioneering reform and transformation, gaining some experience and achieving early results. Ping An Life leveraged the Group's ecosystems and technologies to provide customers with better products and services.

BUSINESS OVERVIEW

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

Global economic growth faced uncertainties in the first half of 2021 amid complex and severe economic situations across the world and continued impact of the COVID-19 pandemic. China's insurers, especially life insurers, are still in a developing stage characterized by market challenges and growth prospects. However, traditional extensive management models and labor-intensive models are hard to sustain. Ping An Life pursues sustainable high-quality development under the business philosophy of "being customer-centric and quality-oriented." Moreover, Ping An Life transformed and optimized its sales force through Ping An Life's reform to offer heartwarming insurance, improve service systems, and provide more considerate services. New business value ("NBV") of Life & Health fell by 11.7% year on year to RMB27,387 million in the first half of 2021, largely because of lower NBV margin arising from a 9.8 pps increase (to 46.7%) in the proportion of saving products' first-year premium. Productivity of agents remained stable, with an NBV per agent of nearly RMB25,200 in the first half of 2021, up 0.7% year on year.

Key Indicators

(in RMB million)	For the six months ended June 30, 2021/ As of June 30, 2021	For the six months ended June 30, 2020/ As of December 31, 2020	Change (%)
NBV	27,387	31,031	(11.7)
NBV margin (%)	31.2	36.7	-5.5 pps
First-year premium used to calculate NBV	87,641	84,548	3.7
Embedded value	863,585	824,574	4.7
Operating ROEV (annualized, %)	14.9	18.7	-3.9 pps
Operating profit after tax	50,230	51,535	(2.5)
Operating ROE (annualized, %)	35.0	39.2	-4.2 pps
Net profit	29,785	45,888	(35.1)

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

PING AN LIFE'S REFORM AND TRANSFORMATION

The reform is urgent as the traditional life insurance is faced with challenges in three aspects, namely the job market, the product competition, and the customer demand. First, in terms of the job market, it is difficult to sustain the traditional extensive huge-crowd strategy due to China's labor shortage, the rising social average salary, and the emergence of a gig economy. Second, in terms of product competition, commercial insurance products are highly homogeneous, and internet insurance products are grabbing market shares by virtue of huge traffic. Third, in terms of customer demand, as the social security system gradually improves, people's demand for basic insurance is on the decline. Traditional insurance products offer only financial protection and low-frequency services, and high-quality medical services are scarce, leading to the unmet customer demand. **Amid the changing landscape, the life insurance industry still enjoys bright prospects, and the agent channel remains the main channel.** On the one hand, disposable income per capita in China is increasing, and people have huge potential demand for healthcare and eldercare services. On the other hand, long-term protection products are generally sophisticated. To sell a long-term protection policy, an agent needs to interact with a customer several times. As a result, the agent channel remains the main channel to reach out to customers.

Ping An Life continues to deepen its reform by driving integration in 2021. In terms of channels, Ping An Life implements the evaluation standard of 5-Star outlets with strong performance, high quality and good behaviors, and differentiated the management of 3-tier teams. Moreover, Ping An Life comprehensively empowers the agent channel with four digital tools, namely digital business outlets, digital agent recruitment, digital activity management, and digital training/AskBob. In terms of products, Ping An Life builds its differentiated advantages with its “insurance + health management,” and “insurance + high-end eldercare” offerings.

In respect of channels, Ping An Life developed the life agent channel, the bancassurance channel, and other channels. The life agent channel adhered to the high-quality development strategy, promoting team transformation and tiered management through digital empowerment. The bancassurance channel focused on value and enhanced customer experience. Other channels continued to explore innovation and boost customer conversion.

- **Life agent channel.** Ping An Life refined the tiered management of its agent force and pursued high-quality team transformation through digital empowerment. First-year premium (FYP) per agent was RMB9,350 per month in the first half of 2021, up 23.8% year on year. Agent income fell year on year as indirect commission dropped over 20% and income from cross-selling declined by 12% year on year. Regarding tiered management of agent force, in respect of Diamond Agents, FYP per capita is over 5 times the average of all the agents, and the per capita income was about 4-5 times the social average salary. Going forward, Ping An Life plans to increase the number of Diamond Agents and boost their productivity

by offering exclusive services, products and events through outlets recognized to be excellently managed and have growth potential. In respect of ordinary agents, Ping An Life will standardize over 200 actions through digitized activity management. Moreover, Ping An Life will offer marketable product packages⁽¹⁾ to increase activity rates and agent income as well as stabilize ordinary agents. In respect of new agents, Ping An Life will carry out dual-track development via the routine recruitment approach and innovative projects. Ping An Life will implement “Excellence +” to upgrade agent recruitment, aiming to raise the proportion of high-quality new agents gradually through the existing high-quality agents. Ping An Life will implement new agent development projects to achieve higher retention of new agents through training upgrade and product support. In addition, Ping An Life made some achievements through the pilot digital channel reform. Some of the pioneering business outlets in the pilot reform have seen stronger performance, better behavior, and higher quality. The FYP per outlet for the three months ended June 30, 2021 increased 6% compared with that before the pilot reform (for August-October, 2020). Customer visits increased about 150% compared with the control group⁽²⁾. The number of long-term insurance policies sold per capita climbed by about 140% compared with the control group.

- Notes: (1) Product packages refer to packages designed for customers who have purchased products used for customer acquisition. The packages comprises scenario-based processes including relationship establishment, conversion, and sales facilitation in line with customer profiles to facilitate the sales of long-term insurance.
- (2) The control group is the weighted average of the business outlets of the tier-3 branch where the pilot business outlets are.

Business Analysis

Life and Health Insurance Business

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

	2021	2020	Change (%)
Agent productivity and income			
Agent channel NBV	23,684	27,705	(14.5)
Average number of agents per month (in thousand)	940	1,108	(15.2)
NBV per agent (RMB per agent per six months)	25,185	25,003	0.7
Activity rate of agents ⁽¹⁾ (%)	43.9	53.0	-9.1 pps
Agent income (RMB per agent per month)	5,889	6,189	(4.8)
Including: Income from Ping An Life's products (RMB per agent per month)	4,954	5,127	(3.4)

	June 30, 2021	December 31, 2020	Change (%)
Number of individual life insurance sales agents (person)	877,751	1,023,836	(14.3)

Notes: (1) Activity rate of agents = annual total of monthly agents who issued policies / annual total of monthly agents on board.

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

- Bancassurance channel.** The bancassurance channel focused on value-driven operations, advanced the reform, and accelerated the implementation of its exclusive “channel + product + technology” strategy. Ping An Life diversified its product portfolio to meet customer demand for savings, protection and eldercare products. Moreover, Ping An Life enhanced customer service experience by strengthening technological empowerment, working closely with bank partners and improving business process. Ping An Life empowered the professional development of its competent teams to achieve the high-quality development of bancassurance business.

- Other channels.** In respect of the telemarketing channel, Ping An Life created four-step operations of “services before sales.” Ping An Life promoted customer services and product distribution for more efficient and heartwarming customer conversion through customer insights, product portfolio improvement, and refined division of labor online. In this way, the telemarketing channel realized significant improvements in customer conversion and a leading market share in the industry. In respect of the internet channel, Ping An Life continued to boost customer conversion and facilitate steady business development by optimizing its platform operations, acquiring customers precisely, and empowering agents via digitization.

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

In respect of products, Ping An Life continued to improve its product portfolio and focused on the new demands of customers for healthcare and eldercare. Moreover, Ping An Life implemented the “Service +” reform with the aid of the Group’s healthcare ecosystem, improved the health management service framework, and explored eldercare services. Ping An Life created a unique, heartwarming and differentiated competitive edge by integrating into customers’ life scenarios and expanding the boundaries of insurance services.

- In respect of savings products,** guided by full market research, Ping An Life focused on the high-end pension savings market by optimizing the form of annuity products and expanding the elderly customer base.

- **In respect of protection products,** China's critical illness insurance market experienced insufficient short-term demand caused by economic fluctuations and industry policies. Ping An Life refreshed its main critical illness products to strengthen its product competitiveness by launching new critical illness products. Moreover, Ping An Life launched new critical illness products which allow multiple claims settlements and cost-effective term critical illness products to improve its critical illness product portfolio.
- **In respect of services,** Ping An Life capitalizes on the Group's healthcare ecosystem to improve its "service +" framework and build a competitive moat.

In respect of "insurance + health management," Ping An provides each customer with one exclusive professional doctor and health records, and employs ten approaches to offer four services, namely health management, sub-health management, chronic disease management, and disease management. By doing so, Ping An builds a "1 + 4 + 10" differentiated services framework to ensure "Expertise makes life better." Ping An has been engaged in the health insurance industry for nearly 30 years, with leading advantages in terms of "specialists, experts, and expertise." Ping An has over 38,000 contracted external doctors. Our domestic provider network covers more than 150 of the top 100 hospitals and renowned specialist hospitals in China, including 99% of the top 100 hospitals in China. Our overseas provider network has enrolled over 1/3 of top 100 hospitals worldwide. Moreover, Ping An has over 2,000 in-house professional doctors who provide customers with 24/7 services.

In respect of "insurance + high-end eldercare," Ping An is committed to developing the high-end eldercare market and realizing "Expertise brings premium eldercare." Ping An launched the eldercare brand "Ping An Zhen Yi Nian," its first high-end product line "Yi Nian Cheng," and an industry-leading premium services framework of "Five Zhens" eldercare standards (prime locations, lifelong concierge services, top standards, customized healthcare, and noble life) in the first half of 2021. The "Five Zhens" eldercare standards will fully cover the needs of the elderly and meet their demands for high-quality eldercare services. Ping An will establish three advantages in terms of locations, services, and healthcare. Ping An will select prime locations of tier-1 and tier-2 cities, within ten minutes' walk from life and entertainment areas. Ping An will meet diverse customer demands through a 1 x N concierge group and 950 customized services. Moreover, Ping An will provide customers with high-quality healthcare through over 2,000 in-house medical experts and over 100 professional medical and nursing solutions.

Healthcare services bring customers to Ping An Life and increase customer stickiness. Over 20% of Ping An Life's customers acquired in the first half of 2021 were sourced via healthcare services, and the percentage is increasing gradually. Moreover, Ping An boosts customer stickiness and value with healthcare products and services. Per capita life insurance policies and premiums of customers using healthcare services in the first half of 2021 were both 1.4 times those of customers not using healthcare services. The upselling rate of customers using online consultation was 3.7 times that of customers not using online consultation.

Business Analysis

Life and Health Insurance Business

Thirteen-month persistency ratio declined by a narrower margin of 0.5 pps year on year to 87.6% in the first half of 2021. Going forward, Ping An Life will establish a services-based approach to renewal premium collection, use technology to provide ex ante services for customers facing difficulties in policy renewal, and offer precise policy renewal services to enhance the efficiency of renewal premium collection.

For the six months ended June 30	2021	2020	Change (pps)
Ping An Life			
13-month persistency ratio (%)	87.6	88.1	(0.5)
25-month persistency ratio (%)	82.0	85.1	(3.1)

Ping An Life's reform has started to pay off. The reform is a long journey through difficulties and challenges posed by the market and operations. However, Ping An life will firmly advance the reform and blaze a new trail of technology-enabled digital transformation to ensure sustainable, healthy development for the next decade.

TECHNOLOGY-DRIVEN TRANSFORMATION

Ping An Life actively advanced digitization, promoting the application, integration, and adoption of digital technology in marketing, services, and risk management.

- In respect of digital marketing,** Ping An Life continued to promote its online-merge-offline sales model. The AI Customer Visit Assistant enabled convenient simultaneous interactions among 300 persons at large online product presentation/entrepreneurship seminars. The AI Short Video Maker diversified ways of business development by empowering sales agents to create high-quality short videos about insurance knowledge, wealth management, and healthy lifestyles. Ping An Life's average monthly customers reached online amounted to over 1.1 million in the first half of 2021, up more than 60% compared with the average monthly number for 2020.
- In respect of digital services,** Ping An Life's "Jin Guan Jia" app had more than 264 million registered users as of June 30, 2021. Equipped with functionalities including customer profiling, smart recommendation, and smart customer reach, Ping An Life's innovative one-stop benefit services system helps precisely identify hundreds of millions of customers in need of differentiated services, constantly providing diverse benefits for customers in health, healthcare and living scenarios. Nearly 12.6 million customers used the service benefits more than 22.5 million times in the first half of 2021. The "Smart Advance Claims Payment" service was adopted more widely, relieving the financial pressure on eligible customers as it paid over RMB650 million for over 17,000 cases in advance in the first half of 2021.
- In respect of digital risk management,** Ping An Life applied the AI Video Robot to identity checks and risk review of customers applying for online policy administration. It takes only three minutes to complete the video identity check for each policy. Technologies including OCR, NLP and knowledge graphs are conducive to information identification and case review in the underwriting and claims settlement processes. Such technologies can identify underwriting risk related to nearly 1,600 common diseases, and facilitate claims review for medical insurance against nearly 1,000 diseases.

ANALYSIS OF OPERATING PROFIT AND PROFIT SOURCES

Operating profit is a meaningful business performance evaluation metric given the long-term nature of our major life and health insurance business. We define operating profit after tax as reported net profit excluding the following items which are of short-term, volatile or one-off nature:

- 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 material non-operating items and others is the impact of material items that management considered to be non-operating incomes and expenses.

Note: (1) Refer to the significant accounting policies in the notes of the Company's 2020 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.

For the six months ended June 30 (in RMB million)			
	2021	2020	Change (%)
Release of residual margin (A)	41,589	40,342	3.1
Return on net worth ⁽¹⁾ (B)	7,133	6,261	13.9
Spread income ⁽²⁾ (C)	2,125	2,791	(23.9)
Operating variances and others (D)	7,011	9,890	(29.1)
Operating profit before tax (E=A+B+C+D)	57,858	59,284	(2.4)
Income tax (F)	(7,629)	(7,749)	(1.6)
Operating profit after tax (G=E+F)	50,230	51,535	(2.5)
Short-term investment variance (H)	(15,245)	(1,987)	667.2
Impact of discount rate change (I)	(5,200)	(3,660)	42.1
Impact of one-off material non-operating items and others (J)	-	-	N/A
Net profit (K=G+H+I+J)	29,785	45,888	(35.1)

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.

Operating variances and others dropped 29.1% year on year, largely because of factors including slower new business growth, fluctuation of policy persistency ratios, and lower claims variance as claim payments normalized in the first half of 2021 versus lower claim payments in the first half of 2020 because of COVID-19.

As of June 30, 2021, residual margin of the life and health insurance business was RMB968,212 million, up 0.8% year to date.

For the six months ended June 30 (in RMB million)			
	2021	2020	Change (%)
Opening residual margin	960,183	918,416	4.5
Contribution from new business	41,480	59,354	(30.1)
Expected interest growth	18,287	18,034	1.4
Release of residual margin	(41,589)	(40,342)	3.1
Lapse variances and others	(10,148)	6,872	N/A
Closing residual margin	968,212	962,333	0.6

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

Lapse variances and others were adverse mainly because residual margin decreased due to the gradual lapse of customers who stopped paying premiums.

Business Analysis

Life and Health Insurance Business

SOLVENCY MARGIN

Solvency margin ratios of Ping An Life, Ping An Annuity, and Ping An Health met regulatory requirements as of June 30, 2021. The solvency margin ratios of Ping An Life, Ping An Annuity, and Ping An Health changed from the beginning of 2021 mainly due to net profit, dividend distribution, and business development.

(in RMB million)	Ping An Life			Ping An Annuity			Ping An Health		
	June 30, 2021	December 31, 2020	Change (%)	June 30, 2021	December 31, 2020	Change (%)	June 30, 2021	December 31, 2020	Change (%)
Core capital	1,075,735	1,046,787	2.8	10,652	13,119	(18.8)	3,930	3,070	28.0
Actual capital	1,095,735	1,068,787	2.5	10,652	13,119	(18.8)	3,930	3,070	28.0
Minimum capital	455,643	442,031	3.1	6,782	5,535	22.5	1,700	1,467	15.9
Core solvency margin ratio (%)	236.1	236.8	-0.7 pps	157.1	237.0	-79.9 pps	231.2	209.2	22.0 pps
Comprehensive solvency margin ratio (%)	240.5	241.8	-1.3 pps	157.1	237.0	-79.9 pps	231.2	209.2	22.0 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.
 (3) For details of the China Risk Oriented Solvency System (C-ROSS) Phase II, please refer to the section headed "Liquidity and Capital Resources."
 (4) For details of subsidiaries' solvency margin, please visit the Company's website (www.pingan.cn).
 (5) Figures may not match the calculation due to rounding.

OTHER MAJOR FINANCIAL AND REGULATORY INFORMATION

Income Statement of Life & Health

Life & Health's net profit for the first half of 2021 decreased 35.1% year on year mainly due to impairment provisions, valuation adjustments, and other equity adjustments made to investment assets, slower new business growth, fluctuating policy persistency ratios, and the lower claims variance as claim payments normalized in the first half of 2021 versus lower claim payments in the first half of 2020 because of COVID-19.

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

	2021	2020
Written premium	337,886	355,070
Less: Premium deposits of policies without significant insurance risk transfer	(1,678)	(1,766)
Less: Premium deposits separated out from universal life and investment-linked products	(47,310)	(52,177)
Premium income	288,898	301,127
Reinsurance premium income	2,048	1,736
Gross written premium	290,946	302,863
Net earned premiums	282,914	293,288
Claims and policyholders' benefits	(252,202)	(256,953)
Commission expenses of insurance operations	(32,606)	(37,778)
Administrative expenses ⁽¹⁾	(23,161)	(22,821)
Total investment income ⁽²⁾	58,855	78,207
Other net revenue and expenses ⁽³⁾	(3,201)	(2,188)
Profit before tax	30,599	51,755
Income tax	(814)	(5,867)
Net profit	29,785	45,888

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 or losses, investment expenses net of taxes and surcharges on investment operations, financial costs, and other expenses under the segmented income statement.

Written Premium

The written premium of Life & Health is analyzed below by policyholder type and channel:

For the six months ended June 30 (in RMB million)	2021	2020
Retail business	324,857	339,340
New business	82,260	79,239
Agent channel	64,720	61,713
Including: Regular premium	54,100	52,438
Bancassurance channel	4,600	5,649
Including: Regular premium	3,804	5,090
Telemarketing, internet and others	12,940	11,877
Including: Regular premium	4,988	3,869
Renewed business	242,597	260,101
Agent channel	215,807	233,871
Bancassurance channel	9,123	8,044
Telemarketing, internet and others	17,667	18,186
Group business	13,029	15,730
New business	12,938	15,649
Renewed business	91	81
Total	337,886	355,070

The written premium of Life & Health is analyzed below by product type:

For the six months ended June 30 (in RMB million)	2021	2020
Participating insurance	49,477	88,850
Universal insurance	55,562	60,839
Traditional life insurance	61,796	61,831
Long-term health insurance	62,740	59,396
Accident & short-term health insurance	26,610	30,355
Annuity	81,256	53,023
Investment-linked insurance	445	776
Total	337,886	355,070

The written premium of Life & Health is analyzed below by region:

For the six months ended June 30 (in RMB million)	2021	2020
Guangdong	58,809	61,576
Beijing	21,471	20,741
Shandong	20,466	21,074
Jiangsu	19,092	19,569
Zhejiang	17,415	18,423
Subtotal	137,253	141,383
Total	337,886	355,070

Business Analysis

Life and Health Insurance Business

Claims and Policyholders' Benefits

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

	2021	2020
Surrenders	26,154	17,300
Surrender rate ⁽¹⁾ (%)	1.19	0.89
Claim expenses of insurance contracts	48,940	43,035
Claims paid	11,556	8,886
Annuities	4,426	4,271
Maturity and survival benefits	15,308	16,599
Death, injury and medical care benefits	17,650	13,279
Reinsurer's share of claim expenses of insurance contracts	(3,188)	(2,076)
Policyholder dividends	13,408	13,374
Net increase in insurance reserves	151,618	170,631
Interest credited to policyholder contract deposits	15,270	14,689
Total	252,202	256,953

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

Surrenders grew 51.2% year on year and the surrender rate rose mainly due to the gradual lapse of customers who stopped paying premiums.

Claims paid rose 30.0% year on year mainly due to fewer short-term health insurance claims in 2020 as a result of COVID-19.

Death, injury and medical care benefits increased 32.9% year on year mainly due to fewer insurance claims in 2020 as a result of COVID-19.

Net increase in insurance reserves decreased 11.1% year on year mainly because the business scale declined and surrenders grew.

Commission Expenses of Insurance Operations

Commission expenses of the insurance operations (mainly paid to the Company's sales agents) for the first half of 2021 decreased 13.7% year on year due to changes in the business scale and product portfolio.

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

	2021	2020
Health insurance	13,533	16,044
Accident insurance	1,409	1,796
Life insurance and others	17,664	19,938
Total	32,606	37,778

Administrative Expenses

Administrative expenses for the first half of 2021 increased 1.5% year on year.

For the six months ended June 30 (in RMB million)	2021	2020
Operating expenses	22,533	22,307
Tax and surcharges	541	509
Impairment losses on receivables and others	87	5
Total	23,161	22,821

Total Investment Income

Life & Health's investment yield was under pressure in the first half of 2021 due to volatile capital markets and increasing impairment provisions. The Company continued to improve the asset-liability matching of insurance funds. Moreover, the Company managed equity investment flexibly to seize opportunities from equity market volatility and boost investment returns. The net investment yield was 3.8%, and the total investment yield was 3.5%.

For the six months ended June 30 (in RMB million)	2021	2020
Net investment income ⁽¹⁾	70,053	68,522
Realized gains ⁽²⁾	6,441	14,646
Fair value gains or losses	2,157	(4,888)
Impairment losses on investment assets	(19,796)	(73)
Total Investment Income	58,855	78,207
Net investment yield ⁽³⁾ (annualized, %)	3.8	4.1
Total investment yield ⁽³⁾ (annualized, %)	3.5	4.5

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) 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 or losses were not annualized.

Income Tax

Income tax declined year on year largely due to a decrease in the taxable profit.

Business Analysis

Property and Casualty Insurance Business

- Ping An Property & Casualty (“Ping An P&C”) continued to improve its strong business quality. Combined ratio improved by 2.2 pps year on year to 95.9% in the first half of 2021 as Ping An P&C further optimized its customer mix and enhanced risk screening. Underwriting profit grew 117.4% year on year to RMB5,210 million.
- Ping An P&C continued to apply technologies to online customer development and improve the services system. “Ping An Auto Owner,” the largest automotive service app in China, had over 139 million registered users as of June 30, 2021. Over 89 million vehicles had been linked with the app. Monthly active users exceeded 31 million in June 2021.
- Ping An P&C’s leading online claims services have offered superior user experience. Ping An P&C pioneered voice-based and instant messaging-based claim reporting for auto insurance. Ping An P&C offers differentiated claim settlement services by introducing a precise claim settlement decision engine capable of precise customer profiling. 92% of family auto insurance claims were processed via “One-click Claims Services” in the first half of 2021.

BUSINESS OVERVIEW

We conduct our property and casualty insurance business mainly through Ping An P&C. The business scope of Ping An P&C covers all lawful property and casualty insurance business lines including auto, corporate property and casualty, engineering, cargo, liability, guarantee, credit, home contents and accident & health, as well as international reinsurance business. Ping An P&C has been honored as the “No.1 Brand” in China’s auto insurance and property and casualty insurance markets for 11 consecutive years. Ping An P&C distributes insurance products mainly through a network of 43 branches and 2,785 central sub-branches, sub-branches, sales services outlets, and business outlets across China. Main distribution channels include in-house sales representatives, insurance agents, brokers, telemarketing, online marketing, and cross-selling.

Ping An P&C continued to improve its strong business quality despite short-term pressure on its written premiums in the first half of 2021 due to the

auto insurance pricing reform. Ping An P&C’s overall combined ratio improved by 2.2 pps year on year to 95.9% thanks to its optimized customer mix and enhanced risk screening. Operating profit increased 30.4% year on year to RMB10,791 million. Affected by the auto insurance pricing reform, Ping An P&C’s premium income decreased 7.5% year on year to RMB133,313 million in the first half of 2021. Ping An P&C is the second largest property and casualty insurance company in China by premium income.

Ping An P&C continued to promote online customer development. “Ping An Auto Owner,” the largest automotive service app in China, had over 139 million registered users as of June 30, 2021. Over 89 million vehicles had been linked with the app. Monthly active users exceeded 31 million in June 2021. Moreover, Ping An P&C launched the “Ping An Qi Ye Bao” app and miniprogram, which provide small and micro-businesses with timely, efficient, convenient and comprehensive online insurance services and value-added services. Ping An P&C

completed over 1.19 million insurance policy modifications online, and processed over 1.22 million non-auto insurance claims exceeding RMB1,580 million filed by small and micro-businesses in the first half of 2021. Third-party platform-based claims were settled within a minimum of one second, and others within a minimum of 187 seconds. Capitalizing on the Group's integrated financial business model, Ping An P&C worked with other member companies of the Group to provide small and micro-businesses with services combining risk protection and credit facilitation. In this way, Ping An P&C eased burdens on small and micro-businesses to help the real economy recover.

Key Indicators

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

	2021	2020	Change (%)
Operating profit	10,791	8,274	30.4
Operating ROE (annualized, %)	20.0	17.2	2.8 pps
Combined ratio (%)	95.9	98.1	-2.2 pps
Including:			
Expense ratio ⁽¹⁾ (%)	29.0	38.1	-9.1 pps
Loss ratio ⁽²⁾ (%)	66.9	60.0	6.9 pps
Premium income	133,313	144,118	(7.5)
Including:			
Auto insurance	89,015	95,646	(6.9)
Non-auto insurance	33,727	40,363	(16.4)
Accident and health insurance	10,571	8,109	30.4
Market share ⁽³⁾ (%)	18.2	20.0	-1.8 pps
Including:			
Auto insurance (%)	23.8	23.4	0.4 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)

	2021	2020	Change (%)
Premium income	133,313	144,118	(7.5)
Net earned premiums	127,255	122,339	4.0
Claim expenses	(85,182)	(73,431)	16.0
Commission expenses of insurance operations	(15,594)	(21,613)	(27.8)
Administrative expenses ⁽¹⁾	(23,855)	(27,932)	(14.6)
Reinsurance commission revenue	2,586	3,033	(14.7)
Underwriting profit	5,210	2,396	117.4
Combined ratio (%)	95.9	98.1	-2.2 pps
Total investment income ⁽²⁾	7,973	8,406	(5.2)
Average investment assets	318,510	298,591	6.7
Total investment yield (unannualized, %)	2.5	2.8	-0.3 pps
Total investment yield ⁽³⁾ (annualized, %)	3.9	4.3	-0.4 pps
Other net revenue and expenses	(419)	(565)	(25.8)
Profit before tax	12,764	10,237	24.7
Income tax	(1,973)	(1,963)	0.5
Net profit	10,791	8,274	30.4
Operating profit	10,791	8,274	30.4

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) Average investment assets used as the denominator are computed in line with the 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 or losses were not annualized.

Business Analysis

Property and Casualty Insurance Business

OPERATING DATA BY PRODUCT TYPE

Among all the insurance products offered by Ping An P&C in the first half of 2021, the top five sources of premium income were auto insurance, liability insurance, guarantee insurance, accidental injury insurance, and corporate property and casualty insurance which collectively accounted for 92.4% of Ping An P&C's total premium income for the first half of 2021.

Auto Insurance

Premium income of Ping An P&C's auto insurance business declined 6.9% year on year in the first half of 2021, driven by the auto insurance pricing reform, intensified competition and other external factors. However, Ping An P&C responded proactively to changes in the external environment by taking management measures including the optimization of selling expenses, cost refinement, strengthening of risk screening, and improvement of premium customer stickiness. The combined ratio of the auto insurance business remained robust at 97.4%, and profitability remained at an industry-leading level in the first half of 2021.

Ping An P&C will continue to optimize its cost structure to improve profitability. Adhering to high-quality development and a customer-centric approach, Ping An P&C will further improve online customer services by applying technologies in auto insurance operations. Moreover, Ping An P&C will advance product and service innovation, and launch new energy vehicle insurance products to meet diverse customer needs, and drive the stable, healthy development of auto insurance.

Liability Insurance

Premium income of Ping An P&C's liability insurance business grew 38.3% year on year in the first half of 2021 amid improved COVID-19 situations and gradual social and economic recoveries. With claim payment returning to a normal level, the combined ratio of the liability insurance business stood at 99.5% in the first half of 2021. Going forward, Ping An P&C will ramp up efforts in product innovation, providing protection for epidemic prevention and control as well as work and production resumption. Moreover, supported by technologies, Ping An P&C will continue to optimize business processes, diversify online services, and improve the risk management framework. Ping An P&C will give full play to liability insurance in pluralistic social co-governance and high-quality economic development.

Guarantee Insurance

Ping An P&C reported an underwriting profit of RMB1,859 million from its guarantee insurance business for the first half of 2021, an increase of RMB5,335 million from an underwriting loss of RMB3,476 million for the first half of 2020. This was largely because of Ping An P&C's enhanced risk screening capability and optimized customer mix as well as China's economic recovery. The combined ratio of the guarantee insurance business improved by 37.4 pps year on year to 88.2% in the first half of 2021. Ping An P&C will adhere to the principles of "compliance with laws and regulations, small amounts and diversification, and risks under control." Ping An P&C will continue to enhance its risk management capabilities, and ensure robust operations to steadily boost operating results of the guarantee insurance business.

For the six months ended June 30, 2021 (in RMB million)	Insured amount	Premium income	Net earned premium	Claim expenses	Underwriting profit	Combined ratio	Reserve liabilities
Auto insurance	58,553,641	89,015	87,670	62,845	2,321	97.4%	155,455
Liability insurance	680,929,363	11,118	7,934	4,269	40	99.5%	17,093
Guarantee insurance	172,062	9,757	15,746	10,628	1,859	88.2%	58,543
Accidental injury insurance	569,058,798	8,508	7,593	2,892	603	92.1%	10,802
Corporate property and casualty insurance	12,099,273	4,795	2,489	1,416	203	91.8%	8,721

TECHNOLOGY-DRIVEN TRANSFORMATION

Ping An P&C continued to execute the Group's comprehensive data-driven operations strategy. Ping An P&C improved user experience and promoted business development by applying innovative technologies including AI and knowledge graphs in various scenarios and constantly upgrading technological capabilities.

- In respect of AI, Ping An P&C's intelligent document recognition technology stayed ahead in the industry. The average accuracy rate of our OCR technology for key documents exceeded 97.3% with 91.1% of personal auto insurance policies being underwritten through self-service, and 93.4% of personal auto insurance policy modifications being completed through self-service. Ping An P&C strengthened the interaction capabilities of its robot assistants, which answered questions 24/7 online nearly 126 million times in the first half of 2021 with a 96.2% accuracy rate.
- In respect of risk management, Ping An P&C shared risk management capabilities among business lines and processes via the "Smart Risk Management Platform." The platform reduced losses by a total of RMB195 million in over ten business scenarios including anti-fraud in claim settlement in the first half of 2021. Moreover, Ping An P&C enhanced the full-cycle risk management capability of agricultural insurance by leveraging technologies including satellite remote sensing, unmanned aerial vehicles, meteorological early warning and disaster monitoring to help prevent disasters, reduce losses, improve the ability to quickly determine losses in catastrophes, and protect farmers' interests.
- In respect of auto insurance, Ping An P&C provided one-stop auto use services and diverse auto aftermarket services via the "Ping An Auto Owner" app. Over 31 million out of the vehicles linked with the "Ping An Auto Owner" app had not been insured by Ping An yet as of June 30, 2021, indicating great growth potential from customer conversion. Ping An P&C shortened the claim reporting process for auto insurance to only four interactions with pioneering voice-based and

instant messaging-based tools. Ping An P&C constructed a precise claim settlement decision engine capable of precise customer profiling to provide differentiated claims services and improve customer experience. In addition, Ping An P&C developed smart claims robots that provide whole-process services including consultation, drop-out reminders, smart inquiries, and simple operations, making claims services more convenient. 92% of family auto insurance claims were processed via "One-click Claims Services" in the first half of 2021.

- In respect of property and casualty insurance, Ping An P&C offered diverse risk management services under an innovative online risk management service model via the "Digital Risk System" and the "Ping An Qi Ye Bao" app. Ping An P&C provided 5,700 corporate customers and key engineering projects with disaster and loss prevention services in the first half of 2021. Moreover, Ping An P&C promptly sent 380,719 timely warnings against extreme weather situations including rainstorms and cold waves to 35,873 corporate customers, supporting the real economy by promoting production and construction safety.

SOLVENCY MARGIN

Ping An P&C's core and comprehensive solvency margins were significantly above the regulatory requirements as of June 30, 2021.

(in RMB million)	June 30, 2021	December 31, 2020	Change (%)
Core capital	110,704	103,377	7.1
Actual capital	124,204	116,877	6.3
Minimum capital	44,521	48,418	(8.0)
Core solvency margin ratio (%)	248.7	213.5	35.2 pps
Comprehensive solvency margin ratio (%)	279.0	241.4	37.6 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 C-ROSS Phase II, please refer to the section headed "Liquidity and Capital Resources."
 (4) For details of Ping An P&C's solvency margin, please refer to the Company's website (www.pingan.cn).

Business Analysis

Property and Casualty Insurance Business

OTHER 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)	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Car dealers	33,595	25.2	31,864	22.1
Agencies	32,674	24.5	35,165	24.4
Cross-selling	20,573	15.4	23,332	16.2
Direct selling	20,252	15.2	17,063	11.8
Telemarketing and online channels	10,770	8.1	23,291	16.2
Others	15,449	11.6	13,403	9.3
Total	133,313	100.0	144,118	100.0

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)	2021	2020
Guangdong	21,827	22,331
Jiangsu	9,748	10,353
Zhejiang	8,373	8,590
Shanghai	7,981	7,985
Shandong	7,459	8,059
Subtotal	55,388	57,318
Total	133,313	144,118

Reinsurance Arrangement

Ping An P&C adheres to a prudent approach to its reinsurance business to scale up underwriting, diversify business risks, and ensure healthy business growth and stable operating results. Ping An P&C maintains close long-standing relationships with the world's major reinsurance brokers and reinsurers, actively sharing experience in business development and empowering reinsurance with technologies. Ping An P&C 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)	2021	2020
Ceded premium	9,799	9,025
Auto insurance	2,933	3,577
Non-auto insurance	6,706	5,234
Accident and health insurance	160	214
Inward reinsurance premium	57	34
Non-auto insurance	57	34

Claim Expenses

Claim expenses increased 16.0% year on year in the first half of 2021 as the claim expenses of the auto insurance business gradually normalized from a COVID-19-induced trough for 2020.

For the six months ended June 30 (in RMB million)	2021	2020
Auto insurance	62,845	50,984
Non-auto insurance	18,482	19,793
Accident and health insurance	3,855	2,654
Total	85,182	73,431

Commission Expenses of Insurance Operations

Commission expenses of insurance operations decreased 27.8% year on year in the first half of 2021. The proportion of such expenses to premium income decreased 3.3 pps year on year, mainly due to decreased market commission rates and premium income after the auto insurance pricing reform.

For the six months ended June 30 (in RMB million)	2021	2020
Auto insurance	7,932	14,900
Non-auto insurance	4,342	3,854
Accident and health insurance	3,320	2,859
Total	15,594	21,613
Commission expenses as a percentage of premium income (%)	11.7	15.0

Administrative Expenses

Administrative expenses decreased 14.6% year on year in the first half of 2021, mainly due to Ping An P&C's expense optimization measures including cost refinement.

For the six months ended June 30 (in RMB million)	2021	2020
Operating expenses	22,885	25,947
Tax and surcharges	549	760
Impairment losses on receivables and others	421	1,225
Total	23,855	27,932

Total Investment Income

Ping An P&C's investment yields were under pressure due to volatile capital markets and increasing impairment provisions in the first half of 2021. Annualized net and total investment yields were 4.0% and 3.9% respectively.

For the six months ended June 30 (in RMB million)	2021	2020
Net investment income ⁽¹⁾	8,289	6,882
Realized gains ⁽²⁾	117	744
Fair value gains or losses	(117)	756
Impairment losses on investment assets	(316)	24
Total investment income	7,973	8,406
Net investment yield ⁽³⁾ (annualized, %)	4.0	3.8
Total investment yield ⁽³⁾ (annualized, %)	3.9	4.3

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) Average investment assets used as the denominator are computed in line with the 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 or losses were not annualized.

Business Analysis

Investment Portfolio of Insurance Funds

- The Company's investment portfolio of insurance funds grew 1.2% year to date to nearly RMB3.79 trillion as of June 30, 2021. The Company developed China's leading data- and model-based system covering the entire process from asset allocation to quantitative asset-liability management to increase the efficiency of insurance fund investment.
- Despite a market-wide shortage of long-duration assets, the Company ensured that the duration gap is maintained at a reasonable level through asset allocation. The Company further improved investment risk management by strengthening risk review and post-investment management, refining risk limits, tightening concentration risk management, and leveraging tools including systems and models. Through these measures, the Company kept overall investment risks under control.

INVESTMENT PORTFOLIO OVERVIEW

The Company's investment portfolio of insurance funds is comprised of investable funds from Life & Health and Property & Casualty insurance businesses.

Economic activity had not yet fully recovered as COVID-19 continued to rage globally in the first half of 2021. However, economic indicators of major economies continued to improve on the back of pandemic prevention measures, vaccine use, and large-scale bailout packages. Offshore capital markets maintained an upward trend, and risk-free interest rates in major economies increased. In China, COVID-19 had been effectively brought under control despite sporadic cases, and economic activity continued to recover. China's stock markets witnessed increased volatility and mixed performance of sectors, and domestic interest rates fluctuated due to rising inflation and policy changes. The Shanghai Composite Index rose 3.4% and the Hang Seng Index rose 5.9% year to date as of June 30, 2021. Investment yields on the Company's investment portfolio of insurance funds were under pressure due to factors including capital market fluctuations and increased impairment provisions on investment assets. Despite this, the Company sought excess returns and ensured the safety and stability

of its investment portfolio of insurance funds by conducting robust strategic asset allocation, selecting excellent external managers, making innovative alternative investments, and carrying out active post-investment management.

ASSET-LIABILITY MANAGEMENT

The Company continued to improve the asset-liability matching of insurance funds. The Company ensured long-term, sound asset-liability duration matching by holding large amounts of long-duration assets including central and local government bonds. In addition, Ping An established flexible asset-liability management mechanisms, maintained reasonable guaranteed interest rates of liabilities, and optimized the interest rate matching of assets and liabilities. Moreover, the Company managed equity investment flexibly to profit from the post-pandemic recovery of equity markets and financing needs. The Company also obtained income from increased investment in high-quality alternative assets by fully leveraging its integrated financial services platform. The Company will maintain the risk appetite of its investment portfolio of insurance funds given the policy environment, economic conditions, and market situations. The Company is confident of strong investment returns on its high-quality assets.

INVESTMENT RISK MANAGEMENT

The Company attaches great importance to risk management in matching costs and returns, and established a risk appetite framework in which the matching of costs and returns is a key quantitative indicator. The Company conducted regular reviews and strict stress tests which were embedded in the asset allocation process with ex ante risk management. In the event of increased market volatility, the Company would carry out intensified and more frequent stress tests to ensure the soundness of the portfolio under exceptional market impacts.

The Company strengthened investment rules and processes. To optimize end-to-end risk management, the Company standardized its business processes, improved its investment risk management framework, and enhanced key processes including admission strategies, credit rating, counterparty and issuer credit facility management, concentration management, and emergency management.

The Company strengthens substantive risk management in addition to meeting regulatory requirements concerning investment concentration. The Company improves policies and procedures for the management of investment concentration in a prudent, comprehensive, dynamic, and independent manner. The Company optimizes the Group's and its member companies' investment concentration limits. In addition to limits on proportions to total assets, the Group sets limits on any counterparties' proportions to net assets and net profit respectively. Moreover, the Company enhances the setting, using, warning, and adjustment of credit limits for major clients. In this way, the Company prevents the risk of investment overconcentration in certain counterparty(ies), sector(s), region(s), and asset class(es), which may indirectly threaten the Company's solvency, liquidity, profitability, or reputation.

The Company constantly strengthens its post-investment capability and upgrades its post-investment management system. The Company has established and improved a three-tier management framework of "a post-investment management committee + a post-investment middle office + project post-investment teams." In line with its top-level strategy, the Company conducts in-depth, meticulous, and strong post-investment management of portfolio companies' operations, promoting cultural integration with portfolio companies based on deep understanding of industry trends and cycles. By doing so, the Company ensures pre-investment participation, post-investment tracking, risk warning, and operational empowerment to enhance its post-investment capability and maximize the value of its investments.

The Company applies technologies to key post-investment matters. The Company continued to upgrade its risk warning platform to monitor six categories of risk signals including market fluctuations, negative public opinions and financial changes, covering over 300 risk labels. By using smart analytics models, the Company can identify risks more rapidly, make timely decisions, and take action in advance. The Company upholds the principles of "well-defined responsibilities, timely follow-up, and sound management," and is hence able to "monitor risks closely, identify risks accurately, and avoid risks promptly." In this way, the Company integrates risk management with value creation.

The Company keeps a close eye on the market credit situations, and strengthens research and forward-looking analysis on credit risk. The Company upgrades its risk monitoring framework and risk management information system, and improves its risk management databases. In this way, the Company ensures systematic management of risks in asset-liability matching and investment portfolios.

Business Analysis

Investment Portfolio of Insurance Funds

INVESTMENT PORTFOLIO (BY CATEGORY)

(in RMB million)	June 30, 2021		December 31, 2020	
	Carrying value	Percentage (%)	Carrying value	Percentage (%)
Cash and cash equivalents	78,834	2.1	87,201	2.3
Term deposits	218,190	5.8	226,922	6.1
Debt financial assets				
Bond investments	1,879,844	49.6	1,877,465	50.2
Bond funds	44,877	1.2	49,806	1.3
Preferred stocks	116,051	3.1	118,751	3.2
Perpetual bonds	55,941	1.5	53,733	1.4
Policy loans	171,800	4.5	161,381	4.3
Debt schemes	181,145	4.8	161,047	4.3
Wealth management products ⁽¹⁾	275,589	7.3	251,638	6.7
Equity financial assets				
Stocks	300,556	7.9	315,103	8.4
Equity funds	86,195	2.3	67,021	1.8
Wealth management products ⁽¹⁾	36,352	1.0	39,298	1.1
Unlisted equities	86,967	2.3	82,406	2.2
Long-term equity stakes	159,545	4.2	156,004	4.2
Investment properties	66,617	1.8	63,238	1.7
Other investments ⁽²⁾	28,522	0.6	29,567	0.8
Total investments	3,787,025	100.0	3,740,581	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.

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

INVESTMENT PORTFOLIO (BY ACCOUNTING MEASUREMENT)

The Company has implemented IFRS 9 for financial instruments since January 1, 2018. Our insurance fund portfolio's investment in financial assets carried at fair value through profit or loss accounted for 19.8% of the total investment assets as of June 30, 2021.

(in RMB million)	June 30, 2021		December 31, 2020	
	Carrying value	Percentage (%)	Carrying value	Percentage (%)
Financial assets carried at fair value through profit or loss	748,276	19.8	705,757	18.9
Fixed income	438,032	11.6	398,101	10.6
Stocks	100,705	2.7	117,099	3.1
Equity funds	86,195	2.3	67,021	1.8
Other equity financial assets	123,344	3.2	123,536	3.4
Financial assets carried at fair value through other comprehensive income	497,792	13.1	513,703	13.7
Financial assets measured at amortized cost	2,314,427	61.1	2,301,869	61.5
Others ⁽¹⁾	226,530	6.0	219,252	5.9
Total investments	3,787,025	100.0	3,740,581	100.0

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

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

INVESTMENT INCOME

Investment yields on the Company's investment portfolio of insurance funds were under pressure in the first half of 2021 due to volatile capital markets and increasing impairment provisions. The Company continued to optimize the asset-liability matching of insurance funds, managed equity investments flexibly to profit from equity market fluctuations, and increased high-quality alternative investments to boost investment returns. The annualized net investment yield was 3.8%, and the annualized total investment yield was 3.5%.

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

	2021	2020	Change (%)
Net investment income ⁽¹⁾	77,568	74,690	3.9
Realized gains ⁽²⁾	6,558	15,390	(57.4)
Fair value gains or losses	2,040	(4,132)	N/A
Impairment losses on investment assets	(20,112)	(49)	40,944.9
Total investment income	66,054	85,899	(23.1)
Net investment yield ⁽³⁾ (annualized, %)	3.8	4.1	-0.3 pps
Total investment yield ⁽³⁾ (annualized, %)	3.5	4.4	-0.9 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) 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 or losses were not annualized.

CORPORATE BONDS

The Company held RMB90,901 million worth of corporate bonds as of June 30, 2021, which accounted for 2.4% of its investment portfolio of insurance funds, down 0.5 pps from the beginning of 2021 and down 1.6 pps from the beginning of 2020. The overall credit rating was kept at a good level. About 99.0% of the corporate bonds had AA and higher external ratings and about 91.0% had AAA external ratings, similar to the proportions at the end of 2020. 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 ensured end-to-end assessment and management of investment risks through asset allocation, admission management, and dynamic review. The Company established an internal credit rating team in 2003. Since then, the team has conducted admission management of corporate bond investments in strict accordance with internal credit ratings, and reviewed and adjusted credit ratings to ensure they reasonably reflect bond issuers' credit standings. Moreover, the Company carried out ex ante monitoring of potential risks in corporate bonds on the basis of a bond issuer list and a rapid response mechanism that deals with negative public opinions. The Company effectively managed the review and reporting of corporate bonds to enhance the efficiency of risk warning and management.

Business Analysis

Investment Portfolio of Insurance Funds

DEBT SCHEMES AND DEBT WEALTH MANAGEMENT PRODUCTS

Debt schemes and debt wealth management products include debt investment schemes undertaken by insurance asset management companies, debt trust plans issued by trust companies, and fixed-income wealth management products issued by commercial banks. The insurance fund portfolio's investment in debt schemes and debt wealth management products totaled RMB456,734 million as of June 30, 2021, accounting for 12.1% of the total investment assets. 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 the 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 industry leaders in line with China's industry policies. All debt schemes and debt wealth management product investments have to be approved by relevant investment committees. Rating standards applied by the Company's internal credit rating team to debt schemes are as stringent as those to corporate bonds. The third level is post-investment management. The Company closely monitors the assets and has established a multi-dimensional risk warning framework covering all the investment areas, assets and instruments to ensure overall investment risks are adequately assessed and controllable.

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

Industry	Investment proportion (%)	Nominal yield (%)	Maturity (year)	Remaining maturity (year)
Infrastructure	36.8	5.41	7.96	4.80
Expressway	10.6	5.54	8.61	4.33
Electric power	6.1	4.83	8.40	6.05
Infrastructure and development zones	10.2	5.80	7.46	4.98
Others (water supply, environmental protection, railway...)	9.9	5.22	7.52	4.34
Non-banking financial services⁽²⁾	24.1	5.53	5.56	2.42
Real estate	19.3	5.54	3.87	2.11
Coal mining	0.8	5.69	9.08	3.58
Others	19.0	5.01	6.57	5.24
Total	100.0	5.39	6.34	3.78

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.

Currently, the Company pays close attention to the market credit to ensure the overall risks of debt schemes and debt wealth management products held by Ping An in its investment portfolio of insurance funds are controllable. In terms of credit ratings, over 95.0% of the debt schemes and trust plans held by Ping An had AAA external ratings, and about 1.0% had AA+ external ratings. The overall credit rating was kept at a good level. 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

Equity wealth management products in the Company's investment portfolio of insurance funds totaled RMB36,352 million as of June 30, 2021, accounting for 1.0% of the total investment assets. The majority of equity wealth management products held by Ping An are from insurance asset managers. 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 stringent control.

Business Analysis

Banking Business

- Ping An Bank maintained stable business growth. Revenue grew 8.1% year on year to RMB84,680 million in the first half of 2021. Net profit for the first half of 2021 rose 28.5% year on year to RMB17,583 million.
- Ping An Bank continued to de-risk by proactively responding to external risks and strengthening risk provisions. Non-performing loan ratio fell 0.10 pps year to date to 1.08% and provision coverage ratio rose 58.13 pps year to date to 259.53% as of June 30, 2021.
- Ping An Bank further advanced its retail business transformation and maintained steady growth in its businesses. Retail banking revenue and net profit grew 10.9% and 46.3% year on year respectively in the first half of 2021. The number of registered users of the “Ping An Pocket Bank” app exceeded 120 million as of June 30, 2021. Retail AUM rose 13.6% year to date to RMB2,982,011 million. The balance of retail deposits increased 7.2% year to date to RMB734,086 million.

BUSINESS OVERVIEW

2021 is crucial for Ping An Bank’s new three-year strategy. Ping An Bank adhered to its mission to be “China’s most outstanding, world-leading smart retail bank” under the strategy of “technological empowerment, breakthroughs in retail banking, and enhancement of corporate banking.” Positioned as “a digital bank, an ecosystem, and a platform,” Ping An Bank furthered its strategic transformation, upgraded the operation strategies for retail, corporate and interbank businesses, and pushed forward comprehensive digital operations. Furthermore, Ping An Bank made every effort to achieve the new three-year goal of “reshaping asset-liability operations.”

Ping An Bank continued to boost support for private companies, small and micro-enterprises, and manufacturing and technology companies in the first half of 2021. Ping An Bank vigorously supported rural revitalization, implemented green finance, and strengthened comprehensive risk management, maintaining a steady and positive outlook.

Ping An Bank continued to make its outlets smarter and improved their geographic distribution. Ping An Bank had 101 branches (including Hong Kong Branch) and 1,110 business outlets as of June 30, 2021.

KEY INDICATORS

Ping An Bank’s revenue grew 8.1% year on year to RMB84,680 million in the first half of 2021. Net profit for the first half of 2021 rose 28.5% year on year to RMB17,583 million.

For the six months ended June 30 (in RMB million)	2021	2020	Change (%)
Operating results and profitability			
Revenue	84,680	78,328	8.1
Net profit	17,583	13,678	28.5
Cost-to-income ratio ⁽¹⁾ (%)	27.35	27.30	0.05 pps
Average return on total assets (annualized, %)	0.77	0.67	0.10 pps
Weighted average ROE (annualized, %)	10.74	9.33	1.41 pps
Net interest margin ⁽²⁾ (annualized, %)	2.83	2.87	-0.04 pps

Notes: (1) Cost-to-income ratio = general and administrative expenses / revenue.

(2) The revenue from credit card installment services was reclassified from fee and commission revenue to interest revenue in accordance with the *Circular on Strictly Implementing the Accounting Standards for Business Enterprises and Effectively Strengthening the Work on the 2020 Annual Reports of Enterprises* (Cai Kuai [2021] No.2) jointly issued by the Ministry of Finance and related commissions of the PRC on February 5, 2021. Corresponding financial indicators including the net interest revenue, net non-interest revenue, and net interest margin for the comparable period have been restated accordingly.

(in RMB million)	June 30, 2021	December 31, 2020	Change (%)
Deposits and loans⁽¹⁾			
Total loans and advances	2,874,893	2,666,297	7.8
Including: Retail loans	1,756,032	1,604,940	9.4
Corporate loans	1,118,861	1,061,357	5.4
Deposits	2,866,678	2,673,118	7.2
Including: Retail deposits	734,086	684,669	7.2
Corporate deposits	2,132,592	1,988,449	7.2
Asset quality			
Non-performing loan ratio (%)	1.08	1.18	-0.10 pps
Provision coverage ratio (%)	259.53	201.40	58.13 pps
Deviation of loans more than 60 days overdue ⁽²⁾	0.85	0.92	-7 pps
Capital adequacy ratio			
Core tier 1 capital adequacy ratio ⁽³⁾ (%)	8.49	8.69	-0.20 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)	2021	2020	Change (%)
Net interest revenue	59,361	55,580	6.8
Average balance of interest-earning assets	4,224,570	3,887,854	8.7
Net interest margin (annualized, %)	2.83	2.87	-0.04 pps
Net non-interest revenue	25,319	22,748	11.3
Including:			
Net fee and commission revenue	17,398	14,447	20.4
Other net non-interest revenue ⁽¹⁾	7,921	8,301	(4.6)
Revenue	84,680	78,328	8.1
General and administrative expenses	(23,160)	(21,380)	8.3
Cost-to-income ratio (%)	27.35	27.30	0.05 pps
Tax and surcharges	(820)	(798)	2.8
Operating profit before impairment losses on assets	60,700	56,150	8.1
Impairment losses on credit and other assets	(38,285)	(38,491)	(0.5)
Including:			
Loan impairment losses	(25,121)	(32,302)	(22.2)
Average balance of loans and advances (including discounted bills)	2,759,354	2,429,534	13.6
Credit cost (annualized, %)	1.84	2.67	-0.83 pps
Other expenses	(74)	(72)	2.8
Profit before tax	22,341	17,587	27.0
Income tax	(4,758)	(3,909)	21.7
Net profit	17,583	13,678	28.5

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

Business Analysis

Banking Business

Ping An Bank's net interest margin for the first half of 2021 decreased 0.04 pps year on year to 2.83%. The average cost of liabilities for the first half of 2021 fell 0.20 pps year on year to 2.22%. The average cost of deposits for the first half of 2021 dropped 0.30 pps year on year to 2.05%. The average return on interest-earning assets fell year on year due to market interest rate movements and Ping An Bank's further support for the real economy through lowering financing cost. In addition, the net interest margin slightly narrowed as Ping An Bank reshaped asset-liability operations and effectively lowered the cost of liabilities.

Ping An Bank's net non-interest revenue for the first half of 2021 totaled RMB25,319 million, up 11.3% year on year, driven by increased fee and commission revenue from the wealth management business, credit card business, and corporate settlement business.

RETAIL BUSINESS

In retail business, Ping An Bank implemented the "five-in-one" new model of a "comprehensive bank, AI bank, remote bank, offline bank, and open bank" in the first half of 2021 to develop heartwarming financial services. The new model is based on further implementing the "data-based management, online operations, comprehensive services, and ecosystem-based development" strategy.

Ping An Bank maintained strong growth in the retail business in the first half of 2021. The cross-selling channel made steady contributions to retail banking, with a non-performing loan ratio lower than the overall level.

	For the six months ended June 30 (in RMB million)		
	2021	2020	Change (%)
Retail banking operating results			
Revenue from retail banking	49,213	44,388	10.9
Proportion of revenue from retail banking (%)	58.1	56.7	1.4 pps
Net profit from retail banking	11,722	8,013	46.3
Proportion of net profit from retail banking (%)	66.7	58.6	8.1 pps

Notes: (1) Ping An Bank transferred the Inclusive Finance Business Unit to the retail business line in the Reporting Period in order to improve the management and marketing of inclusive finance business. Data application-based and secured inclusive financial products have been adjusted, and data for the comparable period have been restated accordingly.

(2) Net profit from retail banking rose year on year as revenue from retail banking grew and Ping An Bank reduced provisions for impairment losses on retail credit assets due to continued de-risking.

	2021	
	Cross-selling channel's contributions	Cross-selling channel's contribution percentage (%)
For the six months ended June 30		
Cross-selling channel's contributions to retail banking		
Newly acquired customers (in thousand)	2,575.9	38.2
Net increase in retail AUM balance (in RMB million)	179,866	50.3
New credit cards issued (in thousand)	1,347.7	26.1
Xinyidai unsecured loans granted (in RMB million)	38,302	54.1
Auto loans granted (in RMB million)	34,894	26.5

	June 30, 2021	
(%)	Overall non-performing loan ratio	Cross-selling channel's non-performing loan ratio
Asset quality of retail banking		
Credit card receivables	2.05	1.89
Xinyidai unsecured loans	1.03	0.90
Auto loans ⁽¹⁾	1.03	1.84

Note: (1) In respect of auto loans, the Group's cross-selling channel had a non-performing loan ratio of 1.84%, higher than the overall non-performing loan ratio of auto loans, mainly because the cross-selling channel had a high proportion of auto mortgages, and the non-performing loan ratio of the cross-selling channel's auto mortgages was 0.08 pps lower than that of other customer segments' auto mortgages.

In basic retail banking, Ping An Bank continued to strengthen omni-channel customer acquisition and full-scenario business development. Registered users of the “Ping An Pocket Bank” app increased 9.2% year to date to 123,606,400 as of June 30, 2021.

- In respect of innovation in customer acquisition channels, Ping An Bank actively constructed an open bank, combined customer acquisition with customer attraction, diversified cooperation scenarios, and pursued ecosystem-based development to drive large-scale customer acquisition. The retail open bank acquired 2,070,400 customers through the internet channel⁽¹⁾ in the first half of 2021, accounting for over 30% of the total retail customers acquired.
- In respect of innovation in operational models, Ping An Bank continued to upgrade the “AI + T + Offline” (AI bank + telebank + offline bank) model, built a market-leading smart customer development system that takes into account both professionalism and heartwarming services, and developed “pocket banking” services. Under the “AI + T + Offline” model, Ping An Bank identified and launched over 500 application scenarios in the first half of 2021, with over eight million customers served per month.
- In respect of deposit business, Ping An Bank maintained steady growth, optimized the portfolio, strengthened the customer base, and controlled the cost of retail deposits. The balance of retail deposits increased 7.2% year to date to RMB734,086 million as of June 30, 2021. The average daily balance of retail demand deposits increased 12.9% year on year in the first half of 2021. The average cost of retail deposits for the first half of 2021 was 2.29%, down 0.22 pps year on year.

Note: (1) Customers acquired through the internet channel are new debit cardholders exclusive of the Group’s channels.

In private banking & wealth management business, Ping An Bank is committed to promoting its private banking business in all respects, striving to build “China’s smartest, world-leading private bank.” The AUM of qualified private banking customers stood at RMB1,343,290 million as of June 30, 2021, up 19.0% year to date.

- In respect of comprehensive capabilities, Ping An Bank continued to improve an open platform covering all categories of products and actively promoted business innovation. New AUM of Ping An Bank’s family trusts and insurance trusts exceeded RMB20 billion in the first half of 2021. Ping An Bank remained an industry leader, providing integrated inheritance services for over 3,000 wealth management and private banking clients.
- In respect of professional capabilities, Ping An Bank continued to develop professional investment research, investment advisory and family office teams, and strived to improve the health of clients’ wealth.
- In respect of technological capabilities, Ping An Bank has upgraded the smart service system of “human-computer collaboration” and broadened and deepened full-cycle customer services.

	June 30, 2021	December 31, 2020	Change (%)
Number of retail customers ⁽¹⁾ (in thousand)	113,884.2	107,149.3	6.3
Including:			
Wealth management customers (in thousand)	1,023.9	934.2	9.6
Including:			
Qualified private banking customers ⁽²⁾ (in thousand)	64.8	57.3	13.1
Retail AUM (in RMB million)	2,982,011	2,624,762	13.6
Number of credit cards in circulation (in thousand)	66,527.4	64,245.1	3.6

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

(2) A private banking customer refers to a customer who has over RMB6 million in average daily assets for any one of the past three months.

Business Analysis

Banking Business

In terms of consumer finance, Ping An Bank continued to strengthen the data-driven operations and online operations capabilities of credit cards and loan products, and deepen the integrated customer development. The retail lending business grew steadily, with the business portfolio and customer mix further improving. The balance of retail loans reached RMB1,756,032 million as of June 30, 2021, up 9.4% year to date. Total credit card transactions reached RMB1,812,859 million in the first half of 2021, up 12.8% year on year. Xinyidai unsecured loans granted and auto loans granted stood at RMB70,742 million and RMB131,575 million respectively, up 53.1% and 36.8% year on year respectively.

CORPORATE BUSINESS

Ping An Bank, as an engine of the Group's "1 + N" corporate integrated financial business model, remained customer-centric and promoted balanced development and retail transformation in the first half of 2021. Ping An Bank grew the corporate banking business steadily through accelerated data-driven operations by leveraging the Group's competitive edge in "finance + technology." The balances of corporate loans and corporate deposits grew 5.4% and 7.2% year to date respectively as of June 30, 2021. The average daily balance of corporate demand deposits increased 23.8% year on year, and the average cost of corporate deposits decreased 0.32 pps year on year to 1.97% in the first half of 2021.

Ping An Bank leveraged technologies including AI, blockchain and the IoT to drive corporate business innovation by playing "five cards," namely supply chain finance, bill integration, customer development platforms, sophisticated investment and financing, and ecosystem-based cross-selling.

- Supply chain finance. Ping An Bank's supply chain financing reached RMB437,515 million in the first half of 2021, up 44.9% year on year. The "Nebula-IoT" platform has connected over 2.30 million IoT devices, serving more than 10,000 enterprises and supporting financing of over RMB110 billion as of June 30, 2021.
- Bill integration. Ping An Bank's direct bill discounting business totaled RMB283,460 million in the first half of 2021, up 23.3% year on year.
- Customer development platforms. The registered corporate users of the Ping An Digital Pocket amounted to 4,873,300 as of June 30, 2021, up 368.5% year to date. The corporate open bank served 21,846 corporate customers, up 83.6% year to date.
- Sophisticated investment and financing. Ping An Bank's sophisticated investment and financing reached RMB621,756 million in the first half of 2021, a year-on-year increase of 9.5%, including RMB378,575 million in investment bank financing, up 9.1% year on year.
- Ecosystem-based cross-selling. Insurance premiums referred by Ping An Bank rose 20.2% year on year to RMB2,279 million in the first half of 2021. Investment and financing projects implemented by Ping An Bank in partnership with other member companies of the Group grew 22.1% year on year to RMB286,909 million.

INTERBANK BUSINESS

Guided by the philosophy of "serving financial markets, interbank clients, and the real economy," Ping An Bank accurately grasps the trends of financial marketization, integration, and diversification. Ping An Bank has built a specialized product and service framework of "trading, hedging, interbank, custody, and asset management," forming a more counter-cyclical business portfolio with a safer structure for the interbank business.

- In respect of financial trading, Ping An Bank applied fintech to trading, and steadily strengthened its FICC (fixed income, currencies and commodities) market-making capabilities in the first half of 2021, maintaining a leading position by market share of trading volumes of major market-making instruments. The market shares measured by trading volumes were 9.2% for gold and 2.1% for bonds.
- In respect of hedging services, the "Ping An Hedging" business focuses on key sectors and regions to help companies hedge against market risks so that they can focus on their main businesses. "Ping An Hedging" foreign exchange and interest rate derivatives trading volumes grew 77.5% year on year to USD14,791 million in the first half of 2021.

- In respect of interbank business, Ping An Bank's ET-Bank platform continued to develop partnerships with various financial institutions. Ping An Bank's interbank institutional sales volume grew 50.9% year on year to RMB605,178 million in the first half of 2021.
 - In respect of asset custody, Ping An Bank applied fintech to innovative custody services, and launched multiple smart custody service tools. Net assets under custody increased 18.8% year to date to RMB6.90 trillion as of June 30, 2021.
 - In respect of asset management, Ping An Wealth Management Co., Ltd., a wealth management subsidiary wholly owned by Ping An Bank, had been driving the stable, orderly transformation and development of asset management business since it opened for business in August 2020. Ping An Bank had RMB617,230 million of NAV-type (net asset value-type) products in compliance with the new asset management regulations as of June 30, 2021, up 33.2% year to date, accounting for 81.6% of the balance of non-principal guaranteed wealth management products, compared with 71.5% at the beginning of 2021.
- TECHNOLOGY-DRIVEN TRANSFORMATION**
- Taking "technology-driven business" as the driving force for strategic transformation, Ping An Bank continued to strengthen its digital and online operations capabilities and transform toward "digital banking, ecosystem banking, and platform banking." Ping An Bank's IT staff (including outsourced staff) increased to approximately 8,500 as of June 30, 2021. IT capital expenditure and expenses grew 18.4% year on year in the first half of 2021.
- Ping An Bank empowered its business with technologies. Business development requirements increased over 40% year on year in the first half of 2021 as Ping An Bank furthered its agile transformation and promoted the "technology + business" model. The OASIS project provides individual users with full-cycle, interactive expert financial services based on a distributed architecture and application of AI, screen sharing and other technologies. The middle office for corporate business quickly responds to the market needs through componentized and parameterized development models, shortening application release time by nearly 62% on average, and reducing development costs by nearly 60%. The Corporate Risk Workstation was put into operation to help enterprises manage funds scientifically, and reached out to over 800 corporate customers as of June 30, 2021.
 - Ping An Bank established leading infrastructure platforms. Ping An Bank sped up building cutting-edge and efficient cloud native systems by moving infrastructure to the cloud and transitioning to distributed, microservices-based, containerized application architecture. Starlink, a proprietary digital integrated platform for development, operations and maintenance, unified system development processes and tools, and greatly improved development efficiency through automation. In addition, Ping An Bank built a container cloud platform. By connecting this platform with Starlink, the release time for applications was shortened from hours to minutes. Over 99% of Ping An Bank's applications were released on Starlink as of June 30, 2021.
 - Ping An Bank promoted comprehensive digital operations. Ping An Bank enhanced its basic data management capability and improved its data services by turning data into assets, providing a powerful data-driven engine for business management and innovation. The smart finance system processed over 300 million data entries per day in the first half of 2021 and posted internal operations reports on the next day, contributing to higher management efficiency. A variety of smart application tools, such as AI valuation and smart due diligence, are embedded in the new smart special asset management platform, which provides 100% online services covering the whole process from the transfer to recovery of non-performing assets.

Business Analysis

Banking Business

- Ping An Bank strengthened its technological innovation and application. Capitalizing on the Group's core technologies, Ping An Bank kept accelerating the application of new technologies to banking scenarios. Outbound calls made by Ping An Bank's credit card smart speech platform reached 107 million in the first half of 2021. The credit card installments facilitated by the platform in the first half of 2021 increased about 73% year on year. Ping An Bank leveraged its proprietary Blockchain as a Service (BaaS) platform to provide upstream and downstream enterprises along industry chains with digital financial services. Ping An Bank helped core enterprises issue nearly 11,000 digital assets and achieve a transaction volume of about RMB56.3 billion in the first half of 2021, effectively addressing the financing difficulties of micro-, small and medium-sized enterprises.

ASSET QUALITY

China's economy steadily recovered in the first half of 2021, but economic recovery remained significantly imbalanced among regions and sectors. Banks faced challenges in asset quality management as some enterprises and individuals were under repayment pressure. Ping An Bank strongly supported the development of private, micro-, small and medium-sized enterprises, and kept enhancing its ability to serve the real economy and national strategies. Meanwhile, Ping An Bank's overall asset quality continued to improve with reinforced all-encompassing risk management. In response to uncertainties presented by the macro environment, Ping An Bank made high provisions for impairment losses on assets, consolidated asset quality, and strengthened risk provisions. Ping An Bank's provisions for impairment losses on credit and other assets totaled RMB38,285 million in the first half of 2021, including RMB25,121 million on loans.

(in RMB million)	June 30, 2021	December 31, 2020	Change (%)
Loan quality			
Pass	2,816,352	2,605,204	8.1
Special mention	27,558	29,703	(7.2)
Non-performing loans	30,983	31,390	(1.3)
Including:			
Sub-standard	16,306	14,205	14.8
Doubtful	6,382	5,942	7.4
Loss	8,295	11,243	(26.2)
Total loans and advances	2,874,893	2,666,297	7.8
Non-performing loan ratio (%)	1.08	1.18	-0.10 pps
Percentage of special mention loans (%)	0.96	1.11	-0.15 pps
Impairment provision balance	(80,409)	(63,219)	27.2
Provision coverage ratio (%)	259.53	201.40	58.13 pps
Loan loss provision ratio (%)	2.80	2.37	0.43 pps
Balance of loans more than 60 days overdue	26,268	28,765	(8.7)
Percentage of loans more than 60 days overdue (%)	0.91	1.08	-0.17 pps
Deviation of loans more than 60 days overdue ⁽¹⁾	0.85	0.92	-7 pps
Provision coverage ratio for loans more than 60 days overdue (%)	306.11	219.78	86.33 pps
Balance of loans more than 90 days overdue	22,608	23,524	(3.9)
Percentage of loans more than 90 days overdue (%)	0.79	0.88	-0.09 pps
Deviation of loans more than 90 days overdue ⁽²⁾	0.73	0.75	-2 pps
Provision coverage ratio for loans more than 90 days overdue (%)	355.67	268.74	86.93 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, 2021	December 31, 2020	Change (%)
Non-performing loan ratios			
Retail loans	1.13	1.13	-
Corporate loans	0.99	1.24	-0.25 pps
Total loans and advances	1.08	1.18	-0.10 pps

Ping An Bank's retail asset quality has been improving since the fourth quarter of 2020 as the impact of COVID-19 wore off and the consumer market resumed growth. The overall risk has receded to the pre-epidemic level. Ping An Bank's retail non-performing loan ratio was 1.13% as of June 30, 2021, at par with that at the beginning of 2021 and down 0.43 pps from the peak at the end of last June when COVID-19 was at its height in China. Ping An Bank has enhanced its ability to withstand risks since 2018 by gradually increasing the proportions of unsecured loans to high-quality white-collar customers as well as secured loans, optimizing the retail credit business portfolio, using industry-leading technologies and risk models to improve customer risk identification, and implementing differentiated risk management policies. Ping An Bank upgraded its retail risk middle office strategy and built a unified customer-level risk management system in the first half of 2021 to support the expansion of retail business by the front office and share risk management capabilities through an open bank. In addition, Ping An Bank strictly controlled the admission of new customers, and strengthened the review of customers' ability and willingness to repay, keeping the quality of new customers at a historically high level.

(%)	Loan granting period			
	2020	2019	2018	2017
The percentage of loans more than 30 days overdue as at the end of the 6-month vintage period				
Credit card receivables	0.19	0.36	0.29	0.35
Xinyidai unsecured loans	0.15	0.15	0.17	0.20
Auto loans	0.35	0.28	0.17	0.18

- 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 vintage analysis data for 2020 disclosed in the Company's 2020 Annual Report shows quality of loans for the first seven months of 2020 only. The vintages of loans granted / credit cards issued in 2020 have all reached six months as of June 30, 2021, which means data for vintage analysis disclosed in the above table shows the quality of all the loans granted in 2020.
- (3) Regarding auto loans, product portfolio adjustment and the COVID-19 epidemic resulted in volatility of the quality of new customers in 2020. However, the quality of new customers of loans granted in the second half of 2020 has started to improve as Ping An Bank has tightened the admission of new customers. The percentage of auto loans granted in the second half of 2020 more than 30 days overdue as at the end of the 6-month vintage period was 0.27%, 0.17 pps lower than that of those granted in the first half of 2020 under the same definition.

Business Analysis

Banking Business

In respect of corporate asset quality, Ping An Bank focused on key industries, regions and clients, selected industries with weak cyclicality, stable growth and high asset quality, and reduced exposure to high-risk customers. As a result, corporate asset quality continued to improve. Ping An Bank's corporate non-performing loan ratio was 0.99% as of June 30, 2021, down 0.25 pps year to date.

Ping An Bank goes all out to support the real economy while seeking business growth. The proportion of credit lines granted to key industries including healthcare, auto ecosystem services, clean energy, livelihood-related industries, infrastructure and transportation, electronics and information, and environmental protection stood at 46.0% as of June 30, 2021. New loans to small and micro-businesses each with a credit line not more than RMB10 million excluding bill financing ("inclusive small and micro-business loans") increased 58.6% year on year to RMB180,684 million in the first half of 2021. The weighted average interest rate on new loans was 0.52 pps lower than that for 2020. The number of customers with such loans amounted to 751,600 as of June 30, 2021. The balance of such loans reached RMB343,895 million, up 22.1% year to date, with the non-performing loan ratio kept within a reasonable range.

CAPITAL ADEQUACY

Ping An Bank continued to refine its capital management under its new three-year transformation strategy by optimizing its on- and off-balance-sheet asset portfolio and proactively reducing inefficient and ineffective capital utilization in the first half of 2021. Apart from retained earnings as a source of capital, Ping An Bank sought external channels to replenish capital and pressed ahead with the issuance of capital instruments. Ping An Bank plans to issue tier 2 capital bonds up to RMB30 billion in the China Interbank Bond Market as approved by Ping An Bank's board of directors and general meeting of shareholders. The proceeds will be used for replenishing Ping An Bank's tier 2 capital and improving its capital adequacy. The issuance plan is yet to be approved by regulators.

(in RMB million)	June 30, 2021	December 31, 2020	Change (%)
Capital adequacy ratio			
Net core tier 1 capital	285,394	273,791	4.2
Net tier 1 capital	355,338	343,735	3.4
Net capital	422,725	418,767	0.9
Total risk weighted assets	3,359,725	3,151,764	6.6
Core tier 1 capital adequacy ratio (%)	8.49	8.69	-0.20 pps
Tier 1 capital adequacy ratio (%)	10.58	10.91	-0.33 pps
Capital adequacy ratio (%)	12.58	13.29	-0.71 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) Ping An Bank and its wholly-owned subsidiary Ping An Wealth Management Co., Ltd. are included in the computation of the above capital adequacy ratios in accordance with the *Administrative Measures for the Capital of Commercial Banks (Trial)* issued by the former China Banking Regulatory Commission on June 7, 2012. The 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

- The trust business continued to de-risk through portfolio optimization. Assets held in trust in the investment category rose 44.4%, driving total assets held in trust up 5.9% year to date.
- Ping An Securities continuously progressed to become a smart securities services platform under Ping An's integrated finance strategy, boosting net profit by 11.7% year on year in the first half of 2021.
- Ping An Financial Leasing strengthened traditional leasing business and built presence in innovative business while serving the real economy. Net profit grew 46.5% year on year in the first half of 2021.
- Ping An Asset Management maintained steady business growth amid financial market turmoil. Investment AUM grew 6.6% year to date to RMB3.87 trillion as of June 30, 2021, including RMB444,939 million in third-party AUM, up 15.3% year to date.

BUSINESS OVERVIEW

The Company primarily conducts its asset management business through companies including Ping An Trust, Ping An Securities, Ping An Financial Leasing, and Ping An Asset Management. Net profit of the asset management business increased 37.0% year on year to RMB8,817 million in the first half of 2021.

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

	2021	2020	Change (%)
Net profit			
Trust business	1,254	1,653	(24.1)
Securities business	1,748	1,565	11.7
Other asset management business	5,815	3,220	80.6
Total	8,817	6,438	37.0

TRUST BUSINESS

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

Ping An Trust followed market trends and regulatory guidelines to transform its business from non-standard to standard, financing to investing, and finance to "services + finance." Positioned as a trustee, Ping An Trust focused on its four core trust businesses, namely special asset investment, infrastructure investment, financial service trusts, and private equity investment, to help the real economy achieve high-quality development.

- In respect of special asset investment, Ping An Trust developed a "services + finance" model, which combines its special asset capabilities with the advantages of risk isolation of trust business and its financing and investment capabilities. By integrating resources in industry ecosystems, Ping An Trust provides customers with integrated one-stop services covering advisory services, trust, investment banking, investment and financing to support brick-and-mortar enterprises, create value for customers and society, and help the economy achieve high-quality development.

Business Analysis

Asset Management Business

- In respect of infrastructure investment, Ping An Trust followed national strategies to focus on new infrastructure, traditional infrastructure, transportation, energy and other sectors, providing insurance funds and institutional investors with financial products featuring stable cash flows and reasonable returns to support China's infrastructure upgrades.
- In respect of financial service trusts, Ping An Trust vigorously developed its core businesses including family trust and insurance trust, and fully leveraged its role as a trustee to improve differentiated services and professional investment capabilities, connecting the markets of funds, assets and capital.
- In respect of private equity investment, Ping An Trust helped enterprises boost operational efficiency and value, and supported China's industrial structure upgrades by sharing profound investment and management expertise. Ping An Trust focused on supporting leading companies in emerging industries including modern services, TMT (technology, media, and telecom), upgraded consumption, healthcare, high-end manufacturing, energy saving, and environmental protection.

Ping An Trust continued to strengthen risk management and enhance technological empowerment. While maintaining the risk bottom line, Ping An Trust improved its comprehensive risk management framework and formed multi-level, interconnected risk management mechanisms with effective checks and balances to continuously and effectively monitor and manage business risks. In business risk management, Ping An Trust implemented risk management mechanisms covering entire processes before, during and after investment, and conducted various business activities prudently. Ping An Trust advanced online, mobile and smart operations, implemented risk strategies, and upgraded its smart risk management system to increase approval efficiency. Ping An Trust built a special asset platform and a funding platform, integrated industry resources, developed over 100 funding sources, and improved the matching of assets with funds through smart ecosystem miniprograms.

Ping An Trust had RMB21,972 million in net capital as of June 30, 2021. The ratio of net capital to total risk capital was 274.1% and the ratio of net capital to net assets was 78.6%, both meeting regulatory requirements (100% and 40% respectively).

Analysis of Profit Sources

Conforming to regulatory trends, Ping An Trust focused on its core trust business and continued to reduce assets held in trust within the financing category, leading to a year-on-year decrease in fees and commission revenue in the first half of 2021. Net profit of the trust business dropped 24.1% year on year due to the varied paces of exits from investments and the impairment provisions on investments.

For the six months ended June 30 (in RMB million)	2021	2020	Change (%)
Fees and commission revenue	1,961	2,259	(13.2)
Monthly average assets held in trust	408,194	435,772	(6.3)
Fee rate of assets held in trust ⁽¹⁾ (%)	0.48	0.52	-0.04 pps
Fees and commission expenses	(243)	(160)	51.9
Net fees and commission revenue	1,718	2,099	(18.2)
Administrative expenses ⁽²⁾	(584)	(513)	13.8
Total investment income ⁽³⁾	253	293	(13.7)
Other net revenue and expenses	242	262	(7.6)
Profit before tax	1,629	2,141	(23.9)
Income tax	(375)	(488)	(23.2)
Net profit	1,254	1,653	(24.1)

Notes: (1) Fee rate of assets held in trust = fees and commission revenue / average monthly 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.

Assets Held in Trust

Ping An Trust continued to focus on its core trust business and reduce financing trust and conduit administrative trust businesses while promoting trust business within the standard-asset investment and service categories in accordance with regulatory requirements. Total assets held in trust grew 5.9% year to date to RMB414,061 million, in which the investment category expanded 44.4% year to date to RMB170,290 million as of June 30, 2021. The business continued to de-risk through portfolio optimization.

(in RMB million)	June 30, 2021	December 31, 2020	Change (%)
Investment category	170,290	117,911	44.4
Financing category	136,292	142,909	(4.6)
Administrative category ⁽¹⁾	107,479	130,232	(17.5)
Total	414,061	391,052	5.9

Note: (1) 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 fell 13.2% year on year in the first half of 2021 mainly due to reduced financing trust business and decreased performance fees in the investment category.

For the six months ended June 30 (in RMB million)	2021	2020	Change (%)
Fees and commission revenue	1,961	2,259	(13.2)
Investment category	795	1,036	(23.3)
Financing category	1,052	1,101	(4.5)
Administrative category	114	122	(6.6)
Fee rate of assets held in trust (unannualized, %)	0.48	0.52	-0.04 pps
Investment category (unannualized, %)	0.52	1.30	-0.78 pps
Financing category (unannualized, %)	0.75	0.60	0.15 pps
Administrative category (unannualized, %)	0.10	0.07	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, and Ping An Pioneer Capital.

Ping An Securities achieved steady growth by leveraging integrated financial services and technological strengths. Ping An Securities vigorously implemented various strategic measures, embedding the philosophy of “AI Knows” and the value proposition of “principled, heartwarming, professional, and intelligent” in all services while promoting digital and platform-based operations in full scale. Net profit grew 11.7% year on year to RMB1,748 million and core business indicators continued to improve in the first half of 2021.

- Ping An Securities accelerated the transformation of its brokerage and wealth management businesses. Ping An Securities developed internet-based cooperation models, strengthened digital operations, and maintained the largest retail customer base in the industry. “Ping An Securities” app ranked among the top three brokerage apps by monthly active users, along with growing customer stickiness. Market share of Ping An Securities in terms of the equity and fund trading volume (excluding seat leasing)⁽¹⁾ continued to expand steadily by 0.27 pps year on year to 3.74% in the first half of 2021. Moreover, Ping An Securities actively developed wealth management business by launching innovative private investment advisory services. The revenue structure improved thanks to a higher proportion of revenue from value-added services.

Note: (1) The computation of the market share excludes the Northbound Stock Connect market.

Business Analysis

Asset Management Business

- Ping An Securities maintained its competitive edge in investment banking and bond business. Against the backdrop of lower underwriting costs and fiercer competition, Ping An Securities made breakthroughs by optimizing business offerings, stepping up efforts in key regions, and increasing the efficiency of smart underwriting. Ping An Securities ranked 1st and 6th in the industry by scales of asset-backed securities and bonds underwritten respectively in the first half of 2021. In addition, Ping An Securities promoted product innovation and implemented industry exemplary projects. “Ping An Guangzhou Transportation Investment Guangzhou-Heyuan Expressway Closed-end Infrastructure Securities Investment Fund” launched in the first half of 2021 was one of China’s first publicly offered real estate investment trusts (REITs).
- Ping An Securities continued to outperform the market in trading. Ping An Securities focused on proprietary bond trading. Amid bond market corrections, Ping An Securities outperformed market benchmarks in terms of investment yields by executing neutral strategies with derivatives. Moreover, Ping An Securities promoted over-the-counter derivatives business, increasing the notional principal sharply year to date to RMB16.4 billion as of June 30, 2021.
- Ping An Securities proactively launched new asset management products and ranked 8th in the industry by AUM. Ping An Securities continued to transform collective asset management schemes into publicly offered products and issued the first publicly offered product “An Ying Tian Li” in the first half of 2021. Moreover, Ping An Securities enhanced its active management capabilities and launched new “fixed-income +” and “service +” products, ranking 8th in the industry by AUM as of June 30, 2021.

Analysis of Profit Sources

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

	2021	2020	Change (%)
Fees and commission revenue	4,249	3,636	16.9
Fees and commission expenses	(1,115)	(852)	30.9
Net fees and commission revenue	3,134	2,784	12.6
Total investment income ⁽¹⁾	3,621	3,245	11.6
Other revenue ⁽²⁾	2,552	2,545	0.3
Revenue	9,307	8,574	8.5
Administrative expenses ⁽³⁾	(2,829)	(2,357)	20.0
Cost-to-income ratio ⁽⁴⁾ (%)	45.4	44.3	1.1 pps
Financial costs	(1,286)	(1,005)	28.0
Other expenses ⁽⁵⁾	(3,080)	(3,253)	(5.3)
Profit before tax	2,112	1,959	7.8
Income tax	(364)	(394)	(7.6)
Net profit	1,748	1,565	11.7

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 revenues 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 2021 rose 16.9% year on year, benefiting from a 30.3% year-on-year increase in brokerage fees and commission revenue due to the increased turnover of brokerage business.

For the six months ended June 30 (in RMB million)	2021	2020	Change (%)
Fees and commission revenue			
Brokerage business	3,309	2,540	30.3
Underwriting business	468	482	(2.9)
Asset management business	271	270	0.4
Others	201	344	(41.6)
Total	4,249	3,636	16.9

OTHER ASSET MANAGEMENT BUSINESS

Other asset management business represents the 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 furthered its strategic transformation while remaining true to the original aspiration of serving the real economy and promoting industry development and upgrade. Adhering to the strategy of strengthening its main business, Ping An Financial Leasing builds ecosystems and employs cutting-edge technologies. Ping An Financial Leasing aims to be a world-leading technology-powered asset-light leasing company, serving small and medium-sized customers with real asset management and operations capabilities. While consolidating its traditional leasing business, Ping An Financial Leasing builds its presence in innovative areas and pursues technological innovation. Ping An Financial Leasing builds differentiation advantages through digitization, ranking among the industry's top three by comprehensive strength. Ping An Financial Leasing remained a leader in traditional business sectors including engineering, construction, education, culture, energy, metallurgy, manufacturing, processing, microfinance, and public transportation as of June 30, 2021. Ping An

Financial Leasing has become a leader by achieving technology-driven business model breakthroughs and rapid expansion in innovative business sectors represented by micro-leasing and auto leasing. Ping An Financial Leasing will continue to consolidate its main business and develop "industrial leasing, digital leasing, ecosystem-based leasing, and platform-based leasing" with the Group's innovative "finance + technology." Through these efforts, Ping An Financial Leasing will facilitate industrial upgrading and contribute to the real economy.

Ping An Financial Leasing continued to strengthen risk management amid macroeconomic headwinds. Non-performing asset ratio was kept stable and controllable despite a slight increase year to date as of June 30, 2021. Sufficient provisions had been set aside to withstand risks. Moreover, Ping An Financial Leasing strengthened risk management by tightening qualification requirements for new customers, enhancing review management, business operations and asset monitoring, and dynamically adjusting the differentiated asset management strategies for existing customers. For major projects, the strategy of "one customer, one strategy" is adopted to monitor risks. Moreover, technology-enabled ex ante risk management and optimized asset management mechanisms are in place to ensure business risks are under control.

Results of Operation

For the six months ended June 30 (in RMB million)	2021	2020	Change (%)
Revenue	10,208	9,312	9.6
Net profit	2,209	1,508	46.5

(in RMB million)	June 30, 2021	December 31, 2020	Change (%)
Total assets	287,433	277,961	3.4
Non-performing asset ratio (%)	1.29	1.24	0.05 pps

Business Analysis

Asset Management Business

Ping An Asset Management

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

China's financial markets faced the dual challenges of a turbulent external environment and a tightening domestic credit environment in the first half of 2021. Upholding the philosophies of value investing and prudence, Ping An Asset Management provided high-quality investment services for insurance funds and customers by managing risks promptly and seizing opportunities proactively.

Ping An Asset Management achieved stable growth in third-party asset management business and stayed ahead of peers by alternative investment scale. In capital market investment business, Ping An Asset Management increased third-party AUM by 15.3% year to date by leveraging its active management capabilities and tapping into new trends in the industry. In alternative investment business, Ping An Asset Management maintained an industry-leading investment scale and improved its ability to serve the real economy, adhering to the goal of supporting China's major strategies and high-quality development of the real economy.

Ping An Asset Management empowered the investment management business with technology. Under the philosophy of technological empowerment, Ping An Asset Management has built the proprietary Ping An Integrated Platform for Bond Investment ("KYZ") by pooling strong expertise in fixed-income investment and adopting overseas established quantitative management approaches. In respect of issuance, KYZ empowers investment banks to cut costs and boost efficiency in activities including document preparation, internal review and quality control, and issuance pricing. In respect of investment, KYZ helps institutional investors anticipate trends, make timely decisions on strategies, and take action in trading ahead of others, focusing on scenarios including credit research, risk warning, and portfolio management.

Results of Operation

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

	2021	2020	Change (%)
Net profit	1,101	1,475	(25.4)
Revenue from third-party asset management	603	798	(24.4)

(in RMB million)

	June 30, 2021	December 31, 2020	Change (%)
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Assets under management	3,870,793	3,629,958	6.6
Including: Third-party AUM	444,939	385,795	15.3

Business Analysis

Technology Business

- Lufax Holding (NYSE: LU) is one of China's leading technology-powered personal financial services platforms. Revenue and net profit grew 17.1% and 33.3% year on year respectively in the first half of 2021. The balance of retail credit facilitated increased 11.3% year to date, with the ratio of loans more than 30 days overdue down 1.0 pps year on year as of June 30, 2021. Peer-to-peer (P2P) AUM held by customers was substantially cleaned up as Lufax Holding further transformed its platform business.
- OneConnect (NYSE: OCFT) is a technology-as-a-service platform for financial institutions. OneConnect maintained robust growth with revenue up 31.9% year on year in the first half of 2021. OneConnect had 460 premium customers, up by 114 year on year, including 113 premium plus customers, up by 26 year on year. OneConnect has been honored as one of KPMG's China Leading Fintech 50 companies for three consecutive years.
- Ping An Good Doctor (HKEX: 01833.HK) is China's leading online healthcare services platform. Ping An Good Doctor spared no effort to develop its healthcare service capabilities, customer acquisition channels, service networks, technological capabilities, and ecosystem in the first half of 2021, committed to scaling up its business and strengthening its advantages by seizing industry opportunities. Ping An Good Doctor's revenue reached RMB3,818 million in the first half of 2021.
- Autohome (NYSE: ATHM; HKEX: 02518.HK) is China's leading online auto services platform. Autohome's revenue and net profit reached RMB3,780 million and RMB1,525 million respectively in the first half of 2021.
- Ping An HealthKconnect strives to be a smart technology company that fully empowers the medical ecosystem. Ping An HealthKconnect won bids to construct 10 provincial-level social health insurance (SHI) platforms in the first half of 2021, and had cumulatively won 22 provincial-level platform construction project bids as of June 30, 2021.

BUSINESS OVERVIEW

The Company conducts its technology business via subsidiaries, associates and jointly controlled entities including Autohome, Lufax Holding, OneConnect, Ping An Good Doctor, and Ping An HealthKconnect. These companies also form important components within the Group's broader ecosystems. The Company continues to explore innovative fintech and digital healthcare business models to strengthen its main financial businesses, facilitate industrial upgrading, and serve the real economy. The total revenue of the technology business⁽¹⁾ for the first half of 2021 increased 14.2% year on year to RMB48,809 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.

Business Analysis

Technology Business

LUFAX HOLDING

Lufax Holding (NYSE: LU) is one of the leading technology-powered personal financial services platforms in China. Lufax Holding is committed to addressing the huge unmet demand for loans among small and micro-business owners as well as salaried workers in China, and providing tailor-made wealth management solutions for China's fast-growing middle class and affluent population. Lufax Holding furthered its strategic transformation in the first half of 2021, following changes in financial regulations and the market environment. Lufax Holding maintained steady business growth, boosting its revenue by 17.1% year on year to RMB30,079 million. Lufax Holding's net profit increased 33.3% year on year to RMB9,697 million.

In retail credit facilitation, Lufax Holding integrates high-quality resources in the financial services ecosystem as a leading technology-powered retail credit facilitation platform in China. With 17 years of experience in retail credit facilitation, Lufax Holding has facilitated loans for 15.54 million small and micro-business owners and retail customers with its offline-to-online (O2O) loan facilitation services from offline consultation to online application. In addition, Lufax Holding has promoted the application of technologies, and enabled 68 financial institution partners to identify borrowers' risks with its increased application of AI in areas including borrower acquisition, customer risk identification, and loan management. Leveraging its O2O service model, Lufax Holding increased the balance of retail credit facilitated by 11.3% year to date to RMB606,794 million as of June 30, 2021. Moreover, Lufax Holding proactively applied AI to post-lending services and repayment reminders. The ratio of loans more than 30 days overdue⁽¹⁾ in the loan portfolio facilitated by Lufax Holding was 1.9% as of June 30, 2021, down sharply by 1.0 pps from a year ago.

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 retail credit facilitated.

In wealth management, Lufax Holding provides the middle class and affluent population with diverse, personalized products and services. Lufax Holding provided 14.83 million active investors with approximately 12,000 products and personalized financial service items through asset partnerships with over 440 institutions under its unique hub-and-spoke business model. Lufax Holding employs AI and machine learning to match products with customers in real time based on Know Your Customer (KYC), Know Your Product (KYP), and Know Your Intention (KYI) in diverse scenarios. By doing so, Lufax Holding recommends the right products to the right customers in the right way at the right time. On Lufax Holding's wealth management platform, client assets amounted to RMB421,104 million, 80% of which were from clients with assets of over RMB300,000 as of June 30, 2021. As Lufax Holding further transformed its platform business, the P2P AUM held by customers was substantially cleaned up.

Financial Data

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

	2021	2020	Change (%)
Revenue	30,079	25,684	17.1
Including:			
Technology platform-based income ⁽¹⁾	19,891	21,453	(7.3)
Net interest income ⁽²⁾	6,138	2,998	104.7
Guarantee income ⁽³⁾	1,442	170	748.2
Expense	(17,007)	(15,576)	9.2
Net profit	9,697	7,272	33.3

Notes: (1) Technology platform-based income comprises retail credit facilitation service fees and wealth management transaction and service fees.

(2) Net interest income primarily comprises net interest income from microloans, consumer finance, and consolidated trusts.

(3) Guarantee income primarily comprises the fees Lufax Holding charges its borrowers for the credit enhancement services provided by Lufax Holding on loan products.

Number of Users

(in million)	June 30, 2021	December 31, 2020	Change (%)
Registered users on wealth management platform	47.07	46.16	2.0
Active investors ⁽¹⁾	14.83	14.88	(0.3)
Accumulated borrowers	15.54	14.48	7.3

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, 2021	December 31, 2020	Change (%)
Balance of retail credit facilitated	606,794	545,145	11.3
Client assets	421,104	426,571	(1.3)
Including:			
Current products	421,104	407,220	3.4
Legacy products ⁽¹⁾	-	19,351	N/A

Note: (1) Legacy products refer to products that ceased to be distributed by the wealth management business of Lufax Holding but still have outstanding balances, mainly comprising P2P products.

ONECONNECT

OneConnect (NYSE: OCFT) is a technology-as-a-service platform for financial institutions. Facing higher requirements for digital transformation of financial institutions, OneConnect upgraded technologies and services while integrating multiple products and solutions. OneConnect established a product line featuring “horizontal integration” in banking, insurance and asset management sectors and “vertical full coverage” from Software as a Service (SaaS) to Infrastructure as a Service (IaaS). OneConnect offers end-to-end services including marketing and customer acquisition, risk management, operational management and smart operations. Through these services, OneConnect provides financial institutions with comprehensive technological empowerment.

OneConnect’s revenue for the first half of 2021 grew steadily by 31.9% year on year to RMB1,788 million. OneConnect’s net loss narrowed from RMB778 million to RMB697 million year on year as the improved product portfolio and deepened customer cooperation led to business improvement. OneConnect’s cloud services platform has become

a major source of revenue, contributing 24.8% of the total revenue, or RMB443 million in the first half of 2021. OneConnect had served 641 banks and 110 insurance institutions, including 109 financial and government customers in 20 foreign countries or regions, as of June 30, 2021. OneConnect had 460 premium customers, up by 114 year on year, including 113 premium plus customers, up by 26 year on year, in the first half of 2021. Going forward, OneConnect will continue to provide cloud solutions for banking, insurance, asset management and other financial vertical sectors, upgrade the service model, and improve its product delivery capabilities, helping clients increase revenue, improve efficiency, enhance service quality, and reduce costs.

OneConnect upholds the “technology + business” empowerment model and continues to build its cutting-edge technological strength in the financial industry. OneConnect had made 5,075 technology patent applications as of June 30, 2021, of which 1,199 were made abroad. The Gamma Lab team won the first place in machine reading comprehension at the Language & Intelligence Summit 2021, and has won a total of 15 awards. OneConnect has been honored as one of KPMG’s China Leading Fintech 50 companies for three consecutive years.

OneConnect took an all-around approach in the first half of 2021 in serving financial institutions and empowering their digital transformation, providing them with comprehensive, in-depth solutions that cover core systems and end-to-end business applications. In terms of enabling the digitization of financial institutions, OneConnect continued to cooperate with institutions including commercial banks and insurers, exploring digital retail banking, digital corporate banking, digital asset management and insurance technology services. In terms of capital market construction, OneConnect has reached strategic cooperation with domestic and overseas stock exchanges to integrate digital technology and capital market businesses as well as ESG platform construction. In terms of digital finance, OneConnect joined hands with multiple corporations and financial institutions to draw up a new blueprint for digital transformation. The in-depth cooperation covered financial infrastructure, inclusive finance, port logistics, and trade facilitation service platforms.

Business Analysis

Technology Business

For the six months ended June 30 (in RMB million)	2021	2020	Change (%)
Revenue	1,788	1,355	31.9
Including: Implementation revenue	328	355	(7.7)
Business origination services	236	327	(27.8)
Risk management services	205	154	32.7
Operational support services	487	452	7.6
Cloud services platform	443	27	1,563.9
Others	89	40	125.2
Cost of revenue	(1,179)	(856)	37.8
Gross profit	608	499	21.8
Gross profit margin (%)	34.0	36.8	-2.8 pps
Net profit	(697)	(778)	(10.4)

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

For the six months ended June 30	2021	2020	Change (%)
Transaction volume of retail loans (in RMB billion)	31.8	33.3	(4.5)
Transaction volume of SME loans (in RMB billion)	16.2	14.1	15.0
Claims processed via Smart Quick Claim (in million)	3.21	2.44	31.5
Premium customers ⁽¹⁾	460	346	32.9
Including: Premium plus customers ⁽¹⁾	113	87	29.9

Notes: (1) The number of premium customers is the number of institutional customers that contribute annual revenue of at least RMB100,000 to OneConnect, excluding Ping An Group and its subsidiaries. The number of premium plus customers is the number of institutional customers that contribute annual revenue of at least RMB1,000,000 to OneConnect, excluding Ping An Group and its subsidiaries.

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

PING AN GOOD DOCTOR

Ping An Good Doctor (HKEX: 01833.HK), China's leading online healthcare services platform, is committed to "building a bridge of effective communication between doctors and patients." Leveraging strong medical service capabilities, Ping An Good Doctor empowers payers, serves providers, and provides patients with high-quality, convenient, cost-effective healthcare services. Ping An Good Doctor further integrates and empowers online and offline healthcare service providers by pooling high-value traffic brought by various parties and generating bargaining power of the platform.

Ping An Good Doctor had a total of 401 million registered users as of June 30, 2021. Thanks to the focus on healthcare and high-value users, Ping An Good Doctor's revenue rose 39.0% year on year to RMB3,818 million, and its gross profit margin reached 26.8% for the first half of 2021. Ping An Good Doctor's paying users totaled 32.10 million for the twelve months ended June 30, 2021, up 69.6% year on year.

Ping An Good Doctor furthered its strategic upgrading, sparing no effort to develop its healthcare service capabilities, customer acquisition channels, service networks, technological capabilities, and ecosystem. Ping An Good Doctor is committed to scaling up its business and strengthening its advantages by seizing industry opportunities.

- In respect of healthcare service capabilities, Ping An Good Doctor positions its in-house doctors as "customer managers familiar with healthcare." Ping An Good Doctor reaches users in four scenarios, namely health management, sub-health management, chronic disease management, and disease management. Ping An Good Doctor aims to meet the pan-healthcare needs of users throughout their life cycles with timely and high-quality online medical services based on electronic records generated for users. Ping An Good Doctor's in-house medical team members and external contracted doctors totaled over 40,000 as of June 30, 2021, with over 450 online studios of domestic renowned doctors in operation, providing online users with diverse healthcare services.

- In respect of customer acquisition channels, Ping An Good Doctor targets the Group's over 223 million retail customers to provide them with full-lifecycle healthcare services through in-depth integration with the Group's main financial businesses. Moreover, Ping An Good Doctor extended its services to corporate services and internet hospitals by bringing its healthcare service capabilities into full play. Ping An Good Doctor acquired over 3,800 corporate customers in the first half of 2021. Ping An Good Doctor had signed internet hospital cooperation agreements with over 200 offline hospitals, and had launched over 100 internet hospital platforms as of June 30, 2021.
- In respect of service networks, Ping An Good Doctor provides users with a wide range of one-stop healthcare services through its constantly improving nationwide and worldwide networks of third-party renowned doctors as well as offline healthcare service networks comprising hospitals, clinics, checkup centers, and pharmacies. Ping An Good Doctor had about 3,000 partner hospitals and 163,000 partner pharmacies as of June 30, 2021. Moreover, Ping An Good Doctor's constantly improved service network covered 85,000 healthcare service providers.
- In respect of technological capabilities, Ping An Good Doctor is committed to developing proprietary AI technology. Ping An Good Doctor has accumulated the data of nearly 1,183 million consultations based on its five major medical databases (of medical products, diseases, personal health, prescription treatment, and medical resources) and the AskBob consultation/treatment assistant tool. The accuracy rate of medical guidance exceeded 99%.
- In respect of ecosystem development, Ping An Good Doctor developed its medical service capabilities as an important component of the Group's healthcare ecosystem. By leveraging the Group's high-quality resources, Ping An Good Doctor created synergies with the Group's member companies in the healthcare ecosystem. The synergies enabled Ping An Good Doctor to accelerate the construction of a closed-loop healthcare ecosystem involving payers, providers, technologies, and cooperation with the government. Through this ecosystem, Ping An Good Doctor provides solutions to the industry's pain points in a bid to satisfy various parties' demands.

Ping An Good Doctor, based on its global presence, gives full play to its service capabilities and AI technology advantages to deliver capabilities overseas. After more than a year of development, Ping An Good Doctor's joint venture in Southeast Asia has accumulated over 13 million registered users in Indonesia. Ping An Good Doctor has launched cooperation with leading local companies in Thailand to develop online healthcare services there. Ping An Good Doctor's joint venture in Japan has signed agreements with dozens of government and corporate customers, and has become a nucleic acid testing and vaccination services provider recognized by local governments at various levels there.

	June 30, 2021	December 31, 2020	Change (%)
Registered users (in million)	400.61	372.82	7.5
Consultations (in million)	1,182.69	1,004.25	17.8

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

For the six months ended June 30 (in RMB million)	2021	2020	Change (%)
Revenue	3,818	2,747	39.0
Including:			
Medical services	1,067	708	50.6
Consumer healthcare	714	430	66.1
Online mall	1,909	1,493	27.9
Health management and wellness interaction	129	116	11.2
Cost	(2,793)	(1,925)	45.1
Gross profit	1,025	822	24.8
Net profit	(879)	(213)	312.4

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

Business Analysis

Technology Business

AUTOHOME

Autohome (NYSE: ATHM; HKEX: 02518.HK), 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. Autohome completed its secondary listing on HKEX in March 2021, and was included in the Hang Seng Tech Index and Hang Seng Composite Index in early June 2021.

Autohome's performance remained stable in the first half of 2021 as revenue reached RMB3,780 million despite short-term challenges brought by fluctuating production and sales of passenger vehicles in China due to chip supply shortages. Automakers' and auto dealers' demand for online marketing services increased, driven by changing marketing approaches and advancing digitization. In addition, Autohome enhanced its presence in the used car area by acquiring TTP Car Inc., a leading used car auction platform in China. TTP Car Inc. reached the breakeven point in operations in June 2021. Autohome's revenue from the online marketplace and other business grew 33.3% year on year in the first half of 2021, accounting for 30.0% of the total revenue. Autohome's net profit⁽¹⁾ reached RMB1,525 million.

Autohome strengthened its leading role among auto service apps in China through diverse channels and high-quality contents. Autohome upgraded its app in June 2021, optimizing user experience to attract younger users. Autohome's average daily active users on mobile devices reached 44.10 million in June 2021. In data business, with the promotion of data products, Autohome is committed to empowering automakers and auto dealers in R&D, marketing, conversion, and aftersales by building a comprehensive SaaS platform that covers the entire auto lifecycle. Revenue of data products⁽²⁾ increased 54.7% year on year in the first half of 2021. In the NEV sector, Autohome offers a variety of products to meet the needs of NEV automakers, serving 20 NEV brands in the first half of 2021. For auto transactions, Autohome promoted strategic synergy and integration with TTP Car Inc. For auto financing, Autohome proactively facilitated financial cooperation including lending, financial leasing, and insurance services for consumers and dealers.

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

	2021	2020	Change (%)
Revenue	3,780	3,860	(2.1)
Including:			
Media services	1,205	1,498	(19.6)
Leads generation services	1,442	1,511	(4.6)
Online marketplace and other business	1,133	850	33.3
Cost	(505)	(443)	13.9
Gross profit	3,275	3,417	(4.2)
Net profit	1,525	1,527	(0.1)

Notes: (1) Net profit refers to Autohome's non-GAAP adjusted net profit attributable to shareholders of the parent company.

(2) Revenue of data products is included in the revenue of online marketplace and other business.

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

PING AN HEALTHKONNECT

Ping An HealthKonnnect strives to be a smart technology company that fully empowers the medical ecosystem with its focus on social health insurance (SHI). Through the provision of software and services, Ping An HealthKonnnect promotes the co-development of SHI, healthcare and medicine to lower medical costs, improve service experience and strengthen 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 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.

Ping An HealthKonnnect made breakthroughs in constructing provincial-level SHI platforms as it won additional 10 bids in the first half of 2021. Ping An HealthKonnnect had cumulatively won 22 provincial-level platform construction project bids as of June 30, 2021. A specialized SHI data middle office built by Ping An HealthKonnnect helps Healthcare Security Administrations with their macro-decision-making and operation monitoring, facilitating the digital transformation of SHI business management. With data mining and NLP technologies, Ping An HealthKonnnect developed an “SHI Digital Risk System” backed by both rules and models by combining the Group’s proven financial risk management experience, healthcare and SHI experience, and knowledge bases. The big data technology enables the system to be efficient in quantitative risk assessment and screening of massive data, with over 50 scenario-based models already in operation.

Ping An HealthKonnnect and Ping An Healthcare Diagnostics Center provided free medical examinations and consultations to people in rural areas, in response to Ping An Group’s call to support the Rural Communities Support program. Ping An HealthKonnnect and medical laboratories of Ping An Healthcare Diagnostics Center across China provided government-designated COVID-19 nucleic acid testing sites with services including online diagnosis, AI-powered screening, mobile CT scanners, and nucleic acid testing. Over 1.55 million COVID-19 nucleic acid tests were performed in the first half of 2021 to support epidemic prevention and containment with third-party healthcare’s value and advantages. Thanks to renowned experts, scientific-grade equipment, and the Group’s healthcare ecosystem, Ping An HealthKonnnect and Ping An Healthcare Diagnostics Center created an online-merge-offline closed loop for healthcare services to improve regional healthtech service capabilities. With the internet, IoT and mobile testing vans, Ping An HealthKonnnect and Ping An Healthcare Diagnostics Center provided services including disease prevention, physical examinations, remote image reading, disease diagnosis, and rural clinics upgrading to empower primary medical institutions and improve community-level public healthcare.

Analysis of Embedded Value

- Our life and health insurance business (L&H) embedded value (“EV”) rose 4.7% year to date to RMB863,585 million as of June 30, 2021, achieving an annualized operating ROEV of 14.9%.
- Global economic growth faced uncertainties in the first half of 2021 amid complex and severe economic situations across the world and continued impact of the COVID-19 pandemic. This temporarily tempered consumer spending on long-term protection products. Moreover, Ping An’s sales agents decreased. As a result, NBV of L&H dropped 11.7% year on year to RMB27,387 million.

KEY INDICATORS

(in RMB million)	For the six months ended June 30, 2021/ As of June 30, 2021	For the six months ended June 30, 2020/ As of December 31, 2020	Change (%)
L&H EV	863,585	824,574	4.7
L&H operating ROEV (annualized, %)	14.9	18.7	-3.9 pps
Value of first half year’s new business value after cost of capital (NBV)	27,387	31,031	(11.7)
Long-run investment return assumption (%)	5.0	5.0	-
Risk discount rate (%)	11.0	11.0	-

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

ANALYSIS OF EMBEDDED VALUE

The Company has disclosed information regarding 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 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 Ernst & Young (China) Advisory 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, 2021.

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 2021 in accordance with the Standards and China Risk Oriented Solvency System (C-ROSS).

Components of Economic Value

(in RMB million)	June 30, 2021	December 31, 2020
L&H adjusted net asset value (ANA)	323,274	298,289
Value of in-force insurance business before cost of capital	589,674	572,278
Cost of capital	(49,364)	(45,994)
L&H EV	863,585	824,574
Other business ANA	514,369	503,538
Group EV	1,377,953	1,328,112

(in RMB million)	June 30, 2021	December 31, 2020
Value of one year's new business	55,028	59,837
Cost of capital	(9,097)	(10,262)
Value of one year's new business after cost of capital	45,932	49,575
Value of first half year's new business after cost of capital	27,387	31,031

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 embedded value calculation in the first half of 2021 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 are 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 20%.

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 businesses.

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 2021 are:

For the six months ended June 30 (in RMB million)	FYP used to calculate New Business Value			New Business Value		
	2021	2020	Change (%)	2021	2020	Change (%)
Retail business	65,955	63,760	3.4	27,081	30,931	(12.4)
Agency	52,757	50,229	5.0	23,684	27,705	(14.5)
Long-term protection	9,252	16,281	(43.2)	9,326	16,999	(45.1)
Protection & Saving hybrid (long-PPP)	10,695	7,387	44.8	5,965	4,090	45.8
Protection & Saving hybrid (short-PPP)	30,202	23,756	27.1	6,356	5,003	27.1
Short-term	2,609	2,805	(7.0)	2,036	1,613	26.3
Tele, internet and others	8,718	7,967	9.4	2,475	2,298	7.7
Bancassurance	4,480	5,564	(19.5)	923	928	(0.6)
Group business	21,686	20,788	4.3	306	100	206.3
Total	87,641	84,548	3.7	27,387	31,031	(11.7)

- 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 (%)	
	2021	2020	2021	2020
Retail business	41.1	48.5	46.5	53.8
Agency	44.9	55.2	52.0	62.7
Long-term protection	100.8	104.4	101.3	104.5
Protection & Saving hybrid (long-PPP)	55.8	55.4	55.8	55.3
Protection & Saving hybrid (short-PPP)	21.0	21.1	27.4	28.3
Short-term	78.1	57.5	81.4	57.6
Tele, internet and others	28.4	28.8	28.8	29.5
Bancassurance	20.6	16.7	23.7	17.8
Group business	1.4	0.5	2.0	0.6
Total	31.2	36.7	37.4	41.7

- 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 RMB1,328,112 million as of December 31, 2020 to the closing balance of RMB1,377,953 million as of June 30, 2021.

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

		2021	Note
L&H opening EV	[1]	824,574	
Expected return on opening EV	[2]	34,978	
Including: Unwinding of in-force value		29,377	In-force and NBV unwind at the 11% risk discount rate
ANA return		5,602	
NBV post-risk diversification benefits	[3]	31,218	
Including: NBV pre-risk diversified		27,387	Reported NBV based on a cost of capital calculated at policy level
Diversification effects within new business		2,157	Diversification within new business lowers cost of capital
Diversification effects with in-force		1,674	Diversification between new business and in-force lowers cost of capital
Operating assumptions and model changes	[4]	1,251	
Operating variances and others	[5]	(6,144)	Mainly due to the decline in new business growth and the fluctuation of policy persistency ratios
L&H EV operating profit	[6]=[2+...+5]	61,304	
Economic assumptions changes	[7]	-	
Market value adjustment	[8]	1,985	Change in market value adjustment of free surplus during the Reporting Period
Investment return variance	[9]	(12,122)	Lower than assumed investment return
One-off non-operating item and others	[10]	-	
L&H EV profit	[11]=[6+...+10]	51,168	
Shareholder dividends		(10,461)	Dividends upstreamed from Ping An Life to the Company
Employee stock ownership plan		(1,697)	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		863,585	

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

	2021	Note
Other business opening ANA	503,538	
Operating profit of other business	32,340	
Non-operating profit of other business	(3,592)	Value revaluation loss of the convertible bonds issued by Lufax Holding to the Group
Market value adjustment and other variance	(63)	
Other business closing ANA before capital changes	532,224	
Dividends received	10,461	Dividends received from Ping An Life
Dividends paid	(25,494)	Dividends paid by the Company to shareholders
Employee stock ownership plan	(2,821)	Long-term Service Plan and Key Employee Share Purchase Plan, as well as the offset effect for the amortization during the Reporting Period
Other business closing ANA	514,369	
Group EV	1,377,953	
Group EV per share (in RMB)	75.38	

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

EV operating profit of L&H in the first half of 2021 was RMB61,304 million, mainly comprised of the NBV and expected return on opening EV.

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

	2021	2020
L&H EV operating profit [6]	61,304	70,996
L&H operating ROEV (unannualized, %) [12]=[6]/[1]	7.4	9.4
L&H operating ROEV (annualized, %) [13]=[12]x2	14.9	18.7

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 the fair value of equity assets

Analysis of Embedded Value

Sensitivity to key assumptions

(in RMB million)

	Group EV	L&H EV	NBV
Base case	1,377,953	863,585	45,932
Investment return and risk discount rate increased by 50 bps per annum	1,435,277	920,908	49,913
Investment return and risk discount rate decreased by 50 bps per annum	1,315,018	800,650	41,519
10% increase in mortality, morbidity and accident rates	1,352,979	838,611	41,589
10% increase in policy discontinuance rates	1,370,552	856,183	44,367
10% increase in maintenance expenses	1,374,319	859,951	45,506
5% increase in the policyholders' dividend payout ratio	1,368,369	854,001	45,864
10% decrease in the fair value of equity assets	1,357,328	847,868	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 Ernst & Young (China) Advisory Limited to review the reasonableness of the methodology and the calculation results of the Analysis of Operating Profit for the first half of 2021.

Operating profit of the Group

Operating profit is a meaningful business performance evaluation metric given the long-term nature of our major life and health insurance business. We define operating profit after tax as reported net profit excluding the following items which are of short-term, volatile or one-off nature:

- 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 material non-operating items and others is the impact of material items that management considered to be non-operating incomes and expenses, which in the first half of 2021 refers to the revaluation gain or loss on the convertible bonds issued by Lufax Holding to the Group.

Note: (1) Refer to the significant accounting policies in the notes of the Company's 2020 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's operating profit after tax attributable to shareholders of the parent company in the first half of 2021 was RMB81,836 million, up 10.1% year on year. New business growth declined, policy persistency ratios fluctuated, and claims variance lowered as claim payments normalized in the first half of 2021 versus lower claim payments in the first half of 2020 because of COVID-19. As a result, L&H operating profit after tax attributable to shareholders of the parent company was RMB49,495 million, decreased 3.2% year on year.

Operating profit after tax attributable to shareholders of the parent company

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

	2021	2020	Change (%)
Life and health insurance business	49,495	51,127	(3.2)
Property and casualty insurance business	10,741	8,234	30.4
Banking business	10,191	7,927	28.6
Asset management business	8,008	5,831	37.3
Including: Trust business	1,253	1,651	(24.1)
Securities business	1,677	1,509	11.1
Other asset management business	5,078	2,671	90.1
Technology business	6,236	3,438	81.4
Other businesses and elimination	(2,835)	(2,247)	26.2
The Group	81,836	74,310	10.1

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

		The Group		L&H business	
		2021	2020	2021	2020
For the six months ended June 30 (in RMB million)					
Net profit	[1]	67,963	75,968	29,785	45,888
Excluding:					
Short-term investment variance of L&H ⁽¹⁾	[2]	(15,245)	(1,987)	(15,245)	(1,987)
Impact of discount rate change of L&H ⁽¹⁾	[3]	(5,200)	(3,660)	(5,200)	(3,660)
Impact of one-off material non-operating items and others ⁽¹⁾	[4]	(3,592)	-	-	-
Operating profit after tax	[5]=[1-2-3-4]	92,000	81,615	50,230	51,535
Attributable to:					
- Owners of the parent		81,836	74,310	49,495	51,127
- Non-controlling interests		10,164	7,305	735	408

Notes: (1) The short-term investment variance, impact of discount rate change, and impact of one-off material non-operating items and others 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 earnings of L&H operating profit has been shown as below:

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

		2021	2020	Note
Release of residual margin	[1]	41,589	40,342	
Return on net worth ⁽¹⁾	[2]	7,133	6,261	
Spread income ⁽²⁾	[3]	2,125	2,791	
Operating variances and others	[4]	7,011	9,890	Mainly due to the decline in new business growth, the fluctuation of policy persistency ratios, and lower claims variance as claim payments normalized in the first half of 2021 versus lower claim payments in the first half of 2020 because of COVID-19
L&H operating profit before tax	[5]=[1+2+3+4]	57,858	59,284	
Income tax	[6]	(7,629)	(7,749)	
L&H operating profit after tax	[7]=[5]+[6]	50,230	51,535	

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, 2021, the residual margin of life and health insurance business was RMB968,212 million, which rose 0.8% from the beginning of 2021 mainly due to the contribution from new business. The movement of L&H residual margin has been presented below:

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

		2021	2020	Note
Opening residual margin	[1]	960,183	918,416	
Contribution from new business	[2]	41,480	59,354	
Expected interest growth	[3]	18,287	18,034	
Release of residual margin	[4]	(41,589)	(40,342)	
Lapse variances and others	[5]	(10,148)	6,872	Adverse lapse variances mainly due to the gradual lapse of customers who stopped paying premiums
Closing residual margin	[6]=[1+...+5]	968,212	962,333	

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, 2021 (in RMB million)	FYP used to calculate value of new business	FYP disclosed in MD&A	Difference	Reasons
Retail business	65,955	82,260	(16,305)	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	21,686	12,938	8,748	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	87,641	95,198	(7,557)	

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

Liquidity and Capital Resources

- Ping An's comprehensive solvency margin ratio and core solvency margin ratio were 235.1% and 230.9% respectively as of June 30, 2021, down 1.3 pps and 0.9 pps year to date respectively. Both of them were above regulatory requirements.
- Free cash of the parent company was RMB54,041 million as of June 30, 2021, up 26.5% year to date.
- As approved by the Board of Directors, Ping An will pay an interim dividend of RMB0.88 per share in cash for 2021, up 10.0% year on year.

OVERVIEW

The aim of the Group's liquidity management is to maximize shareholders' returns by strictly enforcing liquidity risk limits, improving the efficiency of fund utilization, reducing funding costs, and optimizing the allocation of financial resources as well as the capital structure on the premise of security.

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's 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. The Group's subsidiaries put forward their capital demands 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 the 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, 2021	December 31, 2020	Change (%)
Total assets	9,887,668	9,527,870	3.8
Total liabilities	8,858,754	8,539,965	3.7
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 its capital plan, the Group ensures capital adequacy by issuing capital market instruments including equity securities, capital supplement bonds, tier 2 capital bonds, and undated capital bonds to raise capital. Adjustments are made to surplus capital through dividend distribution or by other means. The Group's equity attributable to shareholders of the parent company was RMB791,836 million as of June 30, 2021, up 3.8% year to date. 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, 2021:

Issuer	Type	Par value (in RMB million)	Coupon rate	Issuance year	Maturity
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	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	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. Free cash of the parent company amounted to RMB54,041 million as of June 30, 2021, up RMB11,336 million year to date.

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

	2021	2020	Change (%)
Opening balance of free cash	42,705	45,068	(5.2)
Dividend from subsidiaries	37,244	22,081	68.7
Dividend paid out to shareholders	(25,494)	(23,673)	7.7
Share repurchase	-	(994)	N/A
Others ⁽¹⁾	(414)	(544)	(23.9)
Closing balance of free cash	54,041	41,938	28.9

Note: (1) Others mainly include short-term borrowings.

Liquidity and Capital Resources

The major free cash outflows were the dividends of RMB25,494 million to A and H shareholders.

The major free cash inflows were the dividends of RMB37,244 million from subsidiaries as detailed below:

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

	2021
Ping An Life	35,513
Ping An Bank	1,731
Total	37,244

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 average yearly distributable profit realized in the three years, provided that the annual distributable profit of the Company (namely the profit after tax of the Company after covering 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 profitability, cash flows, solvency position, operational and business development needs. The Board of Directors of the Company is 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 future growth while maintaining financial flexibility. Given the sustained operating profit growth and confidence in the Group's prospect, as approved by the Board of Directors, Ping An will pay an interim dividend of RMB0.88 per share (tax inclusive) in cash for 2021, up 10.0% 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 five years are shown in the table below. Ping An has grown its full-year cash dividend amount at a 32.8% compound annual growth rate over the past five years.

	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, %)
2020	2.20	7.3	40,063	28.7	994	28.7
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
2016	0.75	41.5	13,710	20.1	-	22.0

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 as well as 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.

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

(in RMB million)	June 30, 2021	December 31, 2020	Change (%)
Core capital	1,841,492	1,779,640	3.5
Actual capital	1,874,992	1,815,140	3.3
Minimum capital	797,619	767,804	3.9
Core solvency margin ratio (%)	230.9	231.8	-0.9 pps
Comprehensive solvency margin ratio (%)	235.1	236.4	-1.3 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.

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.

Liquidity and Capital Resources

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, 2021 are disclosed below:

	Comprehensive solvency margin ratio		
	Ping An Group	Ping An Life	Ping An Property & Casualty
Base case	235.1%	240.5%	279.0%
50 bps decline in interest rate	227.6%	226.1%	280.0%
30% decrease in fair value of equity assets	226.4%	227.2%	274.6%

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 C-ROSS to align it with China's market reality and risk prevention requirements. Since the commencement of C-ROSS Phase II, Ping An has led and engaged in multiple researches of C-ROSS Phase II, and actively participated in the industry's joint tests to fully prepare for implementation. Being risk-oriented, the C-ROSS Phase II Rules aims to strengthen the capital of insurers and prompt insurers to focus on insurance protection and optimize asset-liability management. Risk factors have been fully calibrated to reflect changes in risks across the insurance industry in a timely manner. We expect that the Company's solvency margin ratios will decrease to a certain extent due to the rule changes, but will still be above the regulatory requirements. Under C-ROSS Phase II, solvency risk measurement will be more rational and effective, which will have a positive impact on the Group's overall solvency margin assessment and management.

The Group will proactively respond to the C-ROSS Phase II Rules and upgrade the solvency risk management of the Group and its insurance subsidiaries by improving its solvency risk governance framework, optimizing risk management tools, and enhancing various risk management measures. Moreover, the Group will continue to refine capital management under capital constraints in order to boost returns on capital. The Group will ensure overall capital adequacy in line with its risk profile. The Group's financial member companies will meet minimum regulatory capital requirements and keep appropriate capital buffers. The Group's non-financial member companies will keep asset-liability ratios at reasonable levels to maintain reasonably sufficient liquidity.

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.

In accordance with domestic and international regulatory requirements, the Group 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 liquidity risk management framework and applicable policies covering risk appetites and limits, risk strategies, risk monitoring, stress testing, emergency management, and management assessment. Ping An has constantly improved its management procedures and processes for better identification, evaluation, and management of liquidity risk for the Group and its members.

Under the Group's principles and guidelines for liquidity risk management, subsidiaries have developed their own liquidity risk appetites, risk indicators, and risk limits in line with 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 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 analysis of liquidity risk for a certain period in the future to identify 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 the intra-group contagion of liquidity risk.

CASH FLOW ANALYSIS

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

	2021	2020	Change (%)
Net cash flows from operating activities	19,466	130,740	(85.1)
Net cash flows from investing activities	30,224	(231,270)	N/A
Net cash flows from financing activities	(19,582)	149,800	N/A

Net cash inflows from operating activities decreased year on year mainly due to Ping An Bank's year-on-year decrease in financial assets sold under agreements to repurchase and increases in cash outflows from increased loans and advances.

Net cash inflows from investing activities increased year on year mainly due to year-on-year decreases in cash outflows from the investing activities of Ping An Life.

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

CASH AND CASH EQUIVALENTS

(in RMB million)

	June 30, 2021	December 31, 2020	Change (%)
Cash	351,791	307,812	14.3
Bonds of original maturities within 3 months	1,704	1,573	8.3
Financial assets purchased under reverse repurchase agreements of original maturities within 3 months	98,716	115,363	(14.4)
Total	452,211	424,748	6.5

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

- Ping An consolidated achievements in poverty alleviation and helped vitalize rural areas via support initiatives covering industry promotion, healthcare, and education, supporting the construction of beautiful countryside. Ping An provided RMB6,190 million for industry revitalization (cumulatively RMB36,024 million for poverty alleviation and industry revitalization) through its Rural Communities Support in the first half of 2021. Moreover, Ping An offered 13 free medical examination events in rural areas, and charitable healthcare services for 2,055 rural residents. Ping An gave four Master of Scenarios live courses in urban and rural schools, with a total of 18.708 million attendances.
- Ping An actively contributed to China's carbon peak and neutrality goals. Ping An comprehensively upgraded the green finance initiative, utilizing green insurance, green investment and green credit to support the government's green economy transformation and industrial upgrading.
- Ping An's responsible investments amounted to nearly RMB1.21 trillion as of June 30, 2021. The balances of inclusive loans and green loans were RMB426,377 million and RMB57,109 million respectively.

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 its 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, facilitating 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 micro-, small and medium-sized enterprises, supports 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.

In response to China's call to achieve carbon neutrality by 2060, Ping An comprehensively upgraded the green finance initiative. Moreover, Ping An responded to global climate change and contributed to sustainable development of society through offering innovative financial products and services. Ping An will support green development by implementing effective measures and leveraging its strengths in integrated finance, including green insurance, green investment and green credit.

Digitization is a basic project that promotes social progress and boosts productivity in the 21st century. Digitization is a revolutionary advancement for human beings to improve their knowledge and capabilities by leaps and bounds. Digitization will bring about disruptive thinking and systematic changes in industry practices in terms of strategy, organization, management, operations, talent, and services. Comprehensive digitization is one of Ping An's most important projects, serving as the "ballast" and "bellwether" for Ping An's sustainable development in its fourth decade.

Sustainable Development Management

ESG Governance Structure

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 based on its business practice. Ping An continuously instructs all the functional centers and member companies of the Group to enhance corporate governance and business sustainability in line with business practices in a scientific, professional, and systematic manner. The Strategy and Investment Committee under the Board of Directors of the Group oversees all ESG issues. The Investor Relations and ESG Committee under the Group Executive Committee is responsible for daily ESG work.

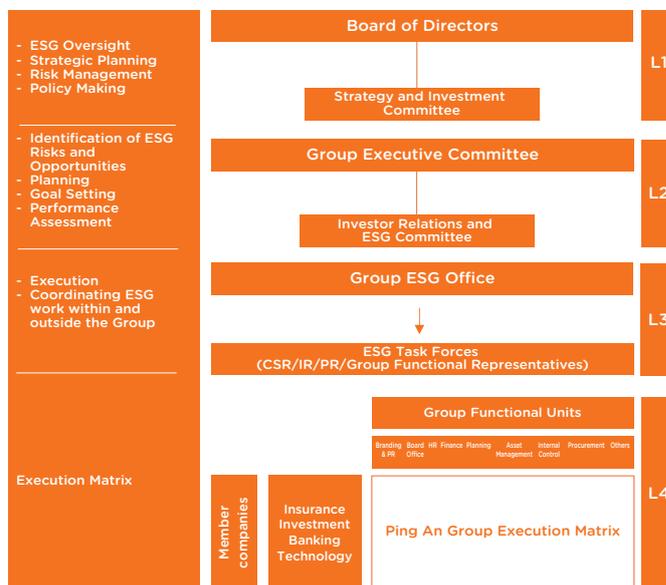
Level 1 (L1): The Strategy and Investment Committee under the Board of Directors oversees all ESG issues, in charge of the Company's ESG strategic planning, risk management, and policy making.

Level 2 (L2): The Investor Relations and ESG Committee under the Group Executive Committee is responsible for identifying relevant ESG risks and opportunities, setting concrete objectives, formulating plans, and appraising performance.

Level 3 (L3): The Group ESG Office and other functional centers of the Group act as task forces to coordinate ESG work 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 aimed at continuously improving the management of ESG issues and risks by developing clear management objectives, responsibilities and appraisal mechanisms. 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

Comprehensive Risk Management for ESG

As a financial conglomerate, Ping An has taken the lead in the practice of ESG risk integration, integrating core theories and standards of ESG into the Group's "2-5-1" risk management system at the deepest level to supplement the original risk management system with ESG risks and strengthen control, in a bid to further improve risk governance capabilities and realize long-term sustainable development.



Sustainable Development Recognition

Ping An's achievements in sustainability have been widely recognized by the international community. As of June 30, 2021, Ping An had been selected as a constituent of the FTSE4Good Index Series, the Hang Seng Corporate Sustainability Benchmark Index ("HSSUSB") and the Hang Seng China Enterprises Index ESG Index ("HSCEESG"). In addition, Ping An had been rated A in the ESG rating of MSCI, which indicates a leading position in China and an advanced level globally. Ping An had been rated as low-risk in Sustainalytics's ESG risk rating, indicating a leading position in China. Ping An had been rated A- in the Carbon Disclosure Project (CDP), which is the highest rating obtained by a Chinese mainland-based financial company.

Sustainability

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 pursues the global SDGs to seek both business values and social values.



Ping An actively responds to the national call for rural revitalization and construction of beautiful countryside. Ping An consolidated the results of poverty alleviation and promoted long-term industrial development by providing banking, insurance, inclusive financial services and other businesses.



Ping An attaches great importance to agricultural investment. Ping An contributes to sustainable agricultural development and rural revitalization through offering products and services, including agricultural insurance, inclusive agricultural loans, and smart agricultural platforms.



Ping An focuses on pan healthcare 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 health conditions of people at all ages, and integrates health-related demands into the design of insurance products to prevent potential population health risks. Moreover, Ping An provides charitable health services for rural areas through the "Ping An Health Protection Initiative."



High-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 by building Ping An Smart Primary Schools, and implementing the Village Teacher Program. Moreover, Ping An launched the Juvenile Science and Technology Literacy Enhancement Program, linking high-quality urban education resources to remote villages to fill the gap between urban and rural areas and drive fair education.



The active participation of women is indispensable to sustainable economic and social development. Ping An fully respects and protects women's rights and interests. Ping An helps rural women in remote areas by cooperating closely with organizations, including China Women's Development Foundation. Ping An has integrated anti-discrimination into its business processes and developed a code of conduct to eradicate gender discrimination in the workplace and boost the morale of female employees.



Improving environmental sanitation and water supply is essential to people's health. Ping An implements a water-saving plan within the Group. Moreover, Ping An invests in public drinking water facilities to help rural areas improve the quality of drinking water and sanitary facilities as well as conserve and protect water resources.



Fossil fuel depletion and environmental pollution are universal concerns. Ping An supports clean energy development and energy structure upgrades through making responsible investments, granting new energy credit, and offering new energy insurance products. Ping An encourages the transition from fossil fuels to efficient, energy-saving and environment-friendly energies.



Ping An regards employees as important assets of the Company and offers abundant room and resources for employees' career development. Ping An respects employees' rights and interests, constantly improves their compensation and benefits, and maintains a safe and pleasant working environment. Moreover, Ping An attaches great importance to the growth and development of sales agents, keeps optimizing training practices and courses, and is committed to building highly competent teams of agents.



Infrastructure and the real economy are important engines for economic and social development. By improving infrastructure, Ping An promotes the mobility of talent and various factors of production, raises returns on assets of the companies in which Ping An has 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, rural revitalization and community welfare. Ping An created smart financial services platforms, including AI-BANK, using technology to fix the uneven distribution of resources, and developing 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 financial and technological advantages in financial services, healthcare, auto services, smart city, and other areas.



Ping An helps companies and clients prevent risks by giving full play to its risk management expertise in operations, products and services. 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 one of the greatest issues of worldwide concern today. Ping An has comprehensively upgraded its green finance initiative, and participated in tackling global climate change and supporting green development through offering insurance, credit, investment and other integrated financial services.



Oceans are vital to the earth's livability and biodiversity. Ping An protects the marine environment through environmental liability insurance and other forms, and actively communicates with fishery associations and other ocean-related industry associations to roll out fisheries insurance and guide the sustainable use of marine resources.



The terrestrial ecosystem is closely related to the sustainable development of the environment. Ping An has participated in afforestation for many years to help maintain the ecological balance of the land. Ping An carried out public welfare activities with the World Wildlife Fund and other public welfare organizations to protect endangered animals including snow leopards, helping to maintain biodiversity.



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 its healthy development. Ping An ensures transparent and compliant operations and reduces compliance and operational risks by improving policies and educating employees.



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 is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and the United Nations Principles for Sustainable Insurance (UNPSI), with significant international prestige and influence.

Sustainability

KEY INITIATIVES FOR SUSTAINABLE DEVELOPMENT

Ping An has set up 11 key initiatives for sustainable development as the focus of ESG and has taken action across the Company to improve its ESG performance.

Community Impact

Ping An Rural Communities Support

After China won the battle against poverty, Ping An continued to participate in rural revitalization by furthering the Rural Communities Support through the revitalization of industries, healthcare, and education. Ping An provided RMB6,190 million for industry revitalization (cumulatively RMB36,024 million for poverty alleviation and industry revitalization) through its Rural Communities Support in the first half of 2021. Moreover, Ping An offered 13 free medical examination events in rural areas, and charitable healthcare services for 2,055 rural residents. Ping An gave four Master of Scenarios live courses in urban and rural schools, with a total of 18.708 million attendances.

Ping An promotes rural industries through the Village Officer Program. Ping An underpins the sustainable mechanism covering the entire industry cycle. Under the mechanism, Ping An provides rural residents with training and education, brings new vigor to rural industries, and helps rural enterprises to expand production and sales. Ping An has created a closed loop of poverty alleviation through integrated financial services. Ping An and a subsidiary of Economic Daily Group jointly initiated a charitable project in Liangshan Yi Autonomous Prefecture of Sichuan Province to help women entrepreneurs in handicrafts. The project, named “Mom’s Needlework,” has promoted flexible employment of minority women, targeted support and rural vitalization. Following the “green energy strategy” of Yunnan Province, Ping An granted rural revitalization loans to support power plant construction there. Ping An launched the first “Social Civility in Rural Areas Campaign” in Jiangxi Province to provide industrial development resources for entrepreneurial leaders.

Ping An improves rural healthcare through the Village Doctor Program. Ping An integrated high-quality medical resources to further the “Ping An Health Protection Initiative.” Ping An continues to provide mobile checkup services for rural residents, train village doctors, and upgrade village clinics. In March 2021, Ping An, Shanghai Academy of Social Sciences, and China Financial Information Center jointly issued the *Rural Health Poverty Alleviation Report for 2018-2020* based on over 100,000 health checkup reports from the “Ping An Health Protection Initiative.” The Report contains an analysis of these residents’ physical characteristics and disease risks. Ping An and the Chinese Aging Well Association jointly launched the “Healthy China: Living with Health” project to provide education and services to regions and people lacking medical resources and health management knowledge.

Ping An supports rural education through the Village Teacher Program. Ping An furthered the Juvenile Science and Technology Literacy Enhancement Program to rejuvenate the country through science and technology. Ping An invited renowned scholars to give lessons in rural areas. Ping An invited students from Ping An Smart Primary School to a popular science camp in Beijing, where they talked with academicians face to face. Ping An enhanced the science and technology literacy of urban and rural students through a series of live courses, visits and practices, and other charitable activities. With these efforts, Ping An contributed to the national strategy of invigorating the country through science and technology.

Combat against COVID-19 and Disaster Relief

Ping An pays close attention to social needs in the face of the still severe and complex COVID-19 epidemic, and natural disasters. Ping An supports epidemic containment and disaster relief, and provides heartwarming financial services by actively fulfilling its social responsibilities and making full use of its insurance advantages.

Ping An continued its efforts to fight COVID-19. We immediately opened the 95511 hotline fast track for local customers and established special case reporting mechanisms after the sporadic outbreaks of new cases across China. These actions ensured that all inbound calls were answered or returned in time, and customers' financial and insurance service demands were quickly addressed. Ping An and the Health Bureau of Zhuhai co-launched a public health detection and early warning platform in January 2021 to provide the latest reference for epidemic containment. The platform connects with the four monitoring channels, namely hospitals, disease control centers, emergency medical centers, and nucleic acid testing institutions.

Ping An responded quickly to disaster relief. Ping An introduced a number of contingency measures and the fast track for claims settlement in response to the earthquakes affecting Yangbi Yi Ethnic Autonomous County of Dali Prefecture, Yunnan Province, and Maduo County of Golog Tibetan Autonomous Prefecture, Qinghai Province. Moreover, Ping An immediately established a medical expert service team to support disaster relief and post-disaster reconstruction. After gale and hail storms affected Nantong, Jiangsu Province, Ping An immediately established an emergency response team to designate staff of branches in the affected areas and enrollment areas to make timely response, and get prepared for rescue services.

Public Welfare Activities

"Reunion with Love," a public welfare project, has been carried out for seven consecutive years. Every year near the Chinese New Year, Ping An carries out public welfare activities targeting left-behind children and migrant workers. Ping An, together with China Social Assistance Foundation and Shenzhen Charity Federation, launched a series of online-merge-offline public welfare activities near the Chinese New Year in 2021. These activities responded to the government's call for epidemic containment which encouraged people to stay put for the Chinese New Year. Approximately 500,000 Ping An volunteers connected with grassroots workers in need of help in 45 cities across the country, sending warmth to the workers as they stayed put for the Chinese New Year. The project collected heartwarming stories from over 1,800 migrant workers across the country, and granted a reunion subsidy of RMB1,500 to each of those migrant workers whose application materials passed the final review.

2021 marks the 33rd anniversary of Ping An. On May 27, Ping An's birthday and Public Welfare Day, Ping An announced the launch of a public welfare initiative called "Ping An Cloud Forest." The initiative will help the country achieve the carbon peak and neutrality goals by supporting the cultivation of carbon sink forests.

Volunteer Services

The Ping An Volunteers Association has set up 26 branches nationwide since its establishment in 2018, covering 20 member companies of the Group. The "San Cun Hui" public welfare platform had 2.94 million registered users, including 550,000 employees and sales agents of Ping An as of June 30, 2021; 1,775 public welfare initiatives were sponsored on the platform, attracting 1,688,100 participants in the first half of 2021. Ping An fully upgraded the "Ping An Guardian Initiative" in 2021. Volunteers with professional skills from member companies, including Ping An Life, Ping An Property & Casualty and Ping An Bank, carried out over 30,000 "Ping An Guardian Initiative" public welfare events to help improve the general public's financial literacy, consumer rights awareness, and safety literacy. Moreover, Ping An organized volunteers to carry out public welfare activities, including promotion of disaster prevention knowledge, risk screening, emergency drills and training in communities under the guidance of the Emergency Rescue Promotion Center of the Ministry of Emergency Management. Furthermore, the volunteers publicized financial fraud prevention knowledge in communities, helping residents improve their awareness of disaster prevention and mitigation, as well as the ability to identify financial frauds, to jointly protect the safety of the community.

Sustainability

Green Finance

Ping An fully supports China's transition to a green economy and upgrading of industry chains by leveraging its strengths in integrated finance, including green insurance, green investment and green credit.

Organizational Structure

Ping An has established the Green Finance Committee, under which there is the Green Finance Office. The Green Finance Committee is responsible for developing and reviewing green finance strategies, plans and policies for the Group as the owner of the Group's green finance work. The Green Finance Office is responsible for the execution of green finance related work under the leadership and overall coordination of the Group ESG Office.

Ping An conducts standardized management of green finance related work through monthly reports, quarterly reviews, half-year meetings and annual awards. Through such mechanisms, Ping An ensures the implementation of green loans, green insurance, green investment, and asset-liability matching management with reference to the risks in climate change.

Exchanges

Ping An hosted the "Forum on Business Development to Achieve the Carbon Peak and Neutrality Goals (2030-2060)" in Shenzhen. Enterprises, investment institutions, investment and financing platforms and other institutions from the carbon-neutral energy industry chain attended the Forum. The attendees discussed industrial policy trends, opportunities and challenges under the carbon peak and neutrality goals, and how to provide support through financial products.

Responsible Investment

Ping An adheres 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 integration and 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, the Group's functional departments, and four pilot member companies jointly established an expert panel in 2020 to work on the Group's responsible investment, advance the application and implementation of the Group's responsible investment policies, and integrate ESG elements into investment and business decisions. Moreover, Ping An amended the *Responsible Investment Policy of Ping An Group* to clarify the scope of application of responsible investment and elaborate the methods for applying the responsible investment strategies.

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

- **ESG Integration:** Ping An integrates ESG factors into investment decision-making, actively develops the CN-ESG Smart Rating System, and forms evaluation standards for ESG due diligence on listed companies, bond issuers, and projects as well as the basis for investments.
- **Active Ownership:** Through ESG communication and coaching as well as diligent post-investment management, 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.

- **Thematic Investing:** Ping An implements the development concepts of inclusive finance and green finance, and promotes thematic investing strategies focused on the environment, including environmental protection, environmental restoration and clean energy. Ping An is committed to poverty alleviation, financial inclusion and those thematic investing strategies that can generate extra social benefits.
- **Prudence:** Ping An promises not to invest in controversial industries including gambling and pornography, adopts conditional exclusion strategies 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 Smart Management Platform

Ping An built an AI-ESG Smart Management Platform with an AI-enabled middle office based on the CN-ESG Smart Rating System. The platform provides customized smart products and services for different users, and manages the comprehensive ESG performance and risks related to responsible investment. The platform offers tools for ESG performance management to listed companies, informs investment institutions of the ESG performance of investment targets, and provides comprehensive ESG functional support for rating agencies, governments, associations, and NGOs. Ping An has developed a system with more than 400 ESG indicators, covering all the A-share listed companies and 41 sub-industries.

Responsible Investment Practice

Adhering to the responsible investment principles, Ping An has made full use of AI-ESG tools to integrate ESG risks into the Group's investment risk management system and established the Group's responsible investment product framework, which covers equities, bonds, financial products, mutual funds, and lease receivables.

Below are Ping An's responsible investments as of June 30, 2021:

(in RMB million)	Equities	Bonds	Financial products	Mutual funds	Lease receivables
Thematic Investments					
Including:					
Green investments	72,646	61,514	44,998	13,172	3,263
Social and inclusive investments	224,140	266,948	488,705	5,036	29,335

- Notes: (1) Responsible investment data covers all financial products of the Group as a fund provider and product issuer.
- (2) Green investments include projects recommended by the *Guidelines of the National Development and Reform Commission for Green Bonds* and the *Guidelines of the Asset Management Association of China for Green Investment*.
- (3) Social and inclusive investments include infrastructure, small and micro-business support, eldercare and healthcare, education and culture, support for agriculture, farmers and rural areas, rural revitalization, and shanty area reconstruction.

As a financial conglomerate, Ping An uses credit to support sustainable economic development. Ping An had granted a total of RMB96,703 million in green credit lines as of June 30, 2021, with the balance of green loans being RMB57,109 million. The balance of inclusive loans was RMB426,377 million as of June 30, 2021.

In March 2021, Ping An, as the lead underwriter, successfully underwrote the third tranche of the green super & short-term commercial paper (carbon neutral bond) for 2021 issued by China Three Gorges Corporation. All the funds raised will be used to support the construction of the four cascade hydropower stations on the Jinsha River, namely Wudongde, Baihetan, Xiluodu and Xiangjiaba projects, helping China Three Gorges Corporation construct and operate its renewable energy facilities.

Sustainability

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. Moreover, 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.

Sustainable Insurance Product Portfolio

Ping An is the first company in the Chinese mainland to sign the *United Nations Environment Programme Finance Initiative's Principles for Sustainable Insurance (PSI)*. Ping An further developed insurance products and services, including new energy vehicle insurance, green building insurance, green credit enhancement insurance, and index insurance for climate and green commodities in the first half of 2021. Ping An launched preferential insurance policies for green enterprises or green projects, including renewable energy projects, energy conservation transformation projects, green building projects, and circular economy projects.

Ping An P&C developed 439 sustainable insurance products in the first half of 2021. They are: 1) environment and ecosystem related products, including environmental liability insurance, catastrophe insurance, and wildlife protection insurance; 2) society and livelihood related products, including engineering insurance for large projects, food safety insurance, and medical malpractice insurance; and 3) inclusive insurance targeting small and micro-businesses, agricultural workers, 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. Ping An offers 614 sustainable products, including medical insurance, critical illness insurance, and old-age insurance, through Ping An Life, Ping An Annuity and Ping An Health.

The performance of the Company's sustainable insurance product portfolio in the first half of 2021 was as follows:

(in RMB million)	Environmental Insurance ⁽¹⁾	Social Insurance ⁽²⁾	Inclusive Insurance ⁽³⁾
Premium income	166	94,270	12,243
Insured amount	69,716	230,378,361	6,182,446

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.

Green Operations

Ping An strictly abides by 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 into its business development plans, and strives to minimize the negative impact of business operations on the environment, save energy, and reduce emissions by conducting energy conservation transformation, building smart offices, and adopting electronic business processes. Ping An has set the environmental protection targets from the four perspectives of carbon emission intensity, paper use intensity, carbon emissions reduction potential, and green buildings.

Ping An will explore more effective carbon neutrality paths, and adjust and disclose carbon neutrality targets as appropriate in accordance with carbon peak and neutrality policies. By doing so, Ping An will strive to become a leader in carbon neutrality practices.

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 corporate business ethics and employee code of conduct, 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 applicable 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 anti-monopoly and fair trade, the Company observes anti-monopoly laws and regulations, strictly scrutinizes all merger and acquisition deals, 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 the *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 comprehensive risk management framework to effectively contain and strictly manage money laundering and sanctions compliance risks.
- In respect of fairness and protection of employees' rights and interests, 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 petitioning and reporting management, the Company has formulated the *Whistle-blowing Management Procedure* and provides employees with official channels to explain the problems that they discover by establishing a mailbox and a phone number for anti-corruption petitioning and reporting. The Company's petitioning unit deals with letters and calls in a lawful, objective, fair, and timely manner, coordinates the joint investigation and handling by relevant units based on the specific content of the letter or call, safeguards the fairness and justice that the petitioner shall enjoy, and resolutely protects the confidentiality and security of the informant and the information reported, to promote the effective and proper proceeding of petitions.
- In respect of intellectual property protection, the Company protects its own intellectual property rights in practical business operations, strictly prohibits its employees from being involved in activities that violate intellectual property right laws, and requires them not to infringe others' intellectual property rights.

Sustainability

Employees' Business Behaviors

The Company pays great attention to combating fraud, corruption and commercial bribery, and supervising other business conduct. Ping An has 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 its employee code of conduct covering the following aspects:

- 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 conflicts of interests, transfer of benefits, and management of confidential information, employees are required to understand and comply with the Company's rules and procedures on conflicts of interest. The Company prevents and punishes improper business dealings and transfer of benefits in line with the principles of "risk coverage, self-declaration, conflict avoidance, and zero tolerance." Employees are responsible for maintaining the confidentiality of inside 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 Penalty System* and the *Standard for Handling of Employees' Rule Violations* for penalties and punishments.

Information Security and AI Governance

The rapid development of science and technology highlights the increased importance of data privacy protection and technology ethics review. Information security has always been a key pillar of Ping An's operations. Since 2019, Ping An has placed emphasis on a sound ethics system and maintained an AI Ethics Management Committee 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. Ping An constantly improves its information security management system to ensure the confidentiality, integrity and availability of information. 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 transactions. 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. The AI Ethics Management Committee oversees information security and privacy protection during the provision of services and products, and optimizes management to address ethical issues involving AI during the implementation of projects. Externally, Ping An proactively engaged in global AI governance and strengthened exchanges with peers 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 environmental protection, fairness and compliance. The Company will not get involved in infringement of legitimate rights and interests, violation of the freedom of speech, and political repression. The Company will not get involved in high emissions, high pollution, ecological destruction, and animal rights 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 Penalty System*. In this way, the Company manages all products and services throughout their entire life cycles to avoid potential violation of laws and regulations.

Sustainable Supply Chain

Ping An 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, and tracking and feedback. Ping An attaches great importance to suppliers’ ESG performance in environmental protection and employee rights protection. The Company has included ESG requirements in the existing supplier contracts, covering anti-bribery, information security and privacy protection, labor rights protection, low-carbon and green technological transformation and development, and employee development.

Ping An 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 rewarding. 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. Ping An organizes talent reviews of key positions each year. 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 continuously develops a high-quality curriculum and online learning with accurate course recommendations, including performance-based recommendations, smart recommendations, and supervisors' recommendations, 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, ensuring that each employee can realize his/her value in a highly satisfactory environment. In addition, Ping An maintains 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.

Consumer Rights Protection

Ping An is committed to providing “heartwarming services” under a customer-centric approach. Led by the Consumer Rights Protection Committee under the Board of Directors, Ping An actively implements consumer rights protection requirements and incorporates consumer rights protection in corporate governance. Ping An caters to diverse customer needs by optimizing systems and mechanisms, fulfilling regulatory requirements, enhancing consumer protection culture, and improving service quality. In addition, Ping An carries out consumer education activities in various forms through multiple online and offline channels, guiding consumers to properly use financial services, safeguard their own rights and interests, and embrace rational consumption.

With respect to the improvement of systems and mechanisms, Ping An implemented regulatory requirements on consumer rights protection through comprehensive performance assessment and a sophisticated review mechanism. The Company had conducted group-wide remediation of complaints since May 2021 to enhance complaint management. For key member companies and key issues, Ping An established an accountability system to clarify responsibilities at each level, strengthened consumer rights protection throughout the service cycle, improved ex ante risk management, and enhanced the ability to resolve complaints.

With respect to cultural development, Ping An raised the awareness of consumer rights protection culture and ideas featuring fairness and integrity among employees. A daily report mechanism has been set up to update management teams of member companies on consumer rights protection trends and news. Management members hold seminars regularly to discuss the optimization of consumer rights protection and promote the philosophy of consumer rights protection. Ping An offered an online consumer rights protection course to promote an correct philosophy of consumer rights protection. Over 250,000 employees have completed the course since it was launched in May 2021.

Ping An supports the efforts of the People’s Bank of China, the China Banking and Insurance Regulatory Commission, the Office of the Central Cyberspace Affairs Commission, and the Ministry of Public Security in financial consumer rights protection by spreading basic financial knowledge, improving consumers’ financial literacy, and calling for good financial cybercitizens via its “March 15” communication campaign.

With respect to the improvement of customer experience and protection of consumer rights, Ping An cares for elderly users through technological innovations and services. Customers above the age of 60 can skip “complex” interactions and directly speak to a customer service agent when calling the 95511 hotline. Ping An Bank launched an easy-to-use Pocket Bank app with simpler pages and larger fonts to facilitate reading and interactions of the elderly and provide them with warm and considerate financial services. Ping An Bank had issued 713,700 Smart Old-age Care Identity Cards, covering 87.89% of the elderly residents registered in Shenzhen as of June 30, 2021, satisfying the financial and living demands of most seniors. Ping An Life launched the customer protection helpline 4001666333 to swiftly handle consumer consultations and complaints as well as provide consumers with 24/7 professional, efficient services through specialized customer service staff.

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, 2021 (the "Reporting Period").

Unit: Shares	January 1, 2021		Changes during the Reporting Period					June 30, 2021	
	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, 2021

Total number of shareholders	1,189,398 (including 1,185,096 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, marked or frozen shares
Hong Kong Securities Clearing Company Nominees Limited ⁽³⁾	Overseas legal person	37.07	6,775,870,396 ⁽⁴⁾	+284,510,558	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	4.70	859,718,693	+61,238,409	A share	-	-
China Securities Finance Corporation Limited	Others	2.99	547,459,258	-78	A share	-	-
Central Huijin Asset Management Ltd.	State-owned legal person	2.65	483,801,600	-	A share	-	-
Business Fortune Holdings Limited	Overseas legal person	2.36	431,045,584	-108,684,442	H share	-	255,768,865 pledged shares
Shum Yip Group Limited	State-owned legal person	1.41	257,728,008	-	A share	-	-
Plenty Ace Investments (SPV) Limited	Overseas legal person	1.20	219,127,694	+72,421,439	H 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) The shares of the Company could be used as underlying securities for margin financing and securities lending. No A share is held in credit securities accounts by the above shareholders.
- (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) Business Fortune Holdings Limited and Plenty Ace Investments (SPV) Limited are indirect wholly-owned subsidiaries of Charoen Pokphand Group Company Limited ("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:

Business Fortune Holdings Limited and Plenty Ace Investments (SPV) 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. CP Group Ltd. indirectly held 1,253,371,836 H shares of the Company, representing approximately 6.86% of the total share capital of the Company as of June 30, 2021, through the above two companies and other subsidiaries.

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

Voting delegation, delegated voting right or waiver of voting right regarding the top ten shareholders:

The Company is not aware of any voting delegation, delegated voting right or waiver of voting right regarding the above-mentioned shareholders.

Particulars of controlling shareholder and de facto controlling party

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

Directors, Supervisors and Senior Management

APPOINTMENT OR REMOVAL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Gender	Age	Period of appointment
Huang Wei ⁽¹⁾	Newly-appointed Non-executive Director	Male	51	Since August 2021
Jin Li ⁽²⁾	Newly-appointed Independent Non-executive Director	Male	50	Since August 2021
Ng Kong Ping Albert ⁽²⁾	Newly-appointed Independent Non-executive Director	Male	63	Since August 2021
Ge Ming ⁽²⁾	Retired Independent Non-executive Director	Male	69	June 2015 - August 2021
Wang Yongjian ⁽³⁾	Resigned Non-executive Director	Male	56	July 2018 - August 2021
Zhang Xiaolu ⁽⁴⁾	Newly-appointed Senior Management	Female	53	Since June 2021
Hu Jianfeng ⁽⁵⁾	Newly-appointed Senior Management	Male	44	Since January 2021
Ip So Lan ⁽⁶⁾	Retired Senior Management	Female	64	March 2008 - June 2021

- Notes: (1) Mr. Huang Wei took office as a Non-executive Director of the Company on August 20, 2021.
(2) Mr. Jin Li and Mr. Ng Kong Ping Albert took office as Independent Non-executive Directors of the Company on August 20, 2021. Mr. Ge Ming retired as an Independent Non-executive Director of the Company on August 20, 2021 because his term of office expired.
(3) Mr. Wang Yongjian resigned as a Non-executive Director of the Company on August 23, 2021 due to the change of his personal work arrangements.
(4) Ms. Zhang Xiaolu took office as Compliance Officer of the Company on June 11, 2021.
(5) Mr. Hu Jianfeng took office as Person-in-charge of Auditing of the Company on January 27, 2021.
(6) Ms. Ip So Lan retired as Person-in-charge of Auditing, Senior Vice President, and Compliance Officer of the Company due to personal reasons on January 27, 2021, March 25, 2021 and June 11, 2021 respectively.

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Change in the Number of Shares Held in the Company

As of June 30, 2021, 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	Number of shares held at the end of the period	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	1,584,026	1,803,161	+219,135	Key Employee Share Purchase Plan	Long position	0.01665	0.00986
Sun Jianyi	Beneficial owner	A	4,774,873	4,891,340	+116,467	Key Employee Share Purchase Plan	Long position	0.04515	0.02676
Xie Yonglin	Beneficial owner	A	303,508	453,255	+149,747	Key Employee Share Purchase Plan	Long position	0.00418	0.00248
Tan Sin Yin	Beneficial owner	A	301,528	419,628	+118,100	Key Employee Share Purchase Plan	Long position	0.00387	0.00230
Yao Jason Bo	Beneficial owner	A	465,432	573,947	+108,515	Key Employee Share Purchase Plan	Long position	0.00530	0.00314
	Beneficial owner	H	24,000	24,000	-	-	Long position	0.00032	0.00013
Chen Kexiang	Beneficial owner	A	401,967	469,034	+67,067	Key Employee Share Purchase Plan	Long position	0.00433	0.00257
Cai Fangfang	Beneficial owner	A	228,629	298,395	+69,766	Key Employee Share Purchase Plan	Long position	0.00275	0.00163
Huang Baoxin	Beneficial owner	A	63,512	71,186	+7,674	Key Employee Share Purchase Plan	Long position	0.00066	0.00039
Sheng Ruisheng	Beneficial owner	A	249,098	314,539	+65,441	Key Employee Share Purchase Plan	Long position	0.00290	0.00172
Wang Zhiliang	Beneficial owner	A	45,073	51,571	+6,498	Key Employee Share Purchase Plan	Long position	0.00048	0.00028
Hu Jianfeng	Beneficial owner	A	41,768	49,343	+7,575	Key Employee Share Purchase Plan	Long position	0.00046	0.00027
Ip So Lan	Beneficial owner	A	412,245	520,760	+108,515	Key Employee Share Purchase Plan	Long position	0.00481	0.00285

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, 2021, the interests and short positions of the Directors, Supervisors 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, Supervisors and 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, Supervisors 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	502,266	776,490	+274,224	Others ⁽¹⁾	Long position	0.00717	0.00425
Sun Jianyi	Others ⁽¹⁾	A	126,381	126,381	-	-	Long position	0.00117	0.00069
Xie Yonglin	Others ⁽¹⁾	A	376,699	582,367	+205,668	Others ⁽¹⁾	Long position	0.00538	0.00319
Tan Sin Yin	Others ⁽¹⁾	A	376,699	582,367	+205,668	Others ⁽¹⁾	Long position	0.00538	0.00319
Yao Jason Bo	Interest of his spouse	H	64,000	64,000	-	-	Long position	0.00086	0.00035
	Others ⁽¹⁾	A	251,133	388,245	+137,112	Others ⁽¹⁾	Long position	0.00358	0.00212
Cai Fangfang	Others ⁽¹⁾	A	251,133	388,245	+137,112	Others ⁽¹⁾	Long position	0.00358	0.00212
Wang Zhiliang	Others ⁽¹⁾	A	31,350	45,335	+13,985	Others ⁽¹⁾	Long position	0.00042	0.00025

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

Name	Associated corporation	Capacity	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 shares in associated corporation (%)
Tan Sin Yin	OneConnect	Beneficial owner	-	26,000	+26,000	Purchase	Long position	0.00222

Save as disclosed above, as of June 30, 2021, none of the Directors, Supervisors, 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, Supervisors, and Chief Executives to the Company and the HKEX pursuant to the *Model Code*.

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

- Ms. Tan Sin Yin, an Executive Director of the Company, ceased to be the Chief Operating Officer of the Company in February 2021, a Non-executive Director of Lufax Holding in January 2021 and the Chairman of Ping An Technology in March 2021.
- Mr. Yao Jason Bo, an Executive Director of the Company, ceased to be the Chief Actuary of the Company in March 2021, a Non-executive Director of Lufax Holding in January 2021 and a Non-executive Director of Ping An Good Doctor in August 2021.
- Ms. Cai Fangfang, an Executive Director of the Company, ceased to be a Non-executive Director of Ping An Good Doctor in August 2021.
- Mr. Chu Yiyun, an Independent Non-executive Director of the Company, ceased to be an independent non-executive director of Tellhow Sci-Tech Co., Ltd. in July 2021 and took office as an independent director of Hebei Bank in August 2021.

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 2020 profit distribution plan of the Company was deliberated and approved at the 2020 Annual General Meeting, pursuant to which the Company paid in cash the 2020 final dividend of RMB1.40 (tax inclusive) per share, totaling RMB25,494,328,449.80 (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). As at the date of this Report, the implementation of the distribution plan had been completed.

INTERIM RESULTS AND PROFIT DISTRIBUTION

The Group's business results for the first half of 2021 are set out in the section headed "FINANCIAL STATEMENTS." The Board of Directors hereby declares that the 2021 interim dividend of RMB0.88 (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 will not be entitled to the interim dividend distribution. The total amount of the interim dividend payment for the first half of 2021 is estimated at RMB16,025,006,454.16 (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, 2021. The actual total amount of the interim 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 plans were complete, and the dividend payout standards and proportions were clear. The above profit distribution plans were in line with the *Articles of Association* and relevant deliberation procedures, and had fully protected the legitimate interests of 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

The Company 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 Company's investment portfolio of insurance funds, please refer to 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 45 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.

Material Acquisitions and Disposals of Subsidiaries, Joint Ventures or Associates

On January 29, 2021 and April 30, 2021, the Company announced that the consortium formed by Zhuhai Huafa Group Co., Ltd. (representing the state-owned enterprises of Zhuhai Municipality), the Company and Shenzhen SDG Co., Ltd. agreed to participate in the substantive consolidated restructuring (the “Founder Group Restructuring”) of Peking University Founder Group Company Limited, Peking University Founder Information Industry Group Co., Ltd., PKU Healthcare Industry Group Co., Ltd., Peking University Resources Group Limited and Founder Industry Holdings Co., Ltd. (the “Restructuring Entities”). Authorized by the Company, Ping An Life agreed to participate in the substantive consolidated restructuring and entered into the restructuring investment agreement of the Founder Group Restructuring (“the Restructuring Investment Agreement”).

On July 5, 2021, the Company announced that, The Restructuring Plan (Draft) of Five Companies including Peking University Founder Group Company Limited, which was formulated on the basis of the Restructuring Investment Agreement in accordance with relevant laws and regulations, was resolved and approved at the creditors’ meeting held by the Restructuring Entities, and was approved by the civil order of the First Intermediate People’s Court of Beijing Municipality and came into effect on June 28, 2021. Ping An Life will proactively carry forward the relevant subsequent work as agreed under the Restructuring Investment Agreement and the restructuring plan with the relevant parties.

For more information, please refer to the announcements published by the Company on the websites of SSE (www.sse.com.cn) and HKEX (www.hkexnews.hk).

MAJOR SUBSIDIARIES AND ASSOCIATES OF THE COMPANY

Details of major subsidiaries and associates of the Company are set out in Note 4 and Note 30 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 2020.

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 1st extraordinary general meeting for 2015 held on February 5, 2015, the Key Employee Share Purchase Plan of the Company has been officially implemented since 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.

Seven phases of the Key Employee Share Purchase Plan were implemented as of the end of the Reporting Period. Among them, all shares under the three phases for 2015-2017 were unlocked and vested, and the four phases for 2018-2021 were implemented as follows:

There were 1,296 participants in the Key Employee Share Purchase Plan for 2018. 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 approximately 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 1,043 employees. As to the remaining 133 employees who did not qualify for the vesting, 315,704 shares were forfeited. Shares under the Key Employee Share Purchase Plan for this phase were unlocked.

Significant Events

There were 1,267 participants in the Key Employee Share Purchase Plan for 2019. 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 approximately 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 1,077 employees. As to the remaining 130 employees who did not qualify for the vesting, 604,835 shares were forfeited.

There were 1,522 participants in the Key Employee Share Purchase Plan for 2020. 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 approximately 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 1,298 employees. As to the remaining 224 employees who did not qualify for the vesting, 727,801 shares were forfeited.

There were 1,754 participants in the Key Employee Share Purchase Plan for 2021. A total of 9,162,837 A shares of the Company were purchased for a total amount of RMB670,258,495.86 (expenses inclusive), accounting for approximately 0.050% of the total share capital of the Company at that time. For details of the share purchase, please refer to the *Announcement Regarding the Completion of Share Purchase under the 2021 Key Employee Share Purchase Plan* published by the Company on the websites of the HKEX and the SSE on April 30, 2021 and May 6, 2021 respectively. During the Reporting Period, no change was made in equity under the Key Employee Share Purchase Plan for 2021.

During the Reporting Period, the manager of the Key Employee Share Purchase Plan was not changed.

The key employees held 20,983,759 A shares of the Company in total through the Key Employee Share Purchase Plan as at the end of the Reporting Period, accounting for approximately 0.115% of the total share capital of the Company.

The Long-term Service Plan

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

Three phases of the Long-term Service Plan were implemented as of the end of the Reporting Period:

There were 31,026 participants in the Long-term Service Plan for 2019. 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 approximately 0.297% of the total share capital of the Company at that time. During the Reporting Period, in accordance with the Long-term Service Plan and applicable agreed rules, six employees qualified and applied for vesting, and their shares were vested; 1,612 employees were disqualified due to reasons including their resignation; 4,108,956 shares were forfeited due to reasons including employees' resignation or failure to meet performance targets.

There were 32,022 participants in the Long-term Service Plan for 2020. 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 approximately 0.272% of the total share capital of the Company at that time. During the Reporting Period, in accordance with the Long-term Service Plan and applicable agreed rules, three employees qualified and applied for vesting, and their shares were vested; 2,023 employees were disqualified due to reasons including their resignation; 4,094,144 shares were forfeited due to reasons including employees' resignation or failure to meet performance targets.

There were 90,960 participants in the Long-term Service Plan for 2021. A total of 57,368,981 A shares of the Company were purchased for a total amount of RMB4,184,093,674.69 (expenses inclusive), accounting for approximately 0.314% of the total share capital of the Company at that time. For details of the share purchase, please refer to the *Announcement on Completion of Share Purchase under the 2021 Long-term Service Plan* published by the Company on the websites of the HKEX and the SSE on April 30, 2021 and May 6, 2021 respectively. During the Reporting Period, 2,970 employees were disqualified due to reasons including their resignation, and 1,703,024 shares were forfeited due to reasons including employees' resignation or failure to meet performance targets, in accordance with the Long-term Service Plan and applicable agreed rules.

During the Reporting Period, the manager of the Long-term Service Plan was not changed.

The Long-term Service Plan held a total of 161,400,206 A shares of the Company as at the end of the Reporting Period, accounting for approximately 0.883% of the total share capital of the Company.

The Company has had stable, healthy operations since the implementation of the Key Employee Share Purchase Plan and the Long-term Service Plan. 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 the 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.

Significant Events

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, 2021, 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, US\$)	Number of Options				Balance as at June 30, 2021
			Balance as at January 1, 2021	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	22.19-98.44	478,562	63,880	88,551	101,283	352,608

Autohome, as a company listed on the New York Stock Exchange and secondarily listed on the HKEX, files its quarterly financial results with the U.S. Securities and Exchange Commission and Hong Kong Securities and Futures Commission respectively under the relevant regulatory rules of the U.S. and Hong Kong. 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 the conditions for the exercise of Shanghai Jahwa Options were not met within the agreed period, Shanghai Jahwa held board meetings to deliberate and approve the cancellation of Shanghai Jahwa Options during the Reporting Period.

As of June 30, 2021, 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, 2021
			Balance as at January 1, 2021	Granted during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	
Employees	Canceled	None	2,205,000	-	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. For details of the cancellation of Shanghai Jahwa Options, please refer to the announcement published by Shanghai Jahwa on the website of SSE (www.sse.com.cn) dated April 23, 2020 and February 3, 2021.

RELATED PARTY TRANSACTIONS MANAGEMENT

During the Reporting Period, there was no material related party transaction that was required to be disclosed.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

Guarantee

External guarantee of the Company and its subsidiaries (excluding the guarantee in favor of its subsidiaries)	
(in RMB million)	
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	6,106
Total guarantee balance in favor of its subsidiaries as at the end of the Reporting Period	60,896
Total guarantee of the Company (including the guarantee in favor of its subsidiaries)	
Total guarantee	60,896
Total guarantee as a percentage of the Company's net assets (%)	7.7
Including: Direct or indirect guarantee for the companies with a total liabilities to total assets ratio over 70% (as of June 30, 2021)	60,896
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 the Company's controlled subsidiaries including Ping An Bank 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 RMB15,973 million less the guarantee repayment of RMB9,867 million.

Significant Events

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

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

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, please refer to the notes to the financial statements.

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 AND ARBITRATION

During the Reporting Period, the Company had no material litigation or arbitration 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 to the financial statements.

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

The Group formulates its allocation strategies for assets including foreign currency assets based on the Company's risk appetite, risk profiles of the asset classes, and stress test results. Through measures including limits management and hedging, the Group keeps foreign exchange risk under control by continuing to optimize the aggregate foreign currency assets and liabilities as well as the structures, enhance overseas asset management, and regularly analyze the sensitivity to foreign exchange risk.

The sensitivity to foreign exchange risk is calculated by assuming a simultaneous and uniform depreciation 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:

June 30, 2021
(in RMB million)

Decrease in equity

Net exposure to fluctuations in exchange rates assuming a simultaneous and uniform depreciation of 5% of all foreign currency denominated monetary assets and liabilities and non-monetary assets and liabilities measured at fair value against the Renminbi	5,527
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If the above currencies appreciate by the same proportion, the appreciation will have an inverse effect of the same amount on equity in the table.

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. HKD3,981,742,342.12 had not been used as of June 30, 2021. The difference between the unutilized proceeds and the balance of the specific fund-raising account (about HKD4,472,899,081.12) came mainly as a result of interest earned on the proceeds. Details of the use of the proceeds in the first half of 2021 are as follows:

Total proceeds raised from the issue	Balance of unutilized proceeds as of January 1, 2021	Intended use of the proceeds as previously disclosed	Proceeds used during the Reporting Period	Balance of unutilized proceeds as of June 30, 2021	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	To be utilized in line with business development.

ENGAGEMENT OF ACCOUNTING FIRMS

According to the resolution passed at the Company's 2020 Annual General Meeting, the Company appointed Ernst & Young Hua Ming LLP and Ernst & Young as the auditors of the Company's financial statements under CAS and IFRS respectively for the year 2021. The Company's interim financial reports are unaudited.

PENALTIES AND RECTIFICATION

During the Reporting Period, neither the Company nor the Directors, the Supervisors, or the senior management of the Company were investigated or subjected to coercive measures by competent authorities, detained by disciplinary inspection and supervisory authorities, transferred to judicial authorities or held accountable for criminal liabilities, investigated or subjected to administrative punishment by the CSRC, subjected to major administrative punishment by other competent authorities, or subjected to disciplinary action by any securities exchanges.

INTEGRITY CONDITIONS OF THE COMPANY

During the Reporting Period, the Company had no failure to abide by any effective judicial ruling, or default on its material due debts.

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

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, 2021 to June 30, 2021.

CORPORATE GOVERNANCE

The Company implemented corporate governance measures in strict accordance with the applicable laws, including the *Company Law of the PRC*, the *Securities Law of the PRC*, the applicable regulations, and the principles set out in the *Corporate Governance Code*, taking into account the Company's specific needs and circumstances. The general meetings of shareholders, the Board of Directors, the supervisory committee and the executive committee of the Company exercised their rights and performed their obligations conferred by the *Articles of Association*, respectively.

Significant Events

General Meetings

The general meeting 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 meeting were in accordance with the requirements of the *Company Law of the PRC* and the *Articles of Association*.

The annual general meeting of the Company for 2020 held on March 25, 2021 deliberated and approved 12 proposals including the *Report of the Board of Directors of the Company for 2020*, the *Report of the Supervisory Committee of the Company for 2020*, the Annual Report of the Company for 2020 and its summary, the *Report on Final Accounts of the Company for 2020*, the *Profit Distribution Plan of the Company for 2020* and the *Appointment of Auditors of the Company for 2021*. 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 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 six-month period from January 1, 2021 to June 30, 2021.

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 as set out in the *Model Code*. Specific enquiries have been made to all the Directors and Supervisors of the Company, who have confirmed that they complied with the required standards set out in the *Model Code* and the Code of Conduct for the six-month period from January 1, 2021 to June 30, 2021.

INCOME TAX AND TAX CONCESSIONS

Enterprise Income Tax of Overseas Non-Resident Enterprises

Pursuant to the tax laws and regulations of the Chinese mainland, 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 of Overseas Individual Shareholders

Pursuant to the applicable tax laws and regulations of the Chinese mainland, the 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.

Those individual resident shareholders outside the Chinese mainland who hold the shares issued by domestic non-foreign investment enterprises in Hong Kong 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 People's Republic of China 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 Chinese mainland.

Income Tax of H Shareholders via the Hong Kong Stock Connect Program

For the 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 RMB. Pursuant to the applicable tax laws and regulations of the People's Republic of China:

- For the 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 the 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 the 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.

Significant Events

Income Tax of 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 People's Republic of China, the dividend will be paid in RMB 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.

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 "Regulations + 1," and constantly enhances 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 and healthy 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 needs. The Board is responsible for the establishment, improvement and implementation of internal controls. The Audit and Risk Management Committee under the Board monitors and assesses the implementation of internal controls, coordinates the audits of internal controls, and carries out other relevant work. The Supervisory Committee supervises the establishment and implementation of internal controls by the Board. The Risk Management Executive Committee under the Group's Executive Committee (the management) sets risk management targets, basic policies and management rules, and supervises the risk management systems of subsidiaries or business lines.

Regarding the rule formulation and implementation of internal controls, the Company further optimized the rule management system, and implemented whole-process management requirements on rules in the first half of 2021. By strengthening rules, the Company laid a solid foundation for its internal controls, ensuring that all its internal control measures are in accordance with rules and regulations. The Company formulated detailed implementation procedures, clarified level- and category-specific rules and management processes, and established and strengthened the internal control philosophy of rule-based management, procedure-based rules, and information-based procedures. Compliance review is regarded as a necessary procedure for formulating or amending the Company's important internal rules and contract templates. The Company converted regulations into internal rules in a timely and dynamic manner, and formulated and issued rules and guidelines concerning investment management, the combination of internal rules with the Communist Party of China's disciplines and administrative disciplines, reputation risk management, the management of the value of employees' behavior, legal management, financial analysis and procurement management, official document and seal management, and hiring management. In addition, the Company improved the data-driven and intelligent level in regulations management of internal control and compliance by using information technology, enabling business management with internal control rules and technology platforms.

Regarding internal control operation and assessment, the Company strictly complies with laws and regulations. In response to the CBIRC's call for strengthening compliance management and preventing compliance risks, the Company optimized its governance structure, strengthened internal control management, reviewed business processes, identified internal control weaknesses in business processes, and optimized key controls over business processes. The Company improved the operational risk and internal control management system, formulated the *Guidelines for the Value of Employees' Behavior*, standardized employees' behavior, strengthened the management of work ethics, and prevented conflicts of interests and moral hazards. The Company continued to optimize the internal control management information system, as well as the process and quality management of internal control assessment. The Company launched the "Year of Internal Control and Compliance Culture" to strengthen the awareness of compliance in a top-down manner and fulfill its compliance responsibilities. PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) audited the effectiveness of the Company's internal controls over financial reporting for 2020, and issued the *Internal Control Audit Report*, opining that the Company maintained effective internal controls over financial reporting in all material aspects in accordance with the *Basic Norms for Internal Controls of Enterprises* and relevant guidelines.

Regarding the monitoring of major risks and the development of compliance culture, the Company took "regulated behavior, proper constraint, strong supervision, and effective evaluation" as its core philosophy, and "dare not, cannot, or reluctant to violate rules" as its management objective. The Company established a system that manages the value of employees' behavior based on a uniform management framework focusing on the ex ante management of behavior risks by improving rules, specifications, mechanisms and standards, strengthening risk monitoring, and building management platforms. The Company strengthened the control and monitoring over high-risk areas including related-party transactions, terminal security, consumer rights protection, and overseas investment and financing. Moreover, the Company carried out special compliance reviews and risk inspections, and promptly improved management mechanisms and internal control measures on the basis of inspection findings. Furthermore, the Company developed a proactive compliance atmosphere, and promoted compliance culture based on the philosophy of creating value through compliance. The Company continuously improved employees' compliance awareness and enhanced the effectiveness of its internal control system under the compliance management philosophy of "adhering to the original aspiration, strengthening the foundation, ensuring compliance and boosting innovation."

Significant Events

Regarding money laundering and sanctions compliance risk management, the Company adheres to a “risk-based” approach. The Company improved the effectiveness of anti-money laundering work by constantly upgrading the anti-money laundering management framework, refining the management strategies, policies and procedures against money laundering and sanctions compliance risks, and further applying innovative technologies. The Company strengthened its risk identification capabilities in integrated finance scenarios by innovating money laundering risk self-assessment as a financial holding group. The Company enhanced its risk management capabilities by optimizing data management and developing an integrated platform. The Company ensured the effectiveness of anti-money laundering work by shaping an anti-money laundering culture, developing talent echelons, enhancing information security protection, and intensifying compliance inspection. The Company continued to explore the application of AI, smart algorithms, blockchain, and other innovative technologies to anti-money laundering. Moreover, the Company effectively enhanced financial crime risk monitoring as well as joint prevention and control, taking targeted measures to crack down on money-laundering and telecommunications fraud in coordination with competent authorities. The Company played an active role in maintaining orderly financial management and ensuring financial security.

Regarding the management framework for internal audit and supervision, the Company established a highly independent, vertical internal audit and supervision framework. The Company established the Group’s Audit and Risk Management Committee in accordance with applicable laws and regulations concerning the corporate governance structure and internal rules including the *Articles of Association*. The committee comprises two thirds 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 Person-in-charge of Auditing accountability mechanism, the Person-in-charge of Auditing is responsible for managing all audit matters across the Group, and reports to the Group’s Audit and Risk Management Committee. The Company 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 operation 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, and 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 auditees’ business activities, business decision-making and execution.

The Company will conduct internal control effectiveness tests, independent audit tests, and internal control assessments as planned in the second half of 2021. The Company will continuously rectify deficiencies identified in the internal control assessments, improve rules and procedures, as well as build up the management system for the value of employees’ behavior. The Company will focus on monitoring, warning and prevention of risk in key areas, and intensify compliance inspection. The Company will continue to improve anti-money laundering and sanctions compliance management frameworks through self-assessment of money laundering and sanctions compliance risks. The Company will improve its internal controls by enhancing compliance and internal control appraisals.

CORPORATE SUSTAINABILITY AND ENVIRONMENTAL PROTECTION

The Company actively fulfilled its social responsibilities, and was not a key pollutant discharging unit designated by the environmental protection authority of the PRC in the Reporting Period. For more information on environmental protection, please refer to the section headed “Sustainability.”

No administrative penalty was imposed on the Company due to environmental problems during the Reporting Period.

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, 2021, 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)	1,270,186,407	Long position	17.05	6.94
		Interest of controlled corporations	(1)	16,814,571	Short position	0.22	0.09
UBS Group AG	H	Interest of controlled corporations	(2)	864,259,540	Long position	11.60	4.72
		Interest of controlled corporations	(2)	528,557,392	Short position	7.09	2.89
JPMorgan Chase & Co.	H	Interest of controlled corporations	(3)	384,478,877	Long position	5.16	2.10
		Investment manager		239,655,966	Long position	3.21	1.31
		Person having a security interest in shares		439,500	Long position	0.00	0.00
		Trustee		74,072	Long position	0.00	0.00
		Approved lending agent	(3)	214,391,319	Lending pool	2.87	1.17
		Total:	(3)	839,039,734		11.26	4.58
Citigroup Inc.	H	Interest of controlled corporations	(4)	64,084,129	Long position	0.86	0.35
		Approved lending agent	(4)	460,922,960	Lending pool	6.18	2.52
		Total:	(4)	525,007,089		7.04	2.87
		Interest of controlled corporations	(4)	34,626,848	Short position	0.46	0.18
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		962,719,102	Long position	8.89	5.27

Significant Events

Notes:

- (1) According to the disclosure form filed by CP Group Ltd. on June 24, 2021, CP Group Ltd. was deemed to be interested in a total of 1,270,186,407 H shares (long position) and 16,814,571 H shares (short position) of 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 16,814,571 H shares (short position) held through unlisted derivatives which are physically settled.
- (2) According to the disclosure form filed by UBS Group AG on July 5, 2021, UBS Group AG was deemed to be interested in a total of 864,259,540 H shares (long position) and 528,557,392 H shares (short position) of the Company by virtue of its controlled corporations. The entire interests and short positions of UBS Group AG in the Company included 553,169,918 H shares (long position) and 393,179,092 H shares (short position) were held through derivatives as follows:

Derivatives	Nature of interest	Number of H shares
Listed derivatives - Physically settled	Long position	19,205,685
	Short position	21,829,000
Listed derivatives - Cash settled	Long position	15,200
	Short position	7,873,200
Unlisted derivatives - Physically settled	Long position	440,877,879
	Short position	253,318,984
Unlisted derivatives - Cash settled	Long position	93,071,154
	Short position	110,157,908

- (3) According to the disclosure form filed by JPMorgan Chase & Co. on July 2, 2021, JPMorgan Chase & Co. was deemed to be interested in a total of 839,039,734 H shares (long position) and 361,178,262 H shares (short position) of the Company by virtue of its controlled corporations. The entire interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 214,391,319 H shares (long position). Moreover, 307,655,833 H shares (long position) and 276,985,856 H shares (short position) were held through derivatives as follows:

Derivatives	Nature of interest	Number of H shares
Listed derivatives - Physically settled	Long position	67,428,000
	Short position	131,595,500
Listed derivatives - Cash settled	Long position	46,500
	Short position	16,267,050
Unlisted derivatives - Physically settled	Long position	226,016,584
	Short position	86,241,407
Unlisted derivatives - Cash settled	Long position	13,572,491
	Short position	12,094,998
Listed derivatives - Convertible instruments	Long position	592,258
	Short position	30,786,901

- (4) According to the disclosure form filed by Citigroup Inc. on July 2, 2021, Citigroup Inc. was deemed to be interested in a total of 525,007,089 H shares (long position) and 34,626,848 H shares (short position) of the Company by virtue of its controlled corporations. The entire interests and short positions of Citigroup Inc. in the Company included a lending pool of 460,922,960 H shares (long position). In addition, 41,787,736 H shares (long position) and 34,480,348 H shares (short position) were held through derivatives as follows:

Derivatives	Nature of interest	Number of H shares
Listed derivatives - Physically settled	Long position	14,436,333
	Short position	7,761,500
Unlisted derivatives - Physically settled	Long position	22,767,479
	Short position	17,420,110
Unlisted derivatives - Cash settled	Long position	4,583,924
	Short position	9,298,738

- (5) 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, 2021.

Save as disclosed above, to the best knowledge of the Directors and Supervisors, as of June 30, 2021, 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 other 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 the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 119 to 176, which comprises the interim consolidated statement of financial position of Ping An Insurance (Group) Company of China, Ltd. (the “Company”) and its subsidiaries as at 30 June 2021 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong
26 August 2021

Interim Consolidated Income Statement

For the six-month period ended 30 June 2021

For the six-month period ended 30 June		2021	2020
(in RMB million)	Notes	(Unaudited)	(Unaudited)
Gross written premiums	7	422,498	445,505
Less: Premiums ceded to reinsurers		(13,135)	(12,069)
Net written premiums	7	409,363	433,436
Change in unearned premium reserves		927	(17,682)
Net earned premiums		410,290	415,754
Reinsurance commission revenue		2,977	3,400
Interest revenue from banking operations	8	104,790	99,944
Interest revenue from non-banking operations	9	63,437	56,288
Fees and commission revenue from non-insurance operations	10	26,052	24,213
Investment income	11	44,819	44,629
Share of profits and losses of associates and jointly controlled entities		2,266	8,007
Other revenues and other gains	12	33,157	31,045
Total revenue		687,788	683,280
Gross claims and policyholders' benefits	13	(346,202)	(336,137)
Less: Reinsurers' share of claims and policyholders' benefits	13	8,927	5,848
Claims and policyholders' benefits	13	(337,275)	(330,289)
Commission expenses on insurance operations		(46,172)	(57,354)
Interest expenses on banking operations	8	(44,915)	(44,264)
Fees and commission expenses on non-insurance operations	10	(4,585)	(5,650)
Net impairment losses on financial assets	14	(47,983)	(40,526)
Net impairment losses on other assets	15	(11,512)	(1,760)
Foreign exchange gains/(losses)		534	140
General and administrative expenses		(83,037)	(83,337)
Interest expenses on non-banking operations		(15,075)	(12,982)
Other expenses		(18,947)	(16,498)
Total expenses		(608,967)	(592,520)
Profit before tax	16	78,821	90,760
Income tax	17	(10,858)	(14,792)
Profit for the period		67,963	75,968
Attributable to:			
- Owners of the parent		58,005	68,683
- Non-controlling interests		9,958	7,285
		67,963	75,968
		RMB	RMB
Earnings per share attributable to ordinary equity holders of the parent:			
- Basic	19	3.29	3.88
- Diluted	19	3.26	3.86

Interim Consolidated Statement of Comprehensive Income

For the six-month period ended 30 June 2021

For the six-month period ended 30 June (in RMB million)	2021 (Unaudited)	2020 (Unaudited)
Profit for the period	67,963	75,968
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	(637)	12
Credit risks provision of debt instruments at fair value through other comprehensive income	2,122	788
Shadow accounting adjustments	(538)	(531)
Reserve from cash flow hedging instruments	(217)	55
Exchange differences on translation of foreign operations	(387)	175
Share of other comprehensive income of associates and jointly controlled entities	434	(313)
Others	(171)	-
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	1,588	(39,672)
Shadow accounting adjustments	6	24,193
Share of other comprehensive income of associates and jointly controlled entities	(477)	3,280
Other comprehensive income for the period, net of tax	1,723	(12,013)
Total comprehensive income for the period	69,686	63,955
Attributable to:		
- Owners of the parent	59,457	56,844
- Non-controlling interests	10,229	7,111
	69,686	63,955

Interim Consolidated Statement of Financial Position

As at 30 June 2021

(in RMB million)	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Assets			
Cash and amounts due from banks and other financial institutions	20	602,737	587,391
Balances with the Central Bank	21	325,601	280,177
Financial assets purchased under reverse repurchase agreements	22	104,886	122,765
Premium receivables	23	93,371	94,003
Accounts receivable		26,627	26,176
Derivative financial assets		32,277	37,661
Reinsurers' share of insurance liabilities		24,573	20,219
Policy loans		171,800	161,381
Finance lease receivable	24	205,189	202,050
Loans and advances to customers	25	2,797,794	2,599,510
Financial assets at fair value through profit or loss	26	1,304,648	1,231,331
Financial assets at amortized cost	27	2,723,836	2,624,848
Debt financial assets at fair value through other comprehensive income	28	448,548	511,386
Equity financial assets at fair value through other comprehensive income	29	278,621	277,401
Investments in associates and jointly controlled entities	30	269,597	267,819
Statutory deposits for insurance operations	31	12,640	12,561
Investment properties		47,421	43,385
Property and equipment		45,029	46,286
Intangible assets		65,366	64,290
Right-of-use assets		14,949	16,172
Deferred tax assets		60,700	61,901
Other assets	32	187,638	186,098
Policyholder account assets in respect of insurance contracts	33	39,628	48,796
Policyholder account assets in respect of investment contracts	33	4,192	4,263
Total assets		9,887,668	9,527,870

Interim Consolidated Statement of Financial Position

As at 30 June 2021

(in RMB million)	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Equity and liabilities			
Equity			
Share capital	34	18,280	18,280
Reserves	35	225,601	228,271
Treasury shares	38	(5,995)	(5,995)
Retained profits	35	553,950	522,004
Equity attributable to owners of the parent		791,836	762,560
Non-controlling interests	35	237,078	225,345
Total equity		1,028,914	987,905
Liabilities			
Due to banks and other financial institutions	39	845,991	960,175
Financial liabilities at fair value through profit or loss		56,597	37,217
Derivative financial liabilities		37,838	48,579
Assets sold under agreements to repurchase	40	159,000	276,602
Accounts payable		4,965	5,148
Income tax payable		15,364	17,283
Insurance payables		118,063	139,528
Policyholder dividend payable		66,547	63,806
Customer deposits and payables to brokerage customers	41	2,905,361	2,693,833
Bonds payable	42	1,071,481	901,285
Insurance contract liabilities	43	3,161,632	2,972,460
Investment contract liabilities for policyholders		71,119	67,581
Lease liabilities		14,924	15,620
Deferred tax liabilities		11,313	19,267
Other liabilities		318,559	321,581
Total liabilities		8,858,754	8,539,965
Total equity and liabilities		9,887,668	9,527,870

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 2021

For the six-month period ended 30 June 2021												
	Reserves											Total equity
	Share capital	Share premium	Financial assets at FVOCI reserves	Shadow accounting adjustments	Others	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Treasury shares	Retained profits	Non-controlling interests	
(in RMB million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January	18,280	111,598	(33,923)	23,147	26,858	12,164	88,789	(362)	(5,995)	522,004	225,345	987,905
Profit for the period	-	-	-	-	-	-	-	-	-	58,005	9,958	67,963
Other comprehensive income for the period	-	-	2,712	(529)	(350)	-	-	(381)	-	-	271	1,723
Total comprehensive income for the period	-	-	2,712	(529)	(350)	-	-	(381)	-	58,005	10,229	69,686
Dividends declared (Note 18)	-	-	-	-	-	-	-	-	-	(25,494)	-	(25,494)
Appropriations to general reserves	-	-	-	-	-	-	565	-	-	(565)	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,097)	(4,097)
Equity transactions with non-controlling interests	-	-	-	-	(839)	-	-	-	-	-	2,699	1,860
Contributions from non-controlling interests	-	-	-	-	739	-	-	-	-	-	2,835	3,574
Key Employee Share Purchase Plan (Note 36)	-	-	-	-	(463)	-	-	-	-	-	-	(463)
Long-term Service Plan (Note 37)	-	-	-	-	(4,055)	-	-	-	-	-	-	(4,055)
Other equity instruments issued/redeemed by subsidiaries	-	-	-	-	-	-	-	-	-	-	1,847	1,847
Others	-	-	-	-	(69)	-	-	-	-	-	(1,780)	(1,849)
As at 30 June	18,280	111,598	(31,211)	22,618	21,821	12,164	89,354	(743)	(5,995)	553,950	237,078	1,028,914

Interim Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2021

(in RMB million)	For the six-month period ended 30 June 2021											
	Reserves											Total equity
	Share capital	Share premium	Financial assets at FVOCI reserves	Shadow accounting adjustments	Others	Surplus reserve funds	General reserves	Exchange differences on translation of foreign operations	Treasury shares	Retained profits	Non-controlling interests	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January	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 18)	-	-	-	-	-	-	-	-	-	(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 36)	-	-	-	-	(320)	-	-	-	-	-	-	(320)
Long-term Service Plan (Note 37)	-	-	-	-	(3,885)	-	-	-	-	-	-	(3,885)
Acquisition of shares	-	-	-	-	-	-	-	-	(994)	-	-	(994)
Other equity instruments issued/redeemed by subsidiaries	-	-	-	-	-	-	-	-	-	-	34,640	34,640
Others	-	-	-	-	888	-	-	-	-	-	(30)	858
As at 30 June	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 Cash Flows

For the six-month period ended 30 June 2021

For the six-month period ended 30 June (in RMB million)	Note	2021 (Unaudited)	2020 (Unaudited)
Net cash flows from operating activities		19,466	130,740
Cash flows from investing activities			
Purchases of investment properties, property and equipment, and intangible assets		(6,764)	(3,311)
Proceeds from disposal of investment properties, property and equipment, and intangible assets, net		346	300
Proceeds from disposal of investments		959,120	1,063,507
Purchases of investments		(1,028,677)	(1,388,273)
Acquisition of subsidiaries, net		(6)	(50)
Disposal of subsidiaries, net		3,596	(31)
Interest received		89,728	86,412
Dividends received		21,050	21,182
Rentals received		1,875	1,524
Increase in policy loans, net		(10,044)	(12,530)
Net cash flows from/(used in) investing activities		30,224	(231,270)
Cash flows from financing activities			
Capital injected into subsidiaries by non-controlling interests		6,504	35,286
Proceeds from bonds issued		590,225	417,157
(Decrease)/Increase in assets sold under agreements to repurchase of insurance operations, net		(89,001)	28,394
Proceeds from borrowings		118,515	121,877
Repayment of borrowings		(583,867)	(398,625)
Interest paid		(23,675)	(27,237)
Dividends paid		(29,532)	(26,397)
Increase in insurance placements from banks and other financial institutions, net		800	4,700
Payment of acquisition of shares		-	(994)
Payment of shares purchased for Long-term Service Plan		(4,184)	(3,989)
Repayment of lease liabilities		(3,616)	(3,838)
Payment of redemption for other equity instruments by subsidiaries		(1,050)	-
Others		(701)	3,466
Net cash flows (used in)/from financing activities		(19,582)	149,800
Net increase in cash and cash equivalents		30,108	49,270
Net foreign exchange differences		(2,645)	1,198
Cash and cash equivalents at the beginning of the period		424,748	303,466
Cash and cash equivalents at the end of the period	47	452,211	353,934

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

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 AND SIGNIFICANT ACCOUNTING POLICIES

This unaudited interim condensed consolidated financial information for the six-month period ended 30 June 2021 has been prepared in accordance with IAS 34 “Interim Financial Reporting”. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited consolidated annual financial statements for the year ended 31 December 2020.

The accounting policies applied are consistent with those of the consolidated annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

3. CHANGES IN ACCOUNTING ESTIMATES

Significant judgment is required in determining the economic assumptions, e.g. discount rates/investment return, and non-economic assumptions, e.g. mortality, morbidity, lapse rates, policy dividend, and expenses, used in the valuation of insurance contract liabilities for the 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 2021 (mainly due to change of the benchmarking yield curve for the measurement of insurance contract liabilities), and updated the estimate of future cash flows, with the corresponding impact on insurance contract liabilities taken into the current period’s income statement. As a result of such changes in assumptions, long-term life insurance policyholders’ reserves were increased by RMB5,892 million as at 30 June 2021 and the profit before tax for the six-month period ended 30 June 2021 was decreased by RMB5,892 million (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).

4. CHANGES IN PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

For the six-month period ended 30 June 2021, there was no significant change in principal subsidiaries, associates and jointly controlled entities of the Group.

5. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new 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. In June 2020, IASB published the revised version of IFRS 17, stating that IFRS 17 is effective for financial years beginning 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.

6. 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 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, non-auto 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 products services and undertake investing activities;
- The securities segment undertakes brokerage, trading, investment banking and asset management services;
- The other asset management segment provides investment management services, financial lease business and other asset management services, reflecting performance summary 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 subsidiaries;
- 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 2021

6. SEGMENT REPORTING (CONTINUED)

The segment analysis for the six-month period ended 30 June 2021 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	290,946	133,370	-	-	-	-	-	(1,818)	422,498
Less: Premiums ceded to reinsurers	(5,280)	(9,799)	-	-	-	-	-	1,944	(13,135)
Change in unearned premium reserves	(2,752)	3,684	-	-	-	-	-	(5)	927
Net earned premiums	282,914	127,255	-	-	-	-	-	121	410,290
Reinsurance commission revenue	1,096	2,586	-	-	-	-	-	(705)	2,977
Interest revenue from banking operations	-	-	104,832	-	-	-	-	(42)	104,790
Fees and commission revenue from non-insurance operations	-	-	20,688	1,961	4,249	972	-	(1,818)	26,052
Including: Inter-segment fees and commission revenue from non-insurance operations	-	-	1,577	92	28	73	-	(1,770)	-
Interest revenue from non-banking operations	49,153	3,623	-	285	2,760	8,647	200	(1,231)	63,437
Including: Inter-segment interest revenue from non-banking operations	85	36	-	9	169	1,317	35	(1,651)	-
Investment income	31,953	3,369	7,205	421	863	4,775	(2,099)	(1,668)	44,819
Including: Inter-segment investment income	1,473	117	24	-	(4)	11	27	(1,648)	-
Including: Operating lease income from investment properties	2,439	95	27	-	1	71	3	(761)	1,875
Share of profits and losses of associates and jointly controlled entities	(777)	1,521	-	37	(1)	(578)	4,229	(2,165)	2,266
Other revenues and other gains	12,507	447	237	298	2,552	16,396	11,529	(10,809)	33,157
Including: Inter-segment other revenues	5,300	48	-	-	-	2,038	3,727	(11,113)	-
Including: Non-operating gains	99	48	26	-	-	5	15	3	196
Total revenue	376,846	138,801	132,962	3,002	10,423	30,212	13,859	(18,317)	687,788

6. SEGMENT REPORTING (CONTINUED)

The segment analysis for the six-month period ended 30 June 2021 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	(252,202)	(85,180)	-	-	-	-	-	107	(337,275)
Commission expenses on insurance operations	(32,606)	(15,594)	-	-	-	-	-	2,028	(46,172)
Interest expenses on banking operations	-	-	(45,471)	-	-	-	-	556	(44,915)
Fees and commission expenses on non-insurance operations	-	-	(3,290)	(243)	(1,115)	(96)	-	159	(4,585)
Net impairment losses on financial assets and other assets	(19,883)	(737)	(38,285)	(475)	(252)	216	(87)	8	(59,495)
Including: Loan impairment losses, net	-	-	(25,121)	-	-	-	-	-	(25,121)
Including: Impairment losses on investment assets	(19,796)	(316)	(11,863)	(450)	(242)	830	-	8	(31,829)
Including: Impairment losses on receivables and others	(87)	(421)	(1,301)	(25)	(10)	(614)	(87)	-	(2,545)
Foreign exchange gains/(losses)	24	(18)	505	-	(1)	25	(4)	3	534
Investment expenses	(1,714)	(172)	-	-	-	-	-	1,824	(62)
Including: Taxes and surcharges on investment operations	(54)	(8)	-	-	-	-	-	-	(62)
Administrative expenses	(23,020)	(23,436)	(23,980)	(559)	(2,819)	(5,621)	(6,907)	3,367	(82,975)
Including: Taxes and surcharges on insurance operations	(487)	(549)	-	-	-	-	-	-	(1,036)
Interest expenses on non-banking operations	(2,747)	(690)	-	(93)	(1,692)	(11,274)	(297)	1,718	(15,075)
Including: Financial costs	(1,069)	(466)	-	(53)	(1,286)	(11,269)	(297)	1,728	(12,712)
Including: Interest expenses on assets sold under agreements to repurchase and placements from banks and other financial institutions	(1,678)	(224)	-	(40)	(406)	(5)	-	(10)	(2,363)
Other expenses	(14,099)	(210)	(100)	(3)	(2,432)	(5,403)	(2,941)	6,241	(18,947)
Total expenses	(346,247)	(126,037)	(110,621)	(1,373)	(8,311)	(22,153)	(10,236)	16,011	(608,967)
Profit before tax	30,599	12,764	22,341	1,629	2,112	8,059	3,623	(2,306)	78,821
Income tax	(814)	(1,973)	(4,758)	(375)	(364)	(2,244)	(253)	(77)	(10,858)
Profit for the period	29,785	10,791	17,583	1,254	1,748	5,815	3,370	(2,383)	67,963
- Attributable to owners of the parent	29,256	10,741	10,191	1,253	1,677	5,078	2,644	(2,835)	58,005

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

6. SEGMENT REPORTING (CONTINUED)

The segment analysis for the six-month period ended 30 June 2020 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	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	-	-	100,261	-	-	-	-	(317)	99,944
Fees and commission revenue from non-insurance operations	-	-	19,080	2,259	3,636	950	-	(1,712)	24,213
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

6. SEGMENT REPORTING (CONTINUED)

The segment analysis for the six-month period ended 30 June 2020 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	(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, net	-	-	(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
- Attributable 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 2021

6. SEGMENT REPORTING (CONTINUED)

The segment assets, liabilities and equity as at 30 June 2021 and 31 December 2020 are as follows:

At 30 June 2021									
(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	3,597,206	473,025	4,723,520	30,790	224,616	823,045	154,965	(139,499)	9,887,668
Segment liabilities	3,303,986	359,816	4,346,327	5,784	189,304	747,738	34,501	(128,702)	8,858,754
Segment equity	293,220	113,209	377,193	25,006	35,312	75,307	120,464	(10,797)	1,028,914
- Attributable to owners of the parent	284,491	112,684	189,637	24,975	33,835	52,147	103,063	(8,996)	791,836

At 31 December 2020									
(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	3,572,561	452,841	4,468,514	32,220	199,283	794,681	153,818	(146,048)	9,527,870
Segment liabilities	3,291,037	349,370	4,104,383	8,717	165,477	723,862	37,007	(139,888)	8,539,965
Segment equity	281,524	103,471	364,131	23,503	33,806	70,819	116,811	(6,160)	987,905
- Attributable to owners of the parent	273,161	102,991	182,067	23,475	32,346	49,240	104,523	(5,243)	762,560

7. GROSS AND NET WRITTEN PREMIUMS

For the six-month period ended 30 June (in RMB million)	2021 (Unaudited)	2020 (Unaudited)
Gross written premiums and premium deposits	471,486	499,448
Less: Premium deposits of policies without significant insurance risk transfer	(1,678)	(1,766)
Premium deposits separated out from universal life and investment-linked products	(47,310)	(52,177)
Gross written premiums	422,498	445,505
Long-term life business gross written premiums	268,521	277,741
Short-term life business gross written premiums	20,377	23,386
Property and casualty business gross written premiums	133,600	144,378
Gross written premiums	422,498	445,505
Gross written premiums		
Life insurance		
Individual business	277,193	286,743
Group business	11,705	14,384
	288,898	301,127
Property and casualty insurance		
Automobile insurance	89,094	95,741
Non-automobile insurance	33,933	40,526
Accident and health insurance	10,573	8,111
	133,600	144,378
Gross written premiums	422,498	445,505
Net of reinsurance premiums ceded		
Life insurance		
Individual business	274,303	284,027
Group business	11,363	14,147
	285,666	298,174
Property and casualty insurance		
Automobile insurance	86,139	92,139
Non-automobile insurance	27,146	35,228
Accident and health insurance	10,412	7,895
	123,697	135,262
Net written premiums	409,363	433,436

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

8. NET INTEREST INCOME FROM BANKING OPERATIONS

For the six-month period ended 30 June (in RMB million)	2021 (Unaudited)	2020 (Unaudited)
Interest revenue from banking operations		
Due from the Central Bank	1,790	1,700
Due from financial institutions	3,731	4,079
Loans and advances to customers	83,762	77,970
Financial investments	15,507	16,195
Subtotal	104,790	99,944
Interest expenses on banking operations		
Due to the Central Bank	1,801	1,985
Due to financial institutions	5,856	5,322
Customer deposits	27,150	29,192
Bonds payable	10,050	7,723
Others	58	42
Subtotal	44,915	44,264
Net interest income from banking operations	59,875	55,680

9. INTEREST REVENUE FROM NON-BANKING OPERATIONS

For the six-month period ended 30 June (in RMB million)	2021 (Unaudited)	2020 (Unaudited)
Financial assets at amortized cost	57,305	50,696
Debt financial assets at fair value through other comprehensive income	6,132	5,592
	63,437	56,288

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

For the six-month period ended 30 June (in RMB million)	2021 (Unaudited)	2020 (Unaudited)
Fees and commission revenue from non-insurance operations		
Brokerage commission	3,309	2,540
Underwriting commission	425	435
Trust service fees	1,668	1,776
Fees and commission from the banking business	19,112	17,928
Others	1,538	1,534
Subtotal	26,052	24,213
Fees and commission expenses on non-insurance operations		
Brokerage commission	1,069	830
Fees and commission on the banking business	3,290	4,633
Others	226	187
Subtotal	4,585	5,650
Net fees and commission income from non-insurance operations	21,467	18,563

11. INVESTMENT INCOME

For the six-month period ended 30 June (in RMB million)	2021 (Unaudited)	2020 (Unaudited)
Net investment income	32,765	27,960
Realized gains from disposal	14,286	21,532
Unrealized gains/(losses)	(2,232)	(4,863)
Total investment income	44,819	44,629

(1) NET INVESTMENT INCOME

For the six-month period ended 30 June (in RMB million)	2021 (Unaudited)	2020 (Unaudited)
Financial assets at fair value through profit or loss	23,500	20,452
Equity financial assets at fair value through other comprehensive income	7,390	5,954
Operating lease income from investment properties	1,875	1,554
	32,765	27,960

(2) REALIZED GAINS FROM DISPOSAL

For the six-month period ended 30 June (in RMB million)	2021 (Unaudited)	2020 (Unaudited)
Financial assets at fair value through profit or loss	10,170	15,941
Debt financial assets at fair value through other comprehensive income	(284)	3,330
Financial assets at amortized cost	(223)	531
Derivative financial instruments	(366)	532
Gain on disposals of loans and advances at fair value through other comprehensive income	1,133	1,076
Income from precious metal transactions	77	116
Investment in subsidiaries, associates and jointly controlled entities	3,779	6
	14,286	21,532

(3) UNREALIZED GAINS/(LOSSES)

For the six-month period ended 30 June (in RMB million)	2021 (Unaudited)	2020 (Unaudited)
Financial assets at fair value through profit or loss		
– Bonds	1,153	(741)
– Funds	4,576	5,538
– Stocks	(3,759)	(9,423)
– Wealth management investments, debt schemes and other investments	(4,105)	87
Financial liabilities at fair value through profit or loss	(685)	43
Derivative financial instruments	588	(367)
	(2,232)	(4,863)

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

12. OTHER REVENUES AND OTHER GAINS

For the six-month period ended 30 June (in RMB million)	2021 (Unaudited)	2020 (Unaudited)
Sales revenue	12,884	12,057
Management fee from investment-linked products and from investment contracts	1,883	1,805
Expressway toll fee	400	175
Annuity management fee	706	327
Consulting and management fee income	3,982	2,980
Finance lease income	8,672	8,038
Others	4,630	5,663
	33,157	31,045

13. CLAIMS AND POLICYHOLDERS' BENEFITS

(1)

For the six-month period ended 30 June (in RMB million)	2021		
	Gross (Unaudited)	Reinsurers' share (Unaudited)	Net (Unaudited)
Claims and claim adjustment expenses	118,994	(8,731)	110,263
Surrenders	26,154	-	26,154
Annuities	4,426	-	4,426
Maturities and survival benefits	15,308	-	15,308
Policyholder dividends	13,408	-	13,408
Increase in long-term life insurance policyholders' reserves	152,642	(196)	152,446
Interest credited to policyholder contract deposits	15,270	-	15,270
	346,202	(8,927)	337,275

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 long-term life insurance policyholders' reserves	168,325	(500)	167,825
Interest credited to policyholder contract deposits	14,689	-	14,689
	336,137	(5,848)	330,289

13. CLAIMS AND POLICYHOLDERS' BENEFITS (CONTINUED)

(2)

For the six-month period ended 30 June (in RMB million)	2021		
	Gross	Reinsurers'	Net
	(Unaudited)	share (Unaudited)	(Unaudited)
Long-term life insurance contract benefits	244,858	(1,621)	243,237
Short-term life insurance claims	9,931	(1,152)	8,779
Property and casualty insurance claims	91,413	(6,154)	85,259
	346,202	(8,927)	337,275

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

14. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

For the six-month period ended 30 June (in RMB million)	2021	2020
	(Unaudited)	(Unaudited)
Accounts receivable	197	234
Loans and advances to customers	25,121	32,302
Debt financial assets at fair value through other comprehensive income	2,211	801
Financial assets at amortized cost	16,989	5,662
Finance lease receivable	451	1,063
Placements with banks and other financial institutions	(11)	35
Loan commitments	2,001	41
Due from banks and other financial institutions	256	135
Others	768	253
	47,983	40,526

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

15. NET IMPAIRMENT LOSSES ON OTHER ASSETS

For the six-month period ended 30 June (in RMB million)	2021 (Unaudited)	2020 (Unaudited)
Impairment losses on investments in associates and jointly controlled entities	9,822	-
Net impairment losses on other assets	1,690	1,760
	11,512	1,760

16. 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)	2021 (Unaudited)	2020 (Unaudited)
Employee costs	39,590	37,315
Interest expenses on policyholder contract deposits and investment contract reserves	15,270	14,689
Depreciation of investment properties	826	658
Depreciation of property and equipment	3,374	3,081
Amortization of intangible assets	1,232	1,201
Depreciation of right-of-use assets	3,190	3,667
Net impairment losses on financial investments	47,983	40,526
Impairment losses on other assets	11,512	1,760
Cost of sales	6,225	5,865

17. INCOME TAX

For the six-month period ended 30 June (in RMB million)	2021 (Unaudited)	2020 (Unaudited)
Current income tax	18,427	22,340
Deferred income tax	(7,569)	(7,548)
	10,858	14,792

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 2021 was 25%.

18. DIVIDENDS

For the six-month period ended 30 June (in RMB million)	2021 (Unaudited)	2020 (Unaudited)
2020 final dividend – RMB1.40 (2019: RMB1.30) per ordinary share (i)	25,494	23,673
2021 interim dividend – RMB0.88 (2020: RMB0.80) per ordinary share (ii)	16,025	14,568

- (i) On 3 February 2021, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for 2020, agreeing to declare a cash dividend in the amount of RMB1.40 (tax inclusive) per share. The total amount of the cash dividend for 2020 was RMB25,494 million (tax inclusive).

On 25 March 2021, the above profit appropriation plan was approved by the shareholders of the Company at the annual general meeting.

- (ii) On 26 August 2021, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for Interim Dividend of 2021, and declared an interim cash dividend of RMB0.88 (tax inclusive) per share. Pursuant to the Detailed Rules for Implementation of Share Repurchase by Listed Companies promulgated by the Shanghai Stock Exchange 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 will not be entitled to the interim dividend distribution. The total amount of the interim dividend payment for the first half of 2021 is estimated at RMB16,025,006,454.16 (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 2021. 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 2021.

19. 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 2021 excluding ordinary shares purchased by the Group.

For the six-month period ended 30 June	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to owners of the parent (in RMB million)	58,005	68,683
Weighted average number of ordinary shares in issue (million shares)	17,646	17,683
Basic earnings per share (in RMB)	3.29	3.88

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

19. 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 36) and Long-term Service Plan (Note 37) have a potential dilutive effect on the earnings per share.

For the six-month period ended 30 June	2021 (Unaudited)	2020 (Unaudited)
Earnings (in RMB million)		
Profit attributable to owners of the parent	58,005	68,683
Weighted average number of ordinary shares (million shares)		
Weighted average number of ordinary shares in issue	17,646	17,683
Adjustments for:		
- Assumed vesting of Key Employee Share Purchase Plan	22	25
- Assumed vesting of Long-term Service Plan	125	89
Weighted average number of ordinary shares for diluted earnings per share	17,793	17,797
Diluted earnings per share (in RMB)	3.26	3.86

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

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash on hand	3,777	3,814
Term deposits	267,807	332,812
Due from banks and other financial institutions	225,148	179,769
Placements with banks and other financial institutions	106,005	70,996
	602,737	587,391

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

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

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Measured at amortized cost:		
Placements with banks	83,406	52,788
Placements with other financial institutions	11,361	5,055
Gross	94,767	57,843
Less: Provision for impairment losses	(112)	(70)
Net	94,655	57,773
Measured at fair value through other comprehensive income:		
Placements with other financial institutions	11,350	13,223
Total	106,005	70,996

As at 30 June 2021, cash and amounts due from banks and other financial institutions of RMB9,219 million (31 December 2020: RMB9,654 million) were restricted from use.

As at 30 June 2021, the provision for impairment losses of placements with banks and other financial institutions measured at fair value through other comprehensive income is RMB173 million (31 December 2020: RMB228 million).

21. BALANCES WITH THE CENTRAL BANK

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Statutory reserve deposits with the Central Bank for banking operations	233,394	217,320
- Statutory reserve deposits with the Central Bank for banking operations - RMB	222,849	210,297
- Statutory reserve deposits with the Central Bank for banking operations - Foreign Currencies	10,545	7,023
Surplus reserve deposits with the Central Bank	89,559	61,996
Fiscal deposits with the Central Bank	2,648	861
	325,601	280,177

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 2021, the mandatory deposits are calculated at 9.0% (31 December 2020: 9.0%) of customer deposits denominated in RMB and 7.0% (31 December 2020: 5.0%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its day to day operations.

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

22. FINANCIAL ASSETS PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Bonds	97,259	116,885
Bills	2,628	-
Stocks and others	5,271	6,137
Gross	105,158	123,022
Less: Provision for impairment losses	(272)	(257)
Net	104,886	122,765

23. PREMIUM RECEIVABLES

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Premium receivables	98,084	98,366
Less: Provision for doubtful receivables	(4,713)	(4,363)
Premium receivables, net	93,371	94,003
Life insurance	18,140	18,826
Property and casualty insurance	75,231	75,177
Premium receivables, net	93,371	94,003

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 2021 (Unaudited)	31 December 2020 (Audited)
Within 3 months	89,481	91,007
Over 3 months but within 1 year	3,526	3,356
Over 1 year	5,077	4,003
	98,084	98,366

24. FINANCE LEASE RECEIVABLE

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Finance lease receivables, net of unrealized financial gains	210,064	207,053
Less: Provision for impairment losses	(4,875)	(5,003)
	205,189	202,050

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

25. LOANS AND ADVANCES TO CUSTOMERS

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Measured at amortized cost		
Corporate customers		
Loans	911,159	847,939
Individual customers		
Xinyidai	148,900	146,293
Credit card receivables	551,953	529,251
Mortgage loans and licensed mortgage loans	604,152	528,384
Auto loans	277,415	246,416
Others	173,612	154,596
Gross	2,667,191	2,452,879
Add: Interest receivable	7,786	7,365
Less: Provision for impairment losses	(79,237)	(62,821)
Net	2,595,740	2,397,423
Measured at fair value through other comprehensive income		
Corporate customers		
Loans	76,590	89,454
Discounted bills	125,464	112,633
Subtotal	202,054	202,087
Carrying amount	2,797,794	2,599,510

As at 30 June 2021, discounted bills with a carrying amount of RMB7,374 million (31 December 2020: RMB7,302 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 2021

25. 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 2021 (Unaudited)	For the year ended 31 December 2020 (Audited)
Measured at amortized cost		
As at 1 January	62,821	69,560
Charge for the period/year	24,347	43,203
Write-off and transfer during the period/year	(17,781)	(62,598)
Recovery of loans written off previously	9,938	13,099
Unwinding of discount of impairment provisions recognized as interest income	(61)	(260)
Others	(27)	(183)
As at 30 June/31 December	79,237	62,821
Measured at fair value through other comprehensive income		
As at 1 January	398	453
Charge/(Reverses) for the period/year	774	(55)
As at 30 June/31 December	1,172	398
As at 30 June/31 December	80,409	63,219

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Bonds		
Government bonds	167,159	139,209
Finance bonds	118,277	122,563
Corporate bonds	64,040	66,112
Funds	268,008	252,719
Stocks	113,432	131,991
Preferred shares	32,204	33,922
Unlisted equity investments	107,995	99,779
Debt schemes	60,295	44,658
Wealth management investments	268,196	239,483
Other investments	105,042	100,895
Total	1,304,648	1,231,331
Listed	196,007	216,984
Unlisted	1,108,641	1,014,347
	1,304,648	1,231,331

27. FINANCIAL ASSETS AT AMORTIZED COST

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Bonds		
Government bonds	1,685,996	1,608,135
Finance bonds	334,918	374,262
Corporate bonds	82,989	92,680
Debt schemes	128,220	119,002
Wealth management investments	351,402	287,441
Other investments	175,209	159,228
Gross	2,758,734	2,640,748
Less: Provisions for impairment loss	(34,898)	(15,900)
Net	2,723,836	2,624,848
Listed	320,657	306,603
Unlisted	2,403,179	2,318,245
	2,723,836	2,624,848

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

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

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Bonds		
Government bonds	198,346	236,286
Finance bonds	95,887	97,747
Corporate bonds	52,655	64,337
Margin accounts receivable	51,507	45,054
Wealth management investments	50,153	67,962
Total	448,548	511,386
Listed	57,670	66,887
Unlisted	390,878	444,499
	448,548	511,386

As at 30 June 2021, the total provision of impairment losses recognized in debt financial assets at fair value through other comprehensive income is RMB4,645 million (31 December 2020: RMB2,533 million).

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

Equity financial assets at fair value through other comprehensive income comprise the following individual investments:

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Stocks	200,186	198,025
Preferred shares	75,922	77,452
Unlisted equity investments	2,513	1,924
Total	278,621	277,401
Listed	276,108	275,477
Unlisted	2,513	1,924
	278,621	277,401

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

There is no material disposal of equity financial assets at fair value through other comprehensive income in the current period. The dividends income of equity financial assets at fair value through other comprehensive income recognized during the period are disclosed in Note 11.

30. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The Group's investments in associates and jointly controlled entities as at 30 June 2021 are as follows:

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Associates		
Veolia Water (Kunming) Investment Co., Ltd.	275	280
Veolia Water (Yellow River) Investment Co., Ltd.	168	179
Veolia Water (Liuzhou) Investment Co., Ltd.	99	143
Shanxi Taichang Expressway Co., Ltd.	738	861
Beijing-Shanghai High-Speed Railway Equity Investment Scheme	10,202	10,842
Massive Idea Investments Limited	1,080	1,082
Guangzhou Jinglun Property Development Co., Ltd.	712	661
Shenzhen Jinzheng Science & Technology Co., Ltd.	748	804
Xuhui Holdings Co., Ltd.	4,375	4,237
Lufax Holding Ltd. ("Lufax Holding")	47,988	43,310
Ping An Healthcare and Technology Co., Ltd. ("Ping An Good Doctor")	19,197	19,481
HealthKonnnect Medical and Health Technology Management Company Limited ("Ping An HealthKonnnect")	3,011	3,033
OneConnect Financial Technology Co., Ltd. ("OneConnect")	2,587	3,236
Shenzhen China Merchants-Ping An Asset Management Co., Ltd.	1,716	1,452
ZhongAn Online P&C Insurance Co., Ltd. ("ZhongAn Online")	1,670	1,609
Beijing Beiqi Penglong Automobile Service Co., Ltd.	1,841	1,725
China Yangtze Power Co., Ltd.	15,573	15,269
China Traditional Chinese Medicine Holdings Co., Ltd.	2,690	2,583
China Fortune Land Development Co., Ltd.	5,147	19,331
China Jinmao Holding Group Co., Ltd.	8,408	7,880
Ping An Consumer Finance Co., Ltd. ("Ping An Consumer Finance")	1,349	1,431
Vivid Synergy Limited	9,380	9,488
Shanghai Yibin Property Co., Ltd.	13,274	13,278
Guangzhou Futures Exchange Co., Ltd.	450	-
Others	38,559	43,314
Subtotal	191,237	205,509
Jointly controlled entities		
Yunnan KunYu Highway Development Co., Ltd.	727	841
Nanjing Mingwan Property Development Co., Ltd.	2,172	2,186
Beijing ZhaoTai Property Development Co., Ltd.	1,693	1,694
Wuhan DAJT Property Development Co., Ltd.	489	487
Others	73,279	57,102
Subtotal	78,360	62,310
Investments in associates and jointly controlled entities	269,597	267,819

The Group has no significant contingent liabilities relating to the associates and jointly controlled entities listed above.

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

31. STATUTORY DEPOSITS FOR INSURANCE OPERATIONS

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Ping An Life	6,760	6,760
Ping An Property & Casualty	4,200	4,200
Ping An Annuity	972	972
Ping An Health	413	414
Others	19	19
Subtotal	12,364	12,365
Less: Provision for impairment losses	(5)	(8)
Add: Interest receivable	281	204
Total	12,640	12,561

Statutory deposits for insurance operations are placed with PRC national commercial banks in accordance with the relevant regulations issued by 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 deposits for insurance operations can only be utilized to settle liabilities during liquidation of insurance companies, insurance sales agency companies and insurance brokerage companies.

32. OTHER ASSETS

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Precious metals held for trading	22,851	31,691
Other receivables	101,731	118,454
Prepayments	5,510	3,950
Foreclosed assets	2,714	3,700
Dividends receivable	5,568	2,616
Amounts in the processing clearance and settlement	26,775	7,666
Due from reinsurers	14,431	11,860
Others	15,933	12,591
Gross	195,513	192,528
Less: Impairment provisions	(7,875)	(6,430)
Including: Other receivables	(4,147)	(4,175)
Due from reinsurers	(20)	(20)
Foreclosed assets	(2,113)	(1,271)
Precious metals held for trading	(373)	(351)
Others	(1,222)	(613)
Net	187,638	186,098

33. POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE/ INVESTMENT CONTRACTS

(1) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INSURANCE CONTRACTS

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash and amounts due from banks and other financial institutions	7,235	7,927
Financial assets at fair value through profit or loss		
Bonds	760	1,414
Funds	26,822	34,658
Stocks	4,462	4,248
Other investments	308	514
Other assets	41	35
	39,628	48,796

(2) POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF INVESTMENT CONTRACTS

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash and amounts due from banks and other financial institutions	920	938
Financial assets at fair value through profit or loss		
Bonds	991	1,458
Funds	1,238	1,376
Other investments	1,022	423
Financial assets purchased under reverse repurchase agreements	-	24
Other assets	21	44
	4,192	4,263

34. SHARE CAPITAL

(million shares)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Number of shares registered, issued and fully paid, with a par value of RMB1 each	18,280	18,280

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

35. 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 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.

36. KEY EMPLOYEE SHARE PURCHASE PLAN

The Company has adopted a 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 2021 (in RMB million)	Cost of shares held for share purchase plan (Unaudited)	Value of employee services (Unaudited)	Total (Unaudited)
As at 1 January	(1,595)	1,310	(285)
Purchased (i)	(670)	-	(670)
Share-based compensation expenses (ii)	-	85	85
Exercised	704	(704)	-
Expired	122	-	122
As at 30 June	(1,439)	691	(748)

36. KEY EMPLOYEE SHARE PURCHASE PLAN (CONTINUED)

For the six-month period ended 30 June 2020 (in RMB million)	Cost of 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)

(i) During the period from 26 April 2021 to 29 April 2021, 9,162,837 ordinary A shares were purchased from the market. The average price of shares purchased was RMB73.13 per share. The total purchasing cost was RMB670 million (transaction expenses included).

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).

(ii) The share-based compensation expenses of the Key Employee Share Purchase Plan and the total value of employee services were RMB85 million during the six-month period ended 30 June 2021 (six-month period ended 30 June 2020: RMB261 million).

37. 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 2021 (in RMB million)	Cost of shares held for Long-term Service Plan (Unaudited)	Value of employee services (Unaudited)	Total (Unaudited)
As at 1 January	(8,284)	371	(7,913)
Purchased (i)	(4,184)	-	(4,184)
Share-based compensation expenses (ii)	-	129	129
Exercised	1	(1)	-
As at 30 June	(12,467)	499	(11,968)

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

37. LONG-TERM SERVICE PLAN (CONTINUED)

For the six-month period ended 30 June 2020 (in RMB million)	Cost of 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	-	-	-
As at 30 June	(8,285)	185	(8,100)

(i) From 26 April 2021 to 29 April 2021, 57,368,981 ordinary A shares were purchased from the market. The average price of shares purchased was RMB72.92 per share. The total purchasing cost was RMB4,184 million (transaction expenses included).

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).

(ii) The share-based compensation expenses and the total value of employee services of the Long-term Service Plan were RMB129 million during the six-month period ended 30 June 2021 (six-month period ended 30 June 2020: RMB104 million).

38. TREASURY SHARES

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Treasury shares	5,995	5,995

39. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Deposits from other banks and financial institutions	396,647	495,011
Due to the Central Bank	122,961	124,587
Short-term borrowings	130,758	134,753
Long-term borrowings	195,625	205,824
	845,991	960,175

40. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Bonds	159,000	276,602

As at 30 June 2021, bonds with carrying amount of RMB93,175 million (31 December 2020: RMB157,581 million) were pledged as collateral for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market. The collaterals are restricted from trading during the period of the repurchase transactions.

As at 30 June 2021, the bonds with carrying amount of RMB279,400 million (31 December 2020: RMB285,107 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 in short time 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 transactions with fair value converted at a standard rate pursuant to stock exchange's regulation no less than the balance of related repurchase transactions into a collateral pool.

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

41. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

<small>(in RMB million)</small>	<small>30 June 2021</small>	<small>31 December 2020</small>
	<small>(Unaudited)</small>	<small>(Audited)</small>
Customer deposits		
Current and savings accounts		
- Corporate customers	711,352	646,018
- Individual customers	231,801	242,289
Term deposits		
- Corporate customers	1,112,566	1,031,387
- Individual customers	475,572	418,869
Guarantee deposits	237,483	235,710
Term deposits from the Central Bank	17,494	12,579
Fiscal deposits	37,260	35,423
Remittance payables and outward remittance	13,828	12,086
Subtotal	2,837,356	2,634,361
Payables to brokerage customers		
- Individual customers	55,164	49,959
- Corporate customers	12,841	9,513
Subtotal	68,005	59,472
Total	2,905,361	2,693,833

As at 30 June 2021, bonds classified as financial assets carried as amortized costs with a carrying amount of RMB18,304 million (31 December 2020: a carrying amount of RMB14,263 million) were pledged as collaterals for term deposits with the Central Bank.

42. BONDS PAYABLE

The information of the Group's major bonds payable is as follows:

Issuer	Type	Guarantee	Maturity	Early redemption/ Selling back option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	30 June	31 December
									2021	2020
									(Unaudited)	(Audited)
Ping An Financial Leasing	Corporate bonds	None	5 years	End of the third year	3,600	2019	Fixed	3.84%-4.30%	3,670	3,661
Ping An Financial Leasing	Corporate bonds	None	4 years	End of the second year	2,500	2020	Fixed	3.65%-3.85%	2,548	2,542
Ping An Financial Leasing	Corporate bonds	None	5 years	End of the third year	2,750	2020	Fixed	3.88%-4.02%	2,803	2,796
Ping An Financial Leasing	Private corporate bonds	None	4 years	End of the second year	2,200	2019	Fixed	4.53%-4.60%	2,243	2,237
Ping An Financial Leasing	Private corporate bonds	None	5 years	End of the third year	2,500	2019	Fixed	4.98%-5.00%	2,548	2,542
Ping An Financial Leasing	Corporate bonds	None	4 years	End of the second year	2,300	2021	Fixed	3.60%-4.05%	2,345	-
Ping An Financial Leasing	Corporate bonds	None	5 years	End of the third year	1,100	2021	Fixed	3.89%-4.04%	1,121	-
Ping An Bank	Hybrid capital debt instrument	None	15 years	End of the tenth year	3,650	2011	Fixed	7.50%	-	3,835
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	10,000	2016	Fixed	3.85%	-	10,280
Ping An Bank	Financial bonds	None	3 years	None	35,000	2018	Fixed	3.79%	35,691	35,042
Ping An Bank	Tier-2 Capital bonds	None	10 years	End of the fifth year	30,000	2019	Fixed	4.55%	30,224	30,910
Ping An Bank	Financial bonds	None	3 years	None	30,000	2020	Fixed	2.30%	30,068	30,416
Ping An Bank	Financial bonds	None	3 years	None	20,000	2021	Fixed	3.45%	20,284	-
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)	-	10,258
Ping An Life	Offshore USD bonds	None	5 years	None	3,280	2016	Fixed	2.88%	-	3,312
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)	20,257	20,567
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)	3,641	3,543
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)	10,177	10,384
Ping An Securities Co., Ltd. ("Ping An Securities")	Private corporate bonds	None	3 years	None	1,000	2018	Fixed	5.30%	-	1,033
Ping An Securities	Corporate bonds	None	5 years	End of the third year	3,000	2018	Fixed	4.10%	3,079	3,017
Ping An Securities	Corporate bonds	None	5 years	End of the third year	2,000	2019	Fixed	3.70%	2,024	2,061
Ping An Securities	Corporate bonds	None	5 years	End of the third year	2,700	2019	Fixed	3.75%	2,723	2,774
Ping An Securities	Corporate bonds	None	5 years	End of the third year	2,300	2019	Fixed	3.73%	2,307	2,350

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

42. BONDS PAYABLE (CONTINUED)

Issuer	Type	Guarantee	Maturity	Early redemption/ Selling back option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	30 June	31 December
									2021	2020
									(Unaudited)	(Audited)
Ping An Securities	Private corporate bonds	None	3 years	None	3,500	2019	Fixed	4.05%	3,541	3,612
Ping An Securities	Private corporate bonds	None	3 years	None	2,000	2019	Fixed	4.20%	2,016	2,058
Ping An Securities	Corporate bonds	None	5 years	End of the third year	1,500	2020	Fixed	3.40%	1,522	1,547
Ping An Securities	Private corporate bonds	None	1 year	None	1,000	2020	Fixed	2.86%	-	1,024
Ping An Securities	Private corporate bonds	None	3 years	None	3,000	2020	Fixed	3.19%	3,029	3,077
Ping An Securities	Corporate bonds	None	3 years	None	4,000	2020	Fixed	3.58%	4,131	4,060
Ping An Securities	Corporate bonds	None	457 days	None	3,000	2020	Fixed	3.10%	3,084	3,037
Ping An Securities	Corporate bonds	None	2 years	End of the first year	2,000	2020	Fixed	2.95%	2,050	2,020
Ping An Securities	Corporate bonds	None	487 days	None	1,000	2020	Fixed	3.07%	1,025	1,010
Ping An Securities	Corporate bonds	None	3 years	None	2,550	2020	Fixed	3.70%	2,611	2,564
Ping An Securities	Corporate bonds	None	547 days	None	2,450	2020	Fixed	3.44%	2,493	2,451
Ping An Securities	Private corporate bonds	None	18 months	None	1,500	2021	Fixed	3.70%	1,519	-
Ping An Securities	Private corporate bonds	None	18 months	None	1,500	2021	Fixed	3.50%	1,515	-
Ping An Securities	Corporate bonds	None	3 years	None	3,000	2021	Fixed	3.40%	3,007	-
Ping An Securities	Corporate bonds	None	549 days	None	2,000	2021	Fixed	3.05%	2,004	-
Ping An Securities	Corporate bonds	None	3 years	None	2,400	2021	Fixed	3.48%	2,402	-
Ping An Securities	Corporate bonds	None	3 years	None	1,200	2021	Fixed	3.50%	1,200	-
Ping An Securities	Corporate bonds	None	2 years	None	2,000	2021	Fixed	3.35%	2,000	-
Ping An Real Estate Investment Co., Ltd. ("Ping An Real Estate")	Corporate bonds	None	5 years	End of the third year	710	2019	Fixed	3.70%	732	719
Ping An Real Estate	Corporate bonds	None	7 years	End of the fifth year	750	2019	Fixed	4.40%	780	763
Ping An Real Estate	Corporate bonds	None	7 years	End of the fifth year	940	2019	Fixed	4.30%	974	954
Ping An Real Estate	Corporate bonds	None	5 years	End of the third year	1,500	2018	Fixed	5.00%	-	1,555
Ping An Real Estate	Corporate bonds	None	5 years	End of the third year	2,000	2017	Fixed	4.88%	-	14
Ping An Real Estate	Corporate bonds	None	7 years	End of the fifth year	4,000	2016	Fixed	3.28%	4,119	4,052
Shenzhen Ping An Financial Technology Consulting Co., Ltd. ("Ping An Financial Technology")	Private corporate bonds	None	5 years	End of the third year	3,000	2019	Fixed	4.30%	3,081	3,017
Ping An Financial Technology	Private corporate bonds	None	5 years	End of the third year	2,000	2020	Fixed	3.40%	2,011	2,045
Ping An Financial Technology	Private corporate bonds	None	5 years	End of the third year	3,000	2020	Fixed	3.80%	3,004	3,061
Ping An Financial Technology	Private corporate bonds	None	3 years	End of the second year	2,000	2020	Fixed	4.19%	2,055	2,013
Shenzhen Dingshantong Investment Co., Ltd. ("Dingshantong Investment")	Private corporate bonds	None	1 year	Yes	372	2020	Fixed	6.50%	393	381

42. BONDS PAYABLE (CONTINUED)

Issuer	Type	Guarantee	Maturity	Early redemption/ Selling back option	Par value (in RMB million)	Issued year	Interest type	Coupon rate (per annum)	30 June	31 December
									2021	2020
									(Unaudited)	(Audited)
Dingshantong Investment	Private corporate bonds	None	1 year	Yes	263	2020	Fixed	6.54%	277	269
Shenzhen Ping An Evergreen Investment Development Holding Co., Ltd. ("Evergreen Investment Development")	Private corporate bonds	Yes	2 years	Yes	3,000	2020	Fixed	4.30%	3,093	3,027
Evergreen Investment Development	Private corporate bonds	Yes	2 years	Yes	3,000	2020	Fixed	4.50%	3,075	3,007
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	2 years	Yes	381	2019	Fixed	6.49%	403	391
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	1 year	Yes	311	2020	Fixed	6.59%	-	326
Shenzhen Ping An Real Estate Investment Co., Ltd.	Convertible bonds	None	2 years	Yes	289	2020	Fixed	6.69%	292	403
Lianxin (Shenzhen) Investment Management Co., Ltd. ("Lianxin Investment")	Private corporate bonds	None	5 years	End of the third year	2,000	2020	Fixed	5.40%	2,057	2,005
Lianxin Investment	Private corporate bonds	None	3 years	End of the second year	1,000	2021	Fixed	4.50%	1,008	-

As at 30 June 2021, the original term of interbank certificates of deposit issued by Ping An Bank, but unmatured was from 3 months to 1 year, and the annual interest rate was from 0.14% to 3.35% (31 December 2020: the original term was from 1 month to 1 year, and the annual interest rate was from 0.63% to 3.35%). The carrying amount was RMB661,200 million (31 December 2020: RMB501,383 million).

As at 30 June 2021, the original term of short-term financial bonds issued by Ping An Securities, but unmatured was 91 days, and the annual interest rate was from 2.44% to 2.58% (31 December 2020: the original term was from 90 days to 91 days, and the annual interest rate was from 2.98% to 3.23%). The carrying amount was RMB7,023 million (31 December 2020: RMB9,040 million).

As at 30 June 2021, the original term of short-term financial bonds issued by Ping An Financial Leasing, but unmatured was from 100 days to 1 year, and the annual interest was from 3.35% to 4.00% (31 December 2020: the original term was from 105 days to 1 year, and the annual interest rate was from 2.05% to 3.47%). The carrying amount was RMB8,665 million (31 December 2020: RMB9,253 million).

As at 30 June 2021, there is no short-term financial bonds issued by Ping An Real Estate (31 December 2020: the original term was 6 months, the annual interest rate was 2.90%, and the carrying amount was RMB1,712 million).

As at 30 June 2021, the original term of income certificates issued by Ping An Securities, but unmatured was from 14 days to 365 days, and the annual interest rate was from 3.30% to 12.50% (31 December 2020: the original term was from 14 days to 365 days, and the annual interest rate was from 2.85% to 11.00%). The carrying amount was RMB4,283 million (31 December 2020: RMB5,040 million).

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

43. INSURANCE CONTRACT LIABILITIES

<small>(in RMB million)</small>	<small>30 June 2021</small>	<small>31 December 2020</small>
	<small>(Unaudited)</small>	<small>(Audited)</small>
Long-term life insurance policyholders' reserves	2,084,221	1,931,023
Policyholder contract deposits	739,372	705,657
Policyholder account liabilities in respect of insurance contracts	39,628	48,796
Unearned premium reserves	177,715	177,041
Claim reserves	120,696	109,943
	3,161,632	2,972,460

44. FIDUCIARY ACTIVITIES

<small>(in RMB million)</small>	<small>30 June 2021</small>	<small>31 December 2020</small>
	<small>(Unaudited)</small>	<small>(Audited)</small>
Assets under trust schemes	404,279	375,014
Assets under annuity investments and annuity schemes	677,326	627,150
Assets under asset management schemes	1,307,349	1,169,897
Entrusted loans of banking operations	161,682	191,133
Entrusted investments of banking operations	756,101	648,185
	3,306,737	3,011,379

All of above are off-balance sheet items.

45. 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 value and fair value of the Group's major financial instruments by classification:

(in RMB million)	Carrying value		Fair value	
	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Financial assets				
Cash and amounts due from banks and other financial institutions	602,737	587,391	602,737	587,391
Balances with the Central Bank and statutory deposits for insurance operations	338,241	292,738	338,241	292,738
Financial assets purchased under reverse repurchase agreements	104,886	122,765	104,886	122,765
Accounts receivable	26,627	26,176	26,627	26,176
Derivative financial assets	32,277	37,661	32,277	37,661
Finance lease receivable	205,189	202,050	205,189	202,050
Loans and advances to customers	2,797,794	2,599,510	2,797,794	2,599,510
Financial assets at fair value through profit or loss	1,304,648	1,231,331	1,304,648	1,231,331
Financial assets at amortized cost	2,723,836	2,624,848	2,816,947	2,680,106
Debt financial assets at fair value through other comprehensive income	448,548	511,386	448,548	511,386
Equity financial assets at fair value through other comprehensive income	278,621	277,401	278,621	277,401
Other assets	130,226	123,901	130,226	123,901
Financial liabilities				
Due to banks and other financial institutions	845,991	960,175	845,991	960,175
Financial liabilities at fair value through profit or loss	56,597	37,217	56,597	37,217
Derivative financial liabilities	37,838	48,579	37,838	48,579
Assets sold under agreements to repurchase	159,000	276,602	159,000	276,602
Accounts payable	4,965	5,148	4,965	5,148
Customer deposits and payables to brokerage customers	2,905,361	2,693,833	2,905,361	2,693,833
Bonds payable	1,071,481	901,285	1,071,407	899,911
Other liabilities	250,410	214,987	250,410	214,987

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

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

45. 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 2020 annual report of the Group. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The main quoted market price used for financial assets held by the Group is the current closing 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. This valuation method maximizes the use of observable market data and minimizes the use of company's own parameters;

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.

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

(in RMB million)	30 June 2021			
	Level 1 (Unaudited)	Level 2 (Unaudited)	Level 3 (Unaudited)	Total fair value (Unaudited)
Financial assets				
Financial assets at fair value through profit or loss				
Bonds	8,734	340,514	228	349,476
Funds	143,708	120,498	3,802	268,008
Stocks	110,663	2,769	-	113,432
Wealth management investments, debt schemes and other investments	82	356,328	217,322	573,732
	263,187	820,109	221,352	1,304,648
Derivative financial assets				
Interest rate swaps	-	13,762	-	13,762
Currency forwards and swaps	-	13,892	-	13,892
Others	-	4,623	-	4,623
	-	32,277	-	32,277
Debt financial assets at fair value through other comprehensive income				
Bonds	10,884	334,974	1,030	346,888
Wealth management investments, debt schemes and other investments	-	45,917	55,743	101,660
	10,884	380,891	56,773	448,548
Equity financial assets at fair value through other comprehensive income				
Stocks	200,185	1	-	200,186
Preferred shares	-	75,922	-	75,922
Unlisted equity investments	-	-	2,513	2,513
	200,185	75,923	2,513	278,621
Placements with banks and other financial institutions measured at fair value through other comprehensive income	-	11,350	-	11,350
Loans and advances to customers measured at fair value through other comprehensive income	-	-	202,054	202,054
Total financial assets	474,256	1,320,550	482,692	2,277,498
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	-	12,660	-	12,660
Currency forwards and swaps	-	15,479	-	15,479
Others	-	9,699	-	9,699
	-	37,838	-	37,838
Financial liabilities at fair value through profit or loss	8,865	46,495	1,237	56,597
Total financial liabilities	8,865	84,333	1,237	94,435

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

45. 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 2020			
	Level 1 (Audited)	Level 2 (Audited)	Level 3 (Audited)	Total fair value (Audited)
Financial assets				
Financial assets at fair value through profit or loss				
Bonds	10,247	317,382	255	327,884
Funds	122,414	126,285	4,020	252,719
Stocks	127,926	4,065	-	131,991
Wealth management investments, debt schemes and other investments	997	323,103	194,637	518,737
	261,584	770,835	198,912	1,231,331
Derivative financial assets				
Interest rate swaps	-	18,363	-	18,363
Currency forwards and swaps	-	16,246	-	16,246
Others	-	3,052	-	3,052
	-	37,661	-	37,661
Debt financial assets at fair value through other comprehensive income				
Bonds	19,477	378,798	95	398,370
Wealth management investments, debt schemes and other investments	-	65,459	47,557	113,016
	19,477	444,257	47,652	511,386
Equity financial assets at fair value through other comprehensive income				
Stocks	198,024	1	-	198,025
Preferred shares	-	77,452	-	77,452
Unlisted equity investments	-	-	1,924	1,924
	198,024	77,453	1,924	277,401
Placements with banks and other financial institutions measured at fair value through other comprehensive income	-	13,223	-	13,223
Loans and advances to customers measured at fair value through other comprehensive income	-	-	202,088	202,088
Total financial assets	479,085	1,343,429	450,576	2,273,090
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	-	17,887	-	17,887
Currency forwards and swaps	-	17,154	-	17,154
Others	-	13,538	-	13,538
	-	48,579	-	48,579
Financial liabilities at fair value through profit or loss	7,178	29,471	568	37,217
Total financial liabilities	7,178	78,050	568	85,796

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

From 1 January 2021 to 30 June 2021, 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 January 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.)

46. 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.

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

46. 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 43.

Assumptions

(a) Long-term life insurance contracts

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

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

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

Other key assumptions include delays in settlement, etc.

(c) Reinsurance

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

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

46. 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.

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

46. 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 financial guarantee contracts and loan commitments, 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 of comprise credit origination, credit review, credit approval, disbursement, post credit monitoring and collection. 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.

Credit risks arising from financial guarantees and loan 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, wealth management investments, etc. 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.

Credit risk of insurance business

The Group evaluated the credit rating of the reinsurance companies before signing the reinsurance contracts, and chose the reinsurance companies with higher credit quality to reduce the credit risk.

The limits 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.

46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Credit risk management (continued)

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 2021 (Unaudited)			Maximum credit risk exposure
	Stage 1	Stage 2	Stage 3	
Cash and amounts due from banks and other financial institutions	602,737	-	-	602,737
Balances with the Central Bank and statutory deposits for insurance operations	338,241	-	-	338,241
Financial assets purchased under reverse repurchase agreements	104,642	-	244	104,886
Accounts receivable	26,345	236	46	26,627
Finance lease receivables	199,546	4,887	756	205,189
Loans and advances to customers	2,759,684	29,413	8,697	2,797,794
Financial assets at amortized cost	2,688,113	7,415	28,308	2,723,836
Debt financial assets at fair value through other comprehensive income	445,864	1,688	996	448,548
Other assets	129,012	174	1,040	130,226
Subtotal	7,294,184	43,813	40,087	7,378,084
Off-balance sheet	1,360,275	2,278	269	1,362,822
Total	8,654,459	46,091	40,356	8,740,906

Net carrying amount (in RMB million)	31 December 2020 (Audited)			Maximum credit risk exposure
	Stage 1	Stage 2	Stage 3	
Cash and amounts due from banks and other financial institutions	587,391	-	-	587,391
Balances with the Central Bank and statutory deposits for insurance operations	292,738	-	-	292,738
Financial assets purchased under reverse repurchase agreements	122,478	-	287	122,765
Accounts receivable	25,902	246	28	26,176
Finance lease receivables	196,267	4,894	889	202,050
Loans and advances to customers	2,558,863	29,369	11,278	2,599,510
Financial assets at amortized cost	2,596,172	11,772	16,904	2,624,848
Debt financial assets at fair value through other comprehensive income	508,948	2,121	317	511,386
Other assets	123,508	115	278	123,901
Subtotal	7,012,267	48,517	29,981	7,090,765
Off-balance sheet	1,277,993	2,123	615	1,280,731
Total	8,290,260	50,640	30,596	8,371,496

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(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 regulatory 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 face adverse market status. In case of monitoring liquidity risks effectively, the Group pays attentions to the funds resources and diversified utilization, keep relatively high liquidity assets consistently. The Group monitors the sourcing and usage of funds, deposit to loan ratio, and quick ratio on a daily basis. Moreover, when adopting various benchmarks for management 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.

46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

The table below summarizes the remaining contractual maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Group (excluding balances of investment-linked contracts) based on undiscounted contractual cash flows/expected cash flows.

(in RMB million)	30 June 2021 (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	-	178,609	134,498	74,201	227,568	489	615,365
Balances with the Central Bank and statutory deposits for insurance operations	233,322	92,278	116	4,377	9,122	-	339,215
Financial assets purchased under reverse repurchase agreements	-	244	100,739	4,490	-	-	105,473
Premium receivables	-	8,605	20,099	8,943	55,413	311	93,371
Accounts receivable	-	260	7,875	11,791	8,208	-	28,134
Policy Loans	-	3,412	137,838	30,550	-	-	171,800
Finance lease receivables	-	1,695	28,365	78,432	119,639	1,142	229,273
Loans and advances to customers	-	7,958	686,436	852,370	973,909	780,512	3,301,185
Financial assets at fair value through profit or loss	646,382	13,407	53,926	162,224	338,377	172,766	1,387,082
Financial assets at amortized cost	-	18,312	97,307	432,772	1,019,697	2,726,248	4,294,336
Debt financial assets at fair value through other comprehensive income	-	95	39,195	99,229	201,114	193,451	533,084
Equity financial assets at fair value through other comprehensive income	278,621	-	-	-	-	-	278,621
Other assets	-	46,699	38,237	64,720	6,703	1,352	157,711
	1,158,325	371,574	1,344,631	1,824,099	2,959,750	3,876,271	11,534,650
Due to banks and other financial institutions	-	271,933	171,502	302,968	114,334	7,049	867,786
Financial liabilities at fair value through profit or loss	1,129	1,273	48,953	3,392	1,923	-	56,670
Assets sold under agreements to repurchase	-	-	158,927	80	-	-	159,007
Accounts payable	-	234	633	3,886	212	-	4,965
Insurance payables	-	82,231	11,661	6,650	1,349	55	101,946
Policyholder dividend payable	-	66,547	-	-	-	-	66,547
Customer deposits and payables to brokerage customers	-	1,074,878	817,529	456,053	622,632	11,792	2,982,884
Bonds payable	-	-	292,572	563,775	214,702	42,543	1,113,592
Insurance contract liabilities	-	-	30,799	33,874	75,058	7,412,048	7,551,779
Insurance and investment contract liabilities for policyholders	-	-	2,708	7,417	32,208	41,031	83,364
Lease liabilities	-	256	1,767	4,732	9,568	607	16,930
Other liabilities	-	22,709	39,960	68,864	109,785	14,083	255,401
	1,129	1,520,061	1,577,011	1,451,691	1,181,771	7,529,208	13,260,871
Derivative cash flows							
Derivative financial instruments settled on a net basis	-	(59)	458	2,111	(906)	19	1,623
Derivative financial instruments settled on a gross basis							
- Cash inflow	-	14,624	778,363	990,852	41,999	27	1,825,865
- Cash outflow	-	(17,925)	(778,581)	(996,268)	(42,831)	(47)	(1,835,652)
	-	(3,301)	(218)	(5,416)	(832)	(20)	(9,787)

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

(in RMB million)	31 December 2020 (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	-	204,816	98,272	85,256	215,099	1,376	604,819
Balances with the Central Bank and statutory deposits for insurance operations	217,239	62,938	126	1,566	12,118	-	293,987
Financial assets purchased under reverse repurchase agreements	-	345	118,446	4,643	-	-	123,434
Premium receivables	-	7,969	19,586	5,661	60,589	198	94,003
Accounts receivable	-	267	8,177	11,184	8,473	-	28,101
Policy Loans	-	3,026	137,192	21,163	-	-	161,381
Finance lease receivables	-	1,749	25,476	73,538	124,896	1,902	227,561
Loans and advances to customers	-	12,811	723,593	762,808	870,030	688,633	3,057,875
Financial assets at fair value through profit or loss	644,276	8,610	49,535	171,670	287,242	144,329	1,305,662
Financial assets at amortized cost	-	29,657	103,579	356,148	1,019,279	2,688,280	4,196,943
Debt financial assets at fair value through other comprehensive income	-	68	38,428	100,011	256,213	215,113	609,833
Equity financial assets at fair value through other comprehensive income	277,402	-	-	-	-	-	277,402
Other assets	-	25,048	46,841	66,621	6,575	570	145,655
	1,138,917	357,304	1,369,251	1,660,269	2,860,514	3,740,401	11,126,656
Due to banks and other financial institutions	-	274,512	252,966	315,253	130,819	10,152	983,702
Financial liabilities at fair value through profit or loss	836	1,219	33,417	299	1,745	-	37,516
Assets sold under agreements to repurchase	-	-	276,718	3	-	-	276,721
Accounts payable	-	481	1,288	3,906	140	-	5,815
Insurance payables	-	75,695	9,587	4,485	1,319	-	91,086
Policyholder dividend payable	-	63,806	-	-	-	-	63,806
Customer deposits and payables to brokerage customers	-	1,010,863	746,543	431,200	544,294	27,023	2,759,923
Bonds payable	-	-	258,013	428,833	205,040	52,327	944,213
Insurance contract liabilities	-	-	1,086	42,382	30,581	7,209,264	7,283,313
Insurance and investment contract liabilities for policyholders	-	-	2,309	4,262	30,244	43,356	80,171
Lease liabilities	-	258	1,814	5,127	10,568	1,359	19,126
Other liabilities	-	56,958	52,911	78,435	140,076	3,587	331,967
	836	1,483,792	1,636,652	1,314,185	1,094,826	7,347,068	12,877,359
Derivative cash flows							
Derivative financial instruments settled on a net basis	(47)	-	806	616	(913)	(2)	460
Derivative financial instruments settled on a gross basis							
- Cash inflow	-	14,811	704,165	626,930	48,922	3	1,394,831
- Cash outflow	-	(20,378)	(705,992)	(631,860)	(51,088)	(9)	(1,409,327)
	-	(5,567)	(1,827)	(4,930)	(2,166)	(6)	(14,496)

46. 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 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
30 June 2021						
Credit commitments (Unaudited)	87,133	149,916	302,435	491,686	317,934	1,349,104
31 December 2020						
Credit commitments (Audited)	67,430	155,831	311,071	448,760	298,478	1,281,570

Management expects the credit commitments will not be entirely used during the commitment period.

The assets and liabilities related to investment-linked contracts which are regarded as insurance contracts are presented as policyholder account assets and liabilities in respect of insurance contracts. The assets and liabilities related to investment-linked contracts which are regarded as investment contracts are presented as policyholder account assets and liabilities in respect of investment contracts. The assets and liabilities of each investment-linked fund are segregated from each other and from the rest of the Group's invested assets for record keeping purposes. As the investment risks of investment-linked contracts were fully borne by policyholders, the assets and liabilities related to investment-linked contracts were not included in the analysis of risk management. Investment-linked contracts are repayable on demand. The Group manages liquidity risk related to the investment-linked contracts by investing mainly in assets with high liquidity, as disclosed in Note 33.

(5) MISMATCHING RISK OF ASSETS AND LIABILITIES

The objective of the Group's asset and liability management is to match the maturity and interest rates of assets and liabilities. Under the current constraints of the shortage of long-term interest rate bond market, however, the Group does not have sufficient long-duration assets for investment to match the duration of insurance and investment contract liabilities. As permitted by law regulations and market conditions, the Group actively invest in preferred stocks and other broad-term duration assets, and continuously improves the allocation of long-duration assets, considering the requirements for asset-liability duration matching and revenue-cost matching.

(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 staff education and training.

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

46. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(7) CAPITAL MANAGEMENT

The Group's capital requirements are primarily dependent on the scale, 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 2021 and no changes were made to its capital base, capital management objectives, policies and procedures as compared to the previous year.

47. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following items (original maturities within three months):

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash		
Cash and amounts due from banks and other financial institutions		
Cash on hand	3,777	3,814
Term deposits	14,673	32,647
Due from banks and other financial institutions	164,325	165,988
Placements with banks and other financial institutions	79,485	43,390
Balances with the Central Bank	89,531	61,973
Subtotal	351,791	307,812
Cash equivalents		
Bonds	1,704	1,573
Financial assets purchased under reverse repurchase agreements	98,716	115,363
Subtotal	100,420	116,936
Total	452,211	424,748

48. 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 2021, CP Group held 6.86% (31 December 2020: 7.85%) equity interests in the Company and is the largest shareholder of the Company.

48. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(2) OTHER MAJOR RELATED PARTIES

Name of related party	Relationship with the Company
Lufax Holding	Associate of subsidiaries
Ping An Good Doctor	Associate of subsidiaries
Ping An HealthKonnnect	Associate of subsidiaries
OneConnect	Associate of subsidiaries

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

For the six-month period ended 30 June (in RMB million)	2021 (Unaudited)	2020 (Unaudited)
CP Group		
Premiums income from	23	18
Claims expenses to	-	7
Rental revenue from	13	12
SIHC		
Premiums income from	16	2
Interest expenses to	21	7
Lufax Holding		
Interest expenses to	377	140
Other revenues from	1,714	1,427
Other expenses to	2,340	755
Ping An Good Doctor		
Interest expenses to	77	81
Other revenues from	282	326
Other expenses to	892	1,091
Ping An HealthKonnnect		
Interest expenses to	16	26
Other revenues from	228	191
Other expenses to	114	168
OneConnect		
Interest revenue from	10	18
Interest expenses to	7	17
Other revenues from	826	484
Other expenses to	848	660

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

48. 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 2021 (Unaudited)	31 December 2020 (Audited)
CP Group		
Customer deposits and payables to brokerage customers	2	-
SIHC		
Customer deposits and payables to brokerage customers	3,262	1,271
Lufax Holding		
Customer deposits and payables to brokerage customers	14,603	14,354
Derivative financial assets	344	548
Accounts payable and other payables	13,372	9,216
Accounts receivable and other receivables	1,181	1,374
Ping An Good Doctor		
Customer deposits and payables to brokerage customers	3,533	7,299
Accounts payable and other payables	4,219	3,903
Accounts receivable and other receivables	58	48
Ping An HealthKonnnect		
Customer deposits and payables to brokerage customers	1,554	420
Accounts payable and other payables	842	1,796
Accounts receivable and other receivables	7,543	7,097
OneConnect		
Customer deposits and payables to brokerage customers	864	2,002
Loans and advances to customers	301	705
Derivative financial assets	140	166
Accounts payable and other payables	1,542	844
Accounts receivable and other receivables	904	487

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, and pay interest to the Group every six months at an annual rate of 0.7375%. As at 30 June 2021, the Group still held these convertible bonds.

49. COMMITMENTS

(1) CAPITAL COMMITMENTS

- (a) The Group had the following capital commitments relating to investments and property development projects.

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Contracted, but not provided for	39,707	7,445
Authorized, but not contracted for	8,736	4,496
	48,443	11,941

- (b) On 29 January 2021 and 30 April 2021, the Company announced that the consortium formed by the Company, Zhuhai Huafa Group Co., Ltd. (representing the state-owned enterprises of Zhuhai Municipality) and Shenzhen SDG Co., Ltd. will participate in the substantive consolidated restructuring of PKU Founder Group, Peking University Founder Information Industry Group Co., Ltd., PKU Healthcare Industry Group Co., Ltd., Peking University Resource Group Limited and Founder Industry Holdings Co., Ltd. (the “Restructuring Entities”). Authorized by the Company, Ping An Life, participated in the substantive consolidated restructuring and entered into the Restructuring Investment Agreement. According to the Restructuring Investment Agreement, Ping An Life will acquire 51.1% to 70.0% equity interest in New Founder Group at a consideration of RMB37.05 billion to RMB50.75 billion. On 5 July 2021, the announcement of the Company mentioned that, The Restructuring Plan (Draft) of Five Companies including Peking University Founder Group Company Limited, which was formulated on the basis of the Restructuring Investment Agreement in accordance with relevant laws and regulations, was resolved and approved at the creditors’ meeting held by the Restructuring Entities, and was approved by the civil order of the Court and has come into effect.

(2) CREDIT COMMITMENTS

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Bank acceptances	415,026	408,958
Guarantees issued	86,229	82,616
Letters of credit issued	65,798	61,644
Others	-	341
Subtotal	567,053	553,559
Unused limit of credit cards and loan commitments	782,051	689,305
Total	1,349,104	1,242,864
Credit risk weighted amounts of credit commitments	370,484	348,043

Credit commitments disclosed in the table above do not include the financial guarantees accounted for as insurance contracts by the Group.

Notes to the Interim Condensed Consolidated Financial Information

For the six-month period ended 30 June 2021

49. COMMITMENTS (CONTINUED)

(3) INVESTMENT COMMITMENTS

The Group's investment commitments to jointly controlled entities are as follows:

(in RMB million)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Contracted but not provided for	21,510	66,759

50. 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.

51. EVENTS AFTER THE REPORTING PERIOD

On 26 August 2021, the Board of Directors of the Company approved the Resolution of the Profit Appropriation Plan for Interim Dividend of 2021, and declared an interim dividend of RMB0.88 (tax inclusive) per share for 2021 as stated in Note 18.

52. COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform to the current period's presentation.

53. 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 26 August 2021.

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 Company Limited, a subsidiary of Ping An Securities
Ping An Pioneer Capital	Ping An Pioneer Capital Co., Ltd., a subsidiary of Ping An Securities
Ping An 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

Glossary

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
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 Ping An Financial Technology
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 Ping An Financial Technology
OneConnect	OneConnect Financial Technology Co., Ltd., an associate of Ping An Financial Technology
Ping An HealthKonnect	HealthKonnect Medical and Health Technology Management Company Limited, an associate of Ping An Financial Technology
Autohome	Autohome Inc., a subsidiary of the Company
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 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 Corporate Governance Code as contained in Appendix 14 to the HKEX Listing Rules
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	The Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the HKEX Listing Rules
Articles of Association	The Articles of Association of Ping An Insurance (Group) Company of China, Ltd.
HKEX	The Stock Exchange of Hong Kong Limited
HKEX Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
SSE Listing Rules	The Rules Governing the Listing of Stocks on Shanghai Stock Exchange
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	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

Ernst & Young (China) Advisory Limited

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AMERICAN DEPOSITARY SHARES REGISTRAR

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