

**中国平安 PINGAN**

保险·银行·投资

# 2009 Annual Results

April 19, 2010



# Cautionary Statements Regarding Forward-Looking Statements

To the extent any statements made in this presentation containing information that is not historical are essentially forward-looking. These forward-looking statements include but not limited to projections, targets, estimates and business plans that the Company expects or anticipates will or may occur in the future. These forward-looking statements are subject to known and unknown risks and uncertainties that may be general or specific. Certain statements, such as those include the words or phrases "potential", "estimates", "expects", "anticipates", "objective", "intends", "plans", "believes", "will", "may", "should", and similar expressions or variations on such expressions may be considered forward-looking statements. Reader should be cautioned that a variety of factors, many of which may be 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 presentation as a result of new information, future events or otherwise. None of the Company, or any of its employees or affiliates is responsible for, or is making, any representations concerning the future performance of the Company.

# Agenda

Topic	Speaker	Position
Overview	Peter Ma	Group Chairman & CEO
Operating Highlights	Louis Cheung	Executive Director, Group President
Financial Analysis and Embedded Value	Jason Yao	Executive Director & Group CFO
Insurance Business Review	Dominic Leung	Group Chief Insurance Business Officer
Investment Business Review	Timothy Chan	Group Deputy Chief Investment Officer
Banking Business Review	Richard Jackson	President, Ping An Bank

# Overview

# Overview

**2009 was a year full of challenges. Facing the complex domestic and external environment, we have turned challenges to opportunities. Our three core businesses – insurance, banking and investment, achieved a rapid, healthy and sustainable growth. Overall profitability of Ping An significantly improved.**

**2009 was also a year which we have a good start in our third decade of development. The market share of our life and property and casualty insurance business increased. Our bank's asset size continues to increase and quality improved. Our investment team dealt skillfully with capital market volatility, and we achieved an excellent result in investment banking and trust asset management business. Cross-selling further strengthened and the first phase of back office centralization was fully completed. Ping An One Account Management Services were officially launched nationwide.**

**Looking forward, the operating environment of financial industry is getting increasingly complicated. However, we can see that China's economy is moving toward a promising direction. Sticking with the core strategy of being a "leading integrated financial services provider", Ping An will keep up with the pace of change, strengthen our core competitiveness and continue to generate long-term steady value for our shareholders, customers, employees and society at-large.**

# Operating Highlights

# Operating Highlights of Our Three Core Businesses

## Insurance Business

- Ping An Life written premiums increased by 31.4% to RMB130 billion and market share rose by 2.5 percentage points to 16.5%
- Property & Casualty premium income exceeded RMB 30 billion and market share rose to 12.9%, ranking 2nd in the industry. Combined ratio decreased by 5.1 percentage points to 98.9%
- Ping An Annuity consolidated its market leading position in the industry

## Banking Business

- Banking total asset exceeded RMB220 billion, with non-performing loan ratio kept at the industry leading level of 0.46% and provision coverage ratio at 156.0%
- Accumulated credit cards in circulation exceeded 3.4 million, and 56.5% of new card issuance in 2009 was contributed by cross-selling

## Investment Business

- Ping An Asset Management captured market opportunities and optimized asset allocation, yielding a total investment return of 6.4%
- Securities' investment banking business successfully underwrote 13 IPO and 4 re-financing projects, maintained the leading position of industry in terms of number of deals
- Assets held under trust by Ping An Trust rose to RMB130.6 billion, representing an increase of 169.1% as compared to 2008

# Financial Highlights

<i>(In RMB million)</i>	2008	2009	Growth
<b>Total Income (IFRS basis)</b>	87,658	152,838	↑ 74.4%
<b>Net Profit</b>	1,635	14,482	↑ 785.7%
<b>Total Assets</b>	704,564	935,712	↑ 32.8%
<b>Total Equity</b>	67,159	91,743	↑ 36.6%
<b>EPS</b> <i>(in RMB)</i>	0.19	1.89	↑ 894.7%
<b>Dividend Per Share</b> <sup>(1)</sup> <i>(in RMB)</i>	0.20	0.45	↑ 125.0%

Note: (1) Dividend per share includes final dividend and interim dividend, in which 0.30 Yuan per share is proposed to be distributed as final dividend of 2009, pending approval by shareholders at the annual general meeting

# Steady Execution of Integrated Financial Platform

## ➤ Integrated Cost-effective Shared Operating Platform

- Accomplished the first phase of back office centralization, resulting in an efficient, stable, cost-effective shared operating platform
- The second phase of centralization aims to optimize the cost structure and supporting cross-selling, which will further maximize resource-sharing and synergies across business units

## ➤ Financial Products and Services Innovation

- Ping An One Account Management Services was launched successfully nationwide. In 2009, its registered accounts exceeded 4 million
- “Ping An, our Commitment to You” campaigns were successfully launched to support this service commitment, setting several industry-leading standards. This commitment was widely recognized by our customers, demonstrating our strength in integrated resources planning and coordination



**One Customer**  
**One Account**  
**Multiple Products**  
**One-stop Service**

# Scale and Depth of Cross-Selling further Enhanced along with Visible Synergies

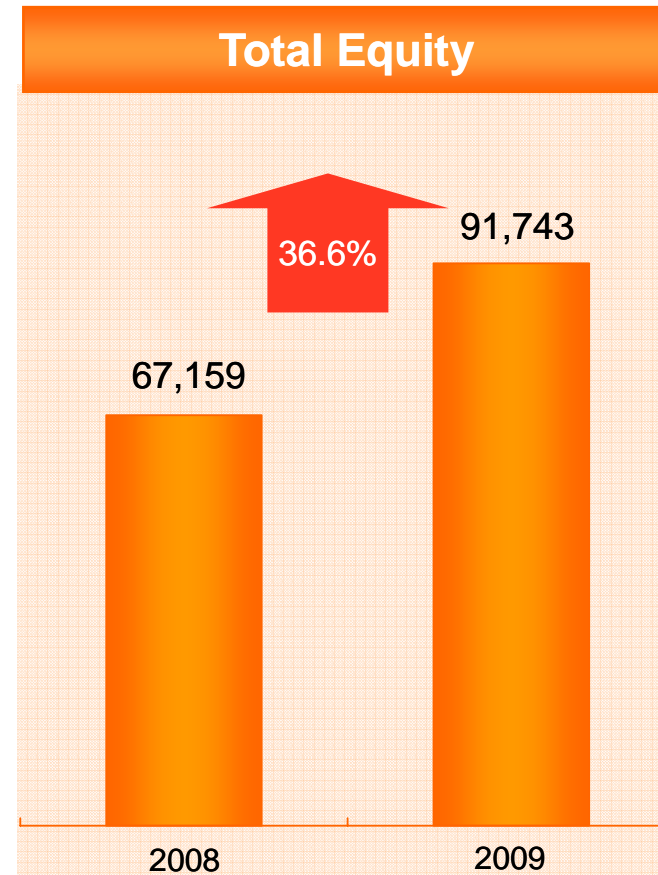
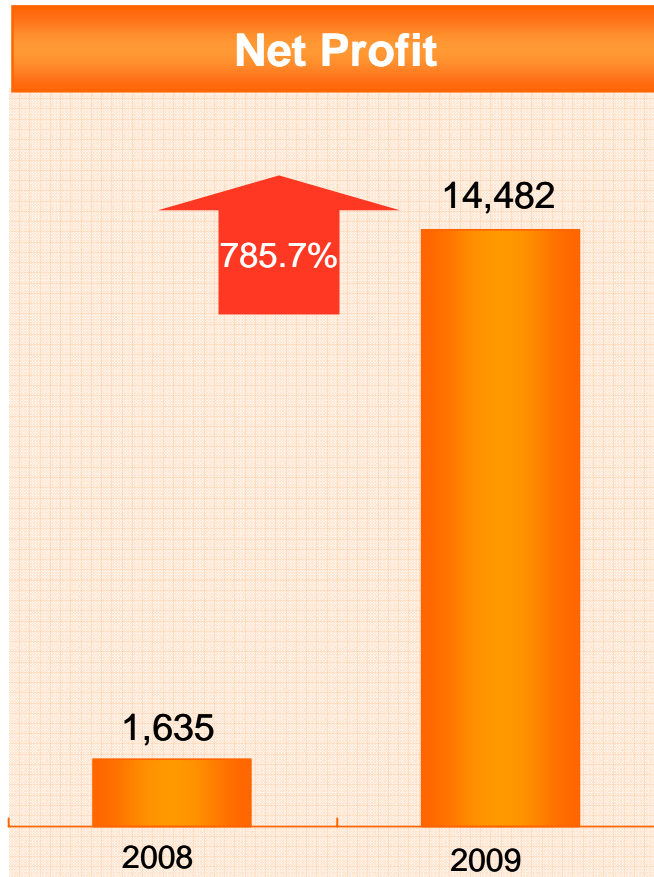
(In RMB million)

	2008		2009	
<u>New business from cross-selling</u>	Amount	Business Contribution	Amount	Business Contribution
<b>Property &amp; Casualty insurance</b>				
Premium income	3,867	14.3%	5,635	14.5 %
<b>Annuity business</b>				
Entrusted assets	1,161	13.2%	623	7.5 %
Assets under Investment management	1,383	14.9%	671	7.4 %
<b>Trust business</b>				
Trust schemes	1,872	3.1%	5,650	4.5 %
<b>Banking business</b>				
Corporate deposits (increase of daily average balance)	475	5.3%	2,509	10.4%
Corporate loans (increase of daily average balance)	1,298	12.3%	788	5.2%
Credit cards (number of cards, in ten thousands)	69	50.5%	124	56.5%

# Financial Analysis and Embedded Value

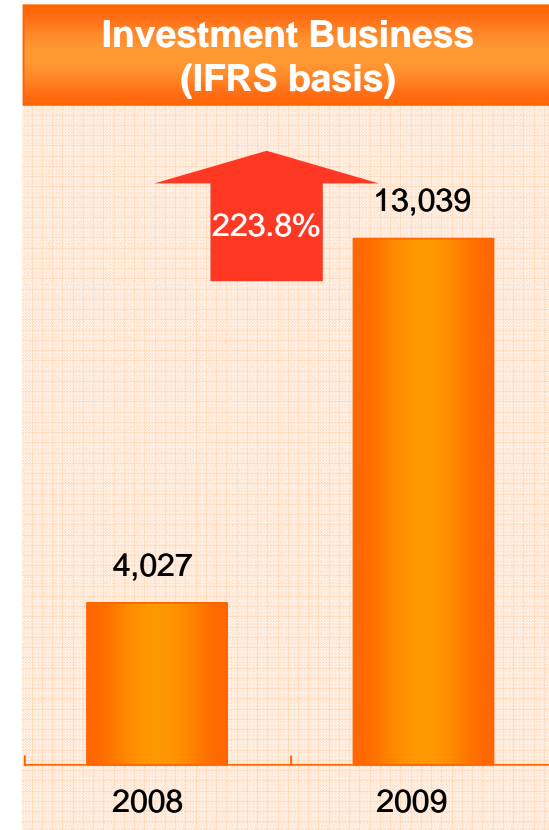
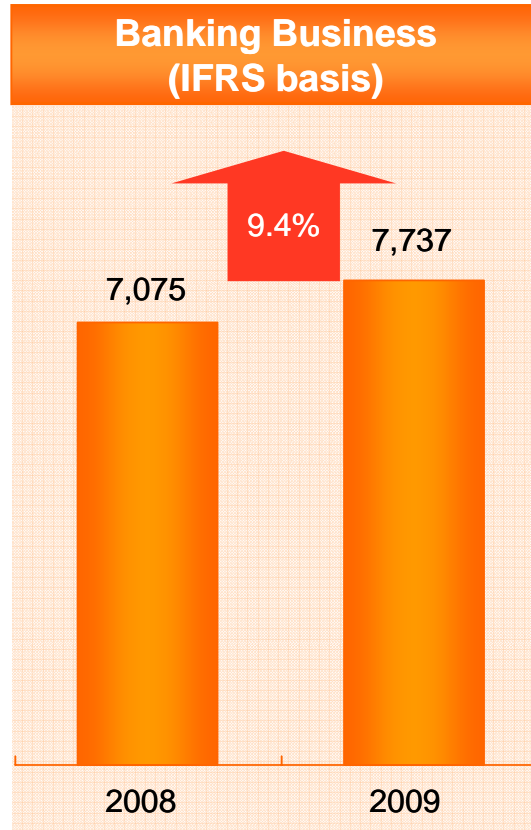
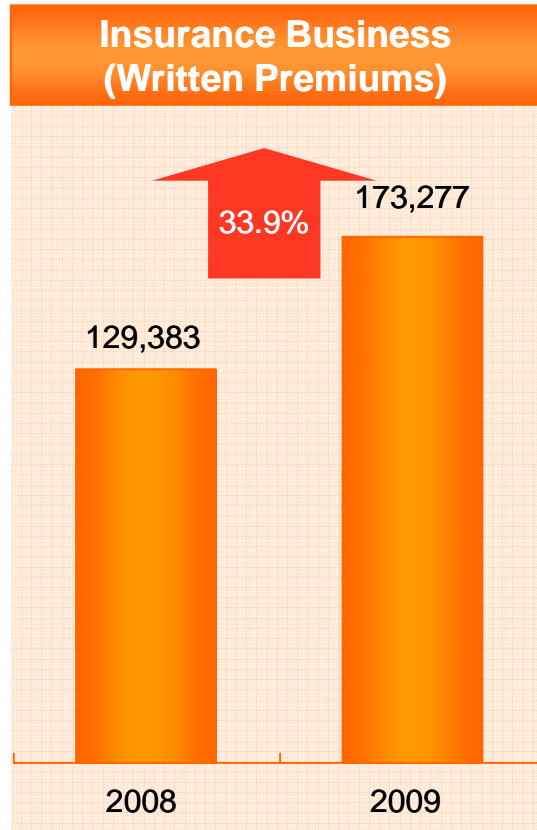
# Net Profit and Total Equity Increased Strongly

(In RMB million)



# Income Growth by Business Segments

(In RMB million)

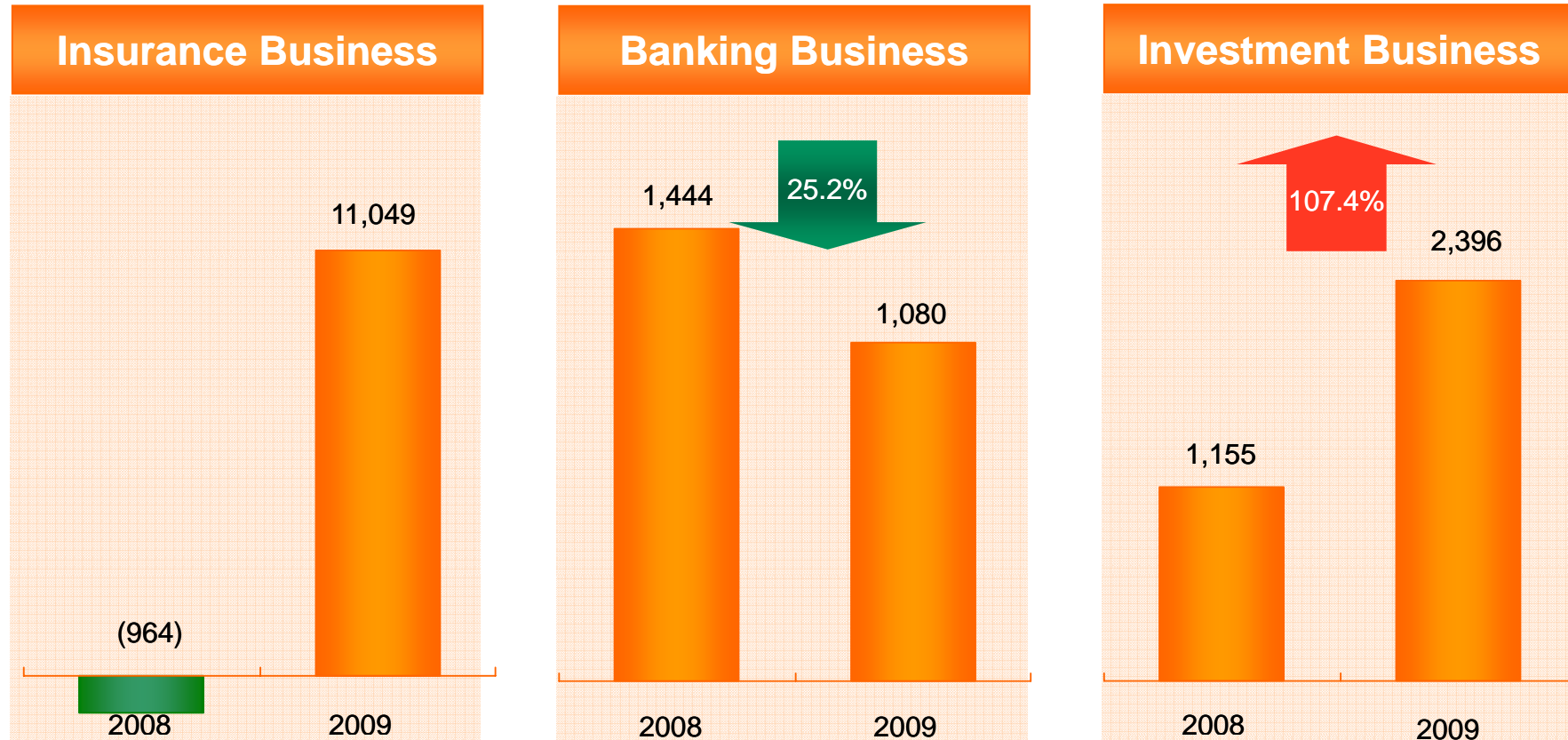


Notes: (1) Insurance written premiums mean all premiums received from the policies underwritten by the Company, which is prior to the significant insurance risk testing and unbundling of hybrid risks contracts

(2) Investment incomes include incomes from Headquarter, Securities and other business lines (excluding set-offs)

# Net Profit by Business Segments

(In RMB million)

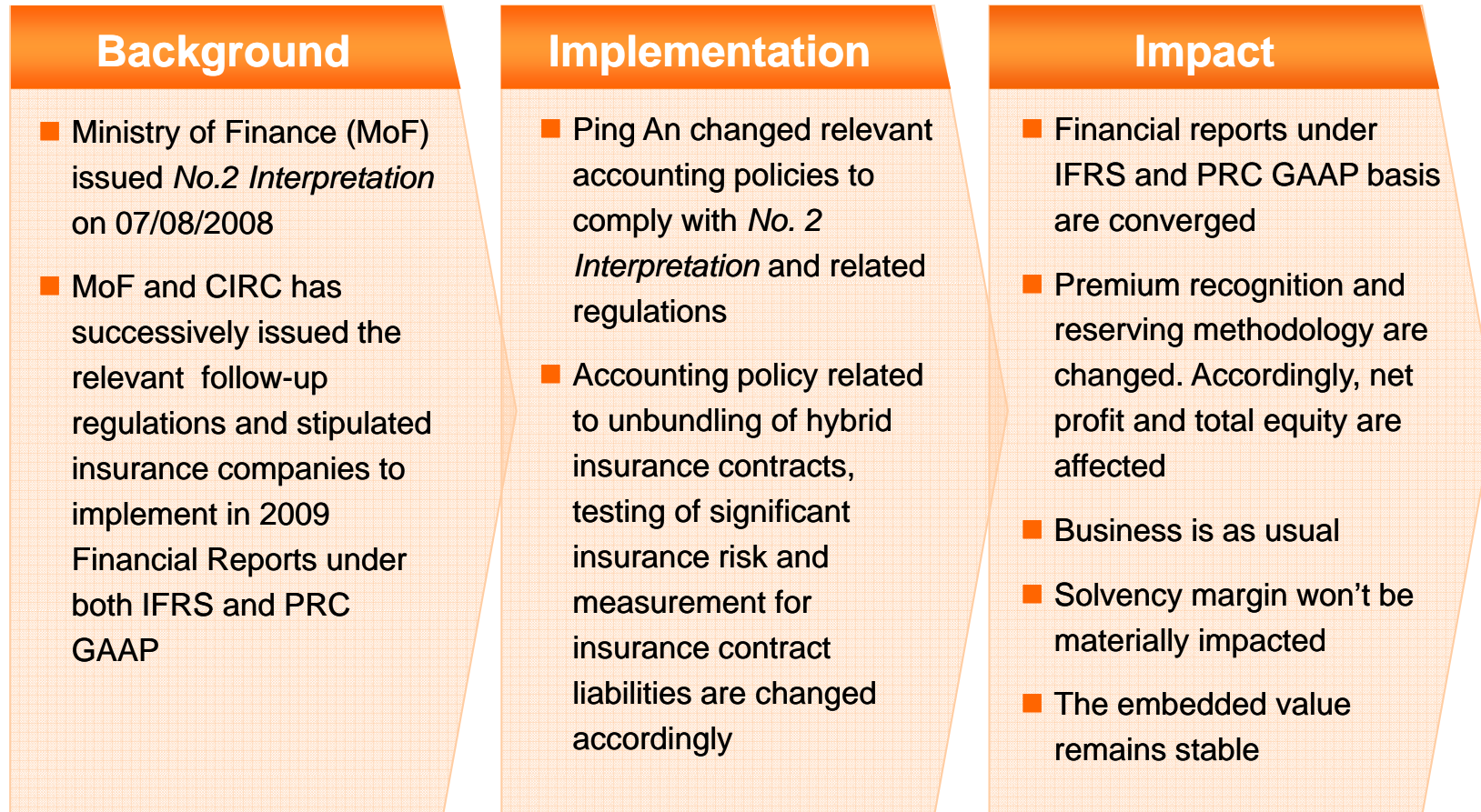


Notes: (1) Net profits from insurance pillar cover Life insurance and Property & Casualty insurance

(2) Net profits from banking pillar refer to that from Ping An Bank

(3) Net profits from investment pillar include that from Headquarter, Securities, and other business lines (excluding set-offs)

# Overall Impact of *No.2 Interpretation*



Note: *No.2 Interpretation* is short for “*No.2 Interpretation* of Accounting Standards for Business Enterprises” from this page to the continuing pages

# Measurement of Insurance Contract Liabilities under *No.2 Interpretation*

## Methodology

- Insurance contract liabilities are measured as the difference between expected future cash outflows and expected future cash inflows arising from the contracts, namely expected future net cash outflows
- An explicit margin is required when measuring the liabilities. Day-one gains should be released into the income statement over the contract period on a systematic and reasonable basis

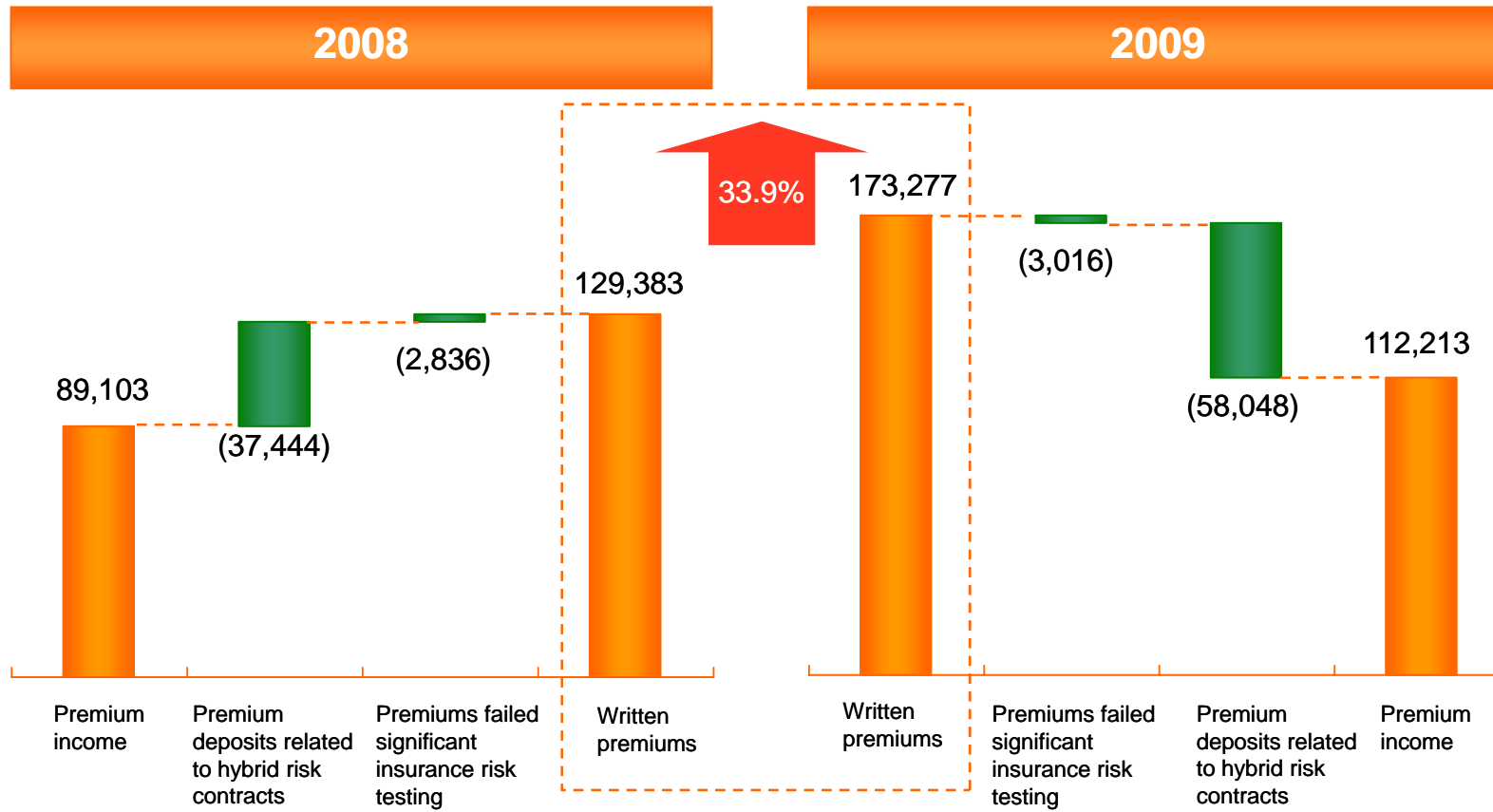
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## Assumption on Discount Rate

- The setting of discount rate is based on whether the policyholder benefits will be affected by future investment return
- For contracts whereby policyholder benefits will not be affected by investment return, the discount rate should be determined based on the market interest rate in line with the period and risk of cash flows. The assumed discount rates for 2009 were 2.83% to 5.48%
- For contract whereby policyholder benefits will be affected by investment return, the discount rate should be determined based on future expected return of the investment portfolio. The assumed investment return for 2009 was 4.5% to 5.5%

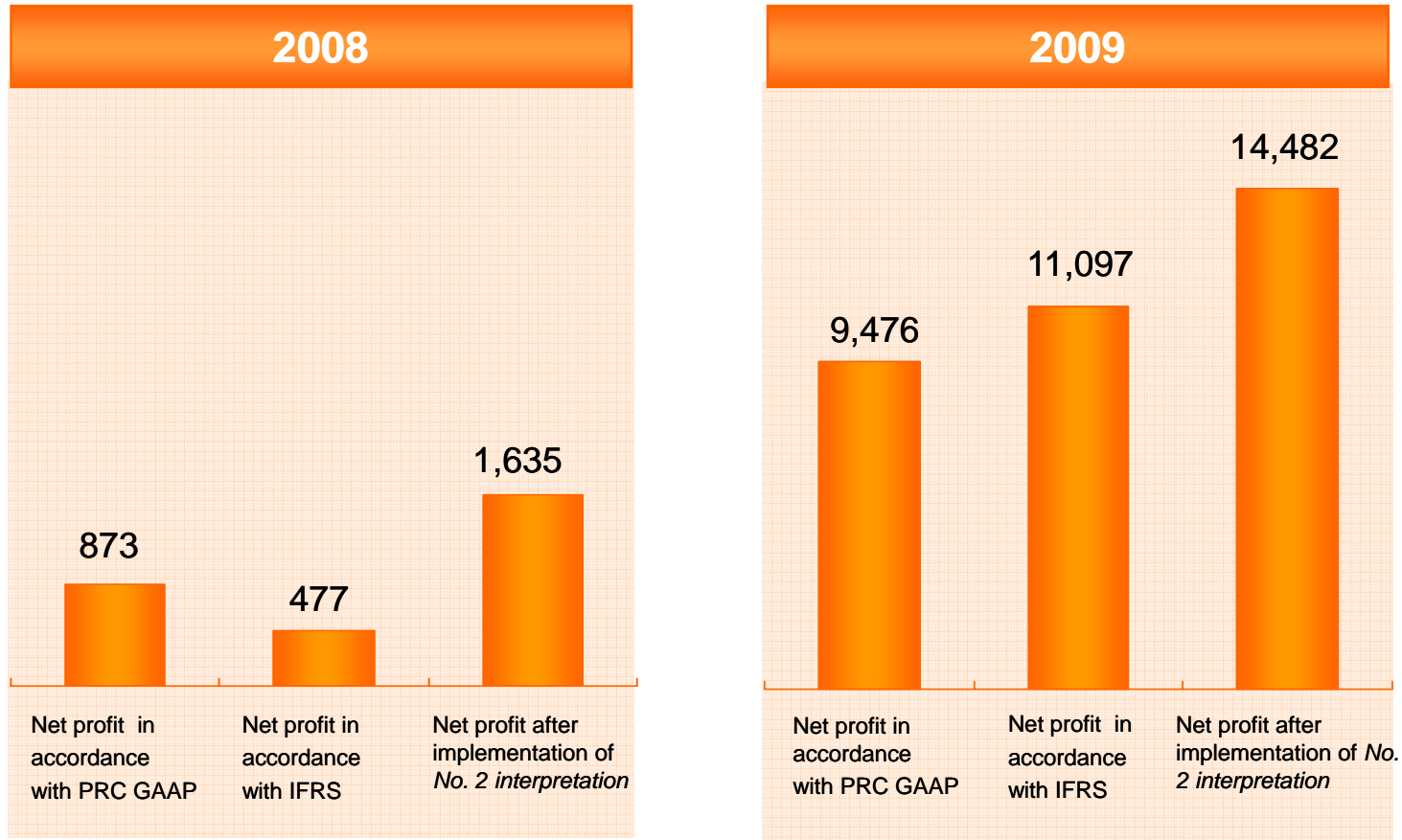
# Impact of Premium Recognition after No.2 Interpretation

( In RMB million)



# Impact to Net Profit after *No. 2 Interpretation*

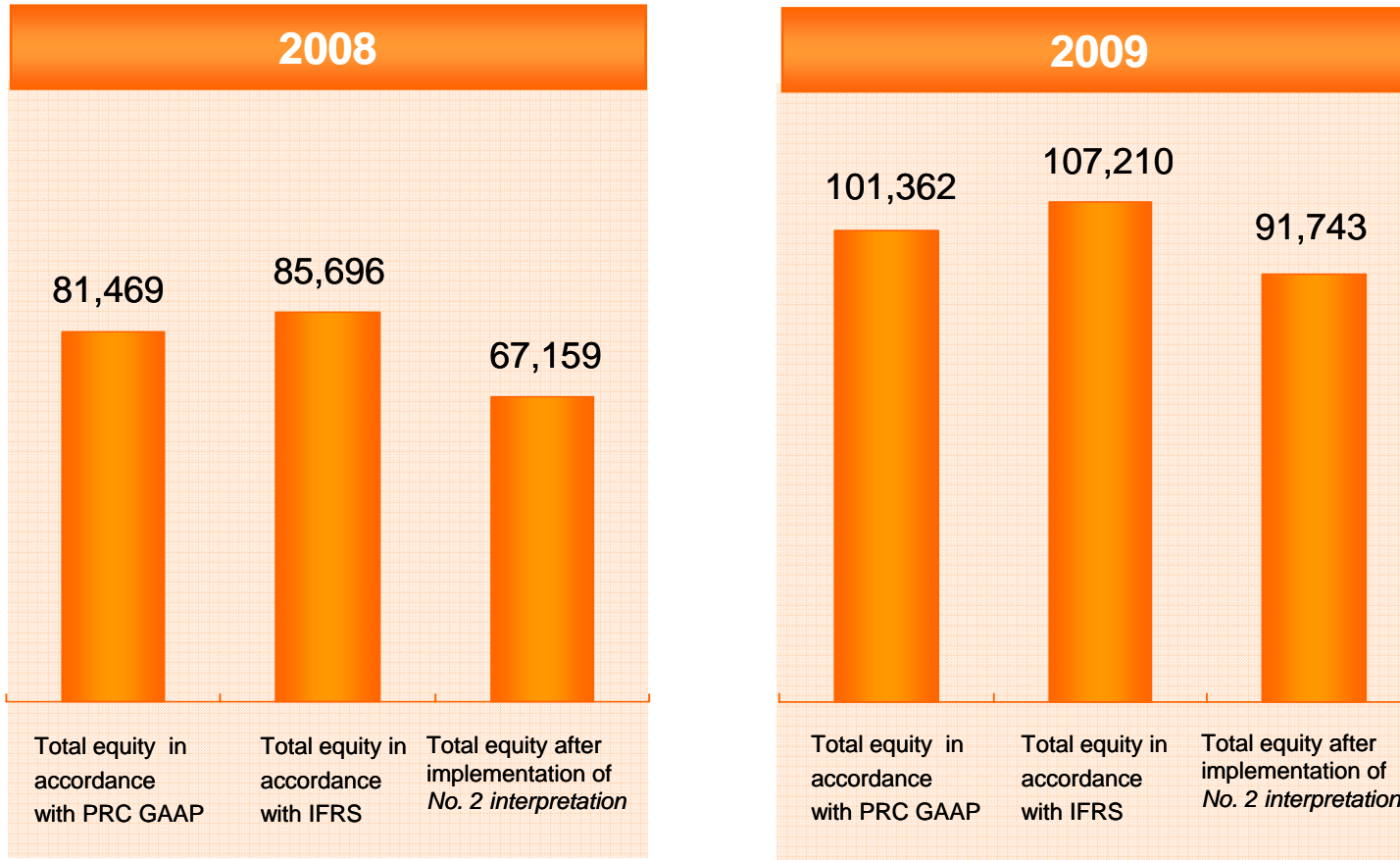
( In RMB million)



Note: The Net Profit is the same in accordance with PRC GAAP and IFRS after the implementation of *No. 2 Interpretation*

# Impact to Equity after *No. 2 Interpretation*

( In RMB million)



Note: The Total Equity is the same in accordance with PRC GAAP and IFRS after the implementation of *No. 2 Interpretation*

# Adequate Capital and Healthy Solvency Margin

<i>(In RMB million)</i>	Capital Injection in 2009	Solvency Margin Ratio/ Capital Adequacy Ratio
<b>Group (Total)</b>	-	302.1%
<b>Ping An Life</b>	-	226.7%
<b>Ping An Property &amp; Casualty</b>	2,000	143.6%
<b>Ping An Annuity</b>	1,700	499.6%
<b>Ping An Bank</b>	5,000	13.0%

Note: Solvency margin ratio/Capital adequacy ratio is as of 31/12/2009

# Tax Inspection

## Regular Tax Inspection Completed

- The State Administration of Taxation has completed their regular inspection of the Group's tax affairs for fiscal year ended December 31, 2004, 2005 and 2006
  - We have made relevant tax provisions based on the result of the inspection as well as our understanding of the tax laws
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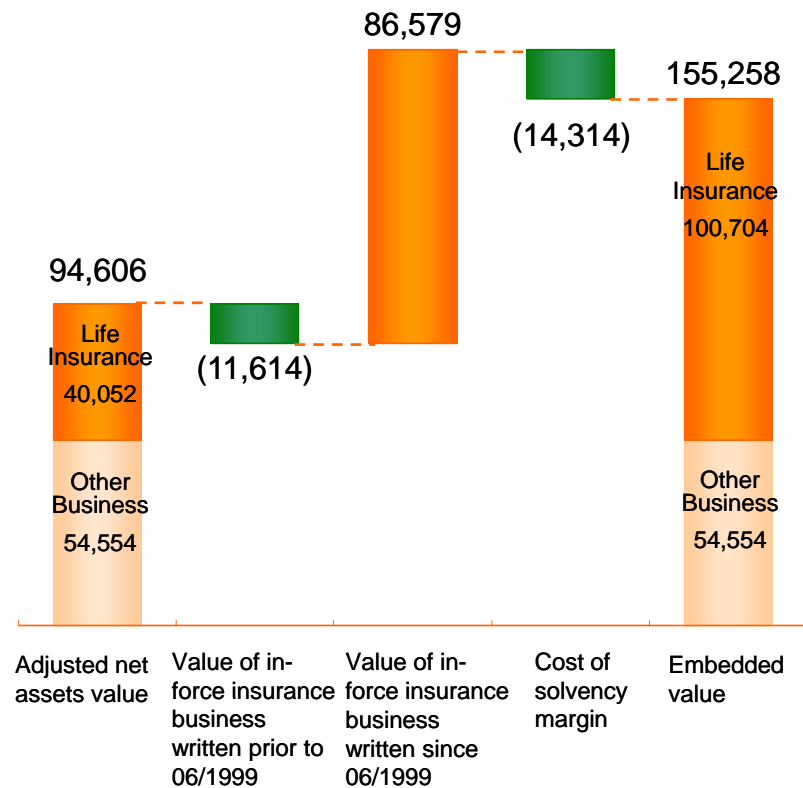
## Financial Impact already Reflected

- The financial impact of the tax inspection has been fully reflected in 2009
- As at December 31, 2009, the total tax provisions were RMB1,426 million, in which the tax provisions made in 2008 and in 2009 were RMB 147 million and RMB 1,279 million respectively

# Composition of Embedded Value

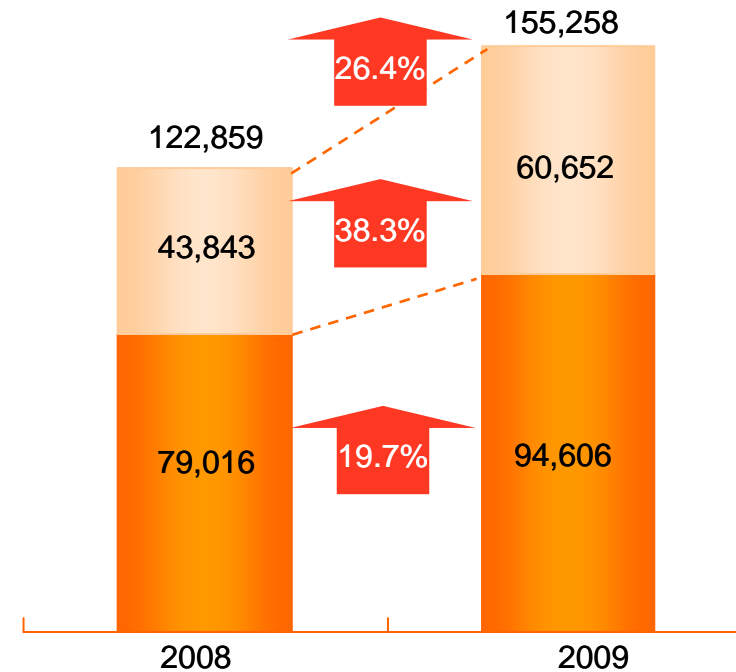
## Embedded Value Component—31/12/2009

(In RMB million)



## Embedded Value Growth

■ Adjusted net assets value ■ The value business in-force



Risk discount rate of the value business in-force:

- 2009: The non investment-linked fund's earned rate or 11.0%
- 2008: The non investment-linked fund's earned rate or 11.5%

Note: The relative life insurance business includes business conducted through Ping An Life, Ping An Annuity and Ping An Health

# Key Assumptions

## Risk Discount Rate

- The non investment-linked fund's earned rate or 11.0% has been assumed in each future year as the discount rate for the value business in-force. The earned rate is the investment return adjusted for tax paid
  - A level of 11.0% has been assumed in each future year for the calculation of one year's new business value
- 

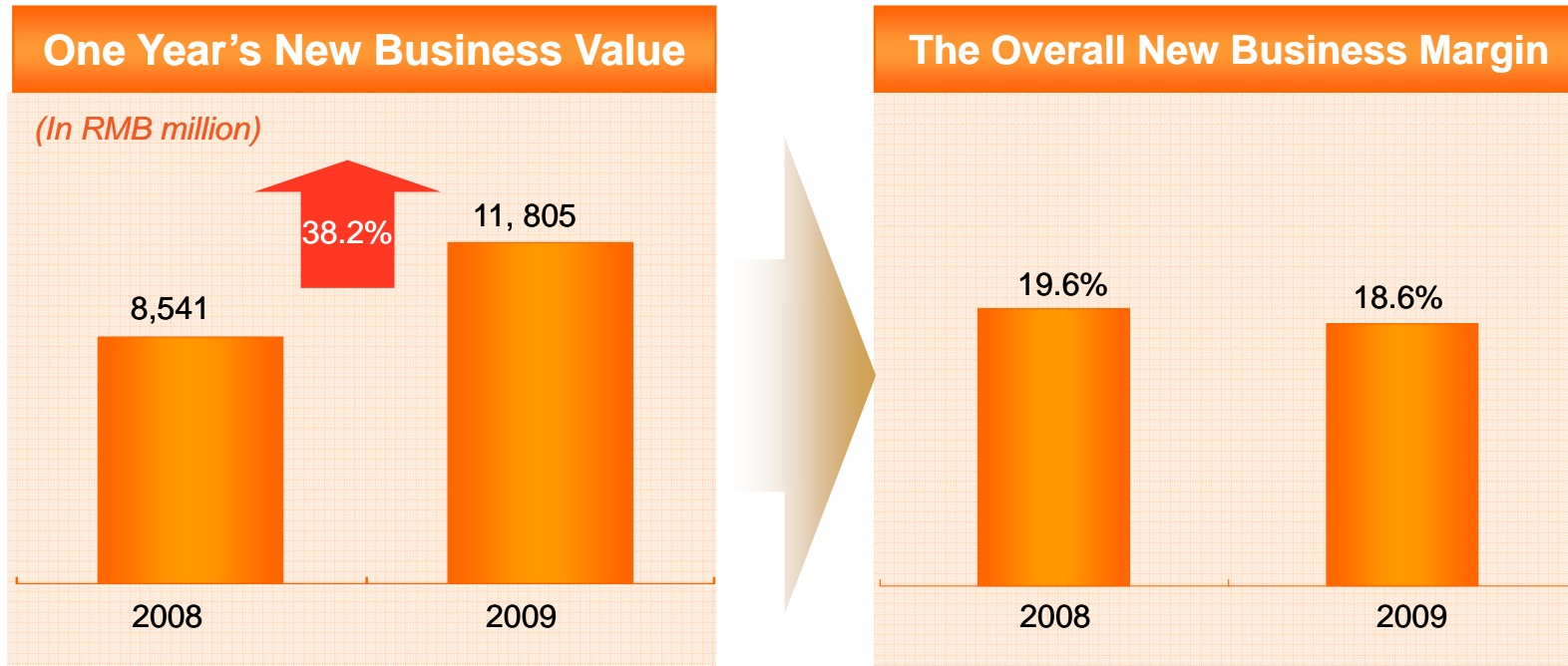
## Investment Returns

- Future investment returns have been assumed to be 4.50% in 2010 and to increase by 0.25% every year to 5.5% in 2014 and thereafter for the non investment-linked fund
  - For the investment-linked fund, future investment returns have been assumed to be slightly higher than the above non investment-linked fund investment returns assumption
- 

## Taxation

- A 25% average income tax rate has been assumed. It is also assumed that 18% of investment returns can be exempted from income tax
  - A 5.5% business tax rate has been applied to the gross written premiums of the short-term accident insurance business
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# One Year's New Business Value

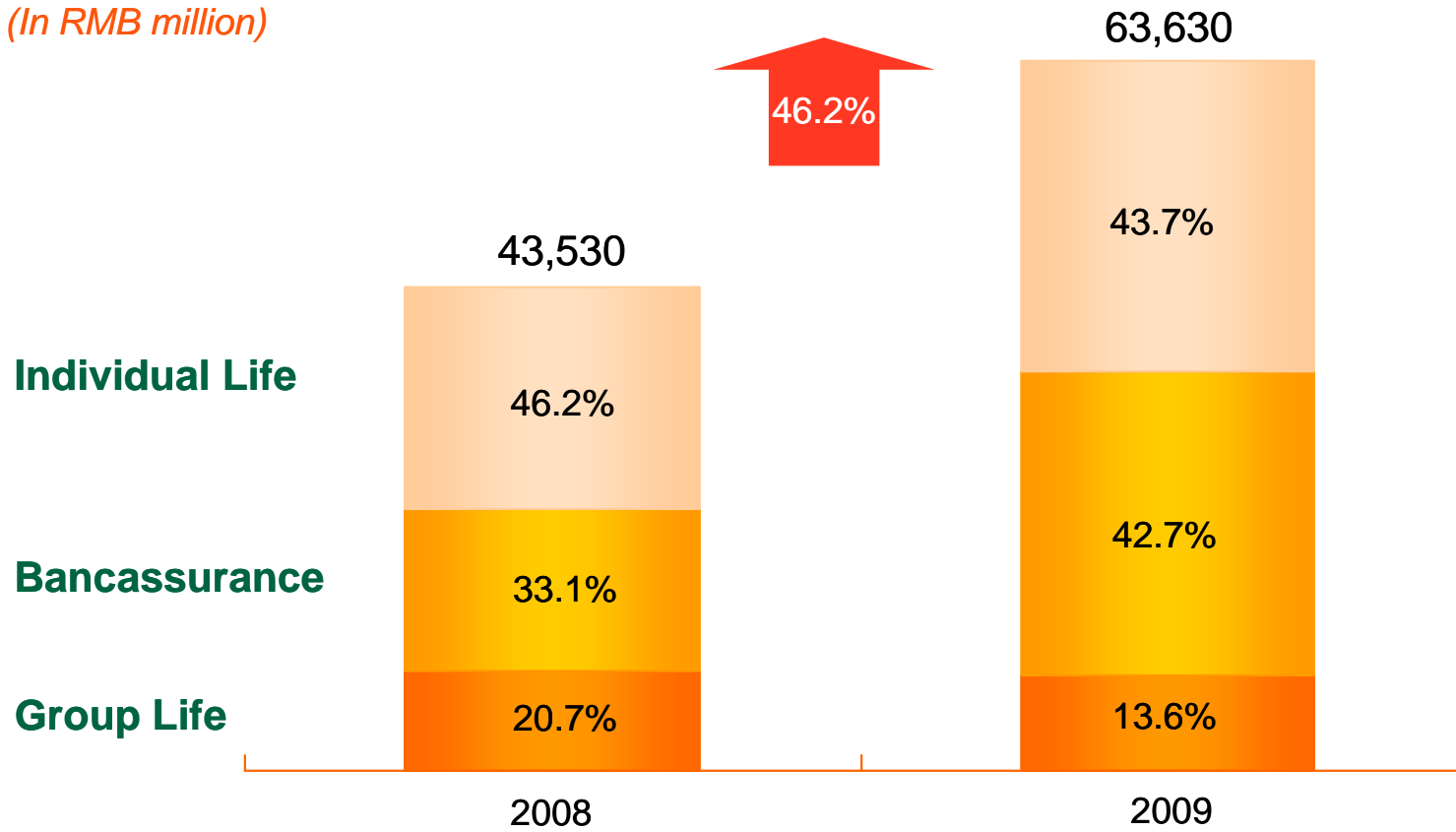


**Risk Discount Rate:**

- 2009: The Discount Rate used for the one year's business value is 11.0%
- 2008: The Discount Rate used for the one year's business value is 11.5%

# One Year's New Business Mix

(In RMB million)

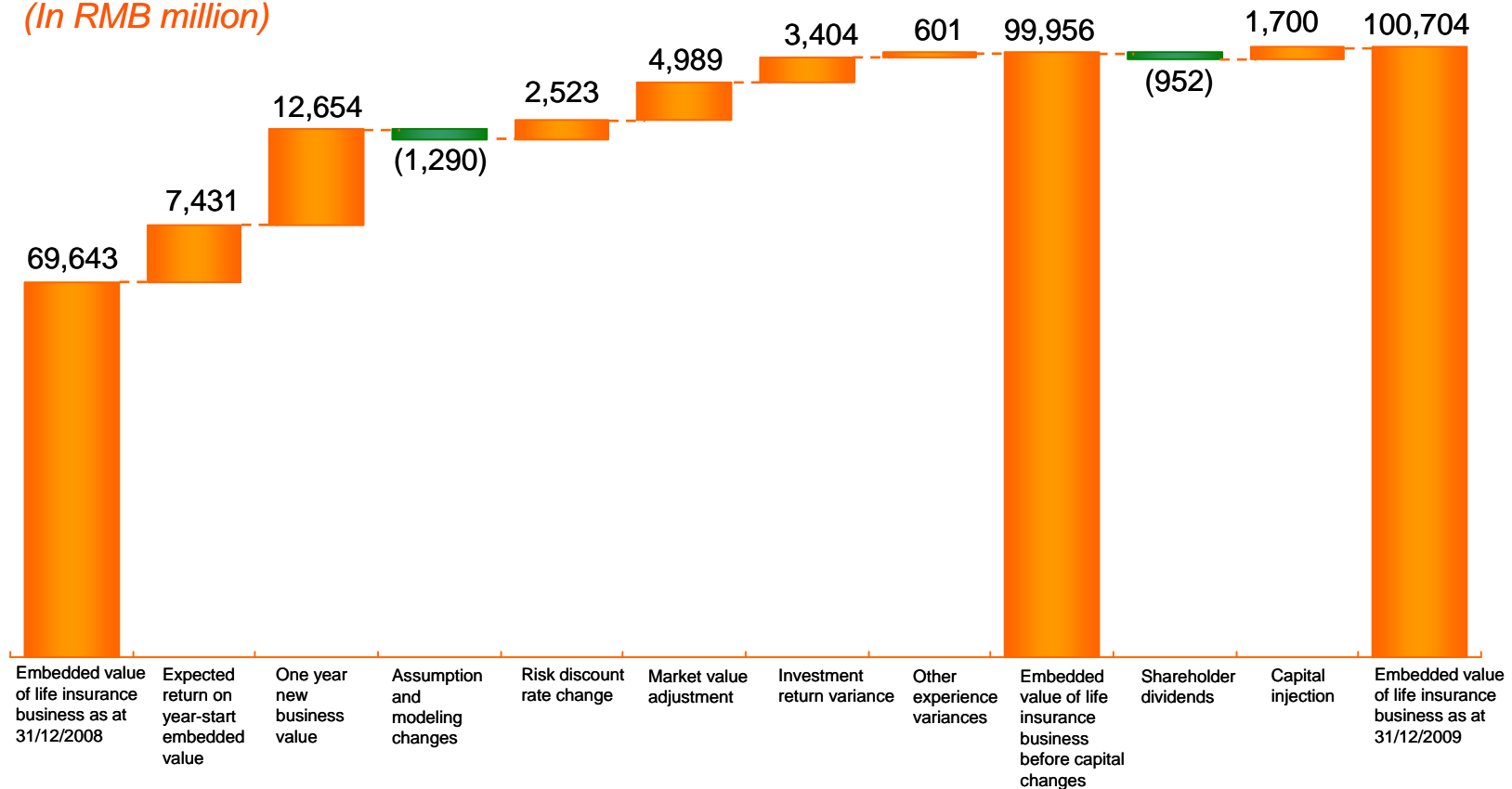


Note: Above FYP data only refers to the one year's new business calculation.

# Movement Analysis of Life Insurance Business

## Movement in 2009 - Breakdown by Key Components

(In RMB million)

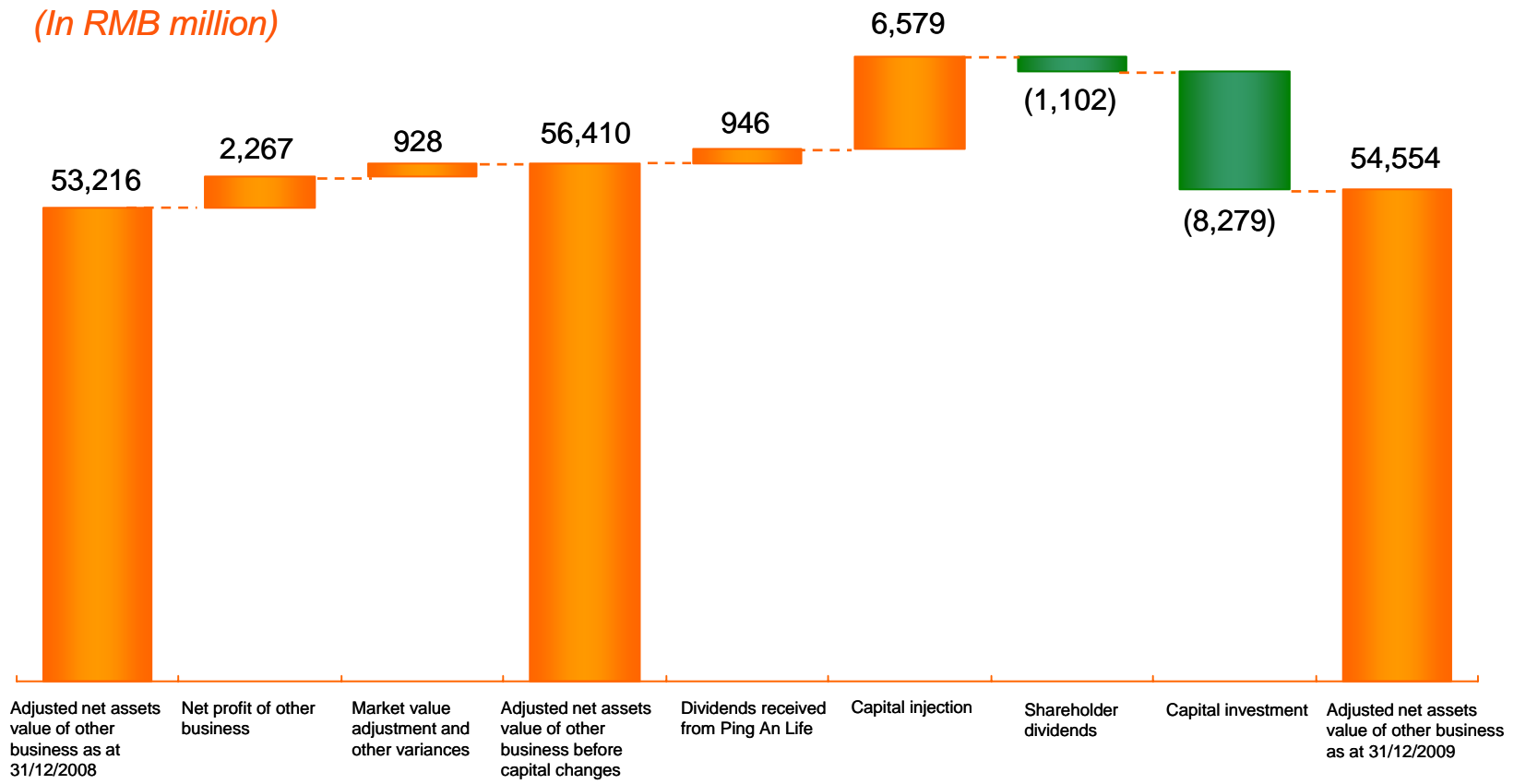


Note: Life insurance business includes our life insurance business conducted through Ping An Life, Ping An Annuity and Ping An Health

# Movement Analysis of Adjusted Net Asset Value of Other Business

## Movement in 2009 - Breakdown by Key Components

(In RMB million)



# Insurance Business Review

# Insurance Business Highlights

## Life Insurance

- Life insurance written premiums exceeded 130 billion; first year regular written premiums for individual life increased 38.5%; and the bancassurance business increased 87.4%
- The market share increased by 2.5 percentage points to 16.5% as compared to 2008

## Corporate Annuity

- Ping An Annuity maintained its leading position in the industry. Three major indicators, namely annuity payments received, assets entrusted and assets under investment management, were all among the highest in the sector

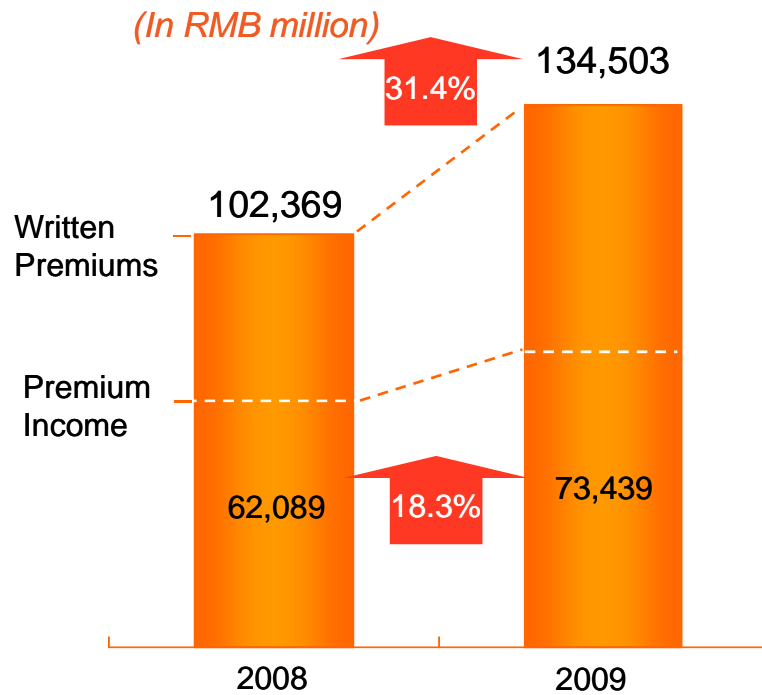
## Property & Casualty Insurance

- Property & Casualty Insurance premium income increased 43.5% to RMB 38,774 million
- The market share rose to 12.9%, ranking 2nd in the industry
- Combined ratio decreased by 5.1 percentage points to 98.9% compared to 2008

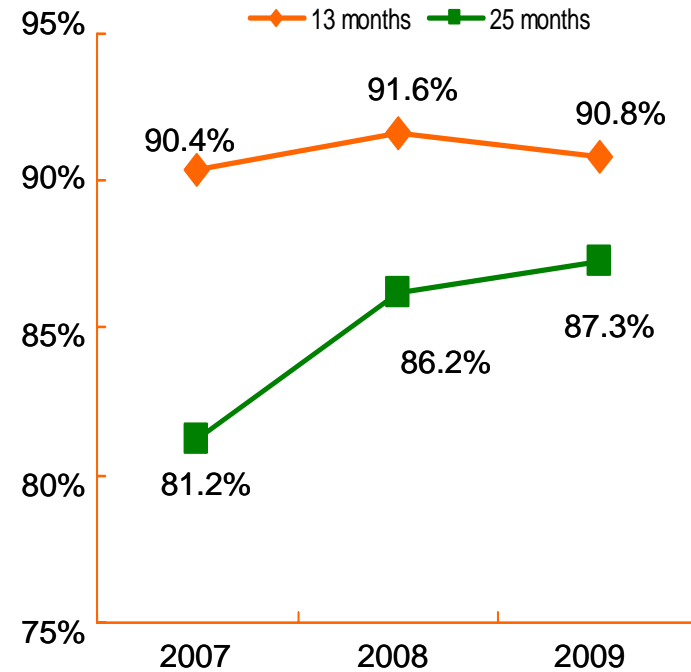
Notes: (1) Life insurance includes our life insurance business conducted through Ping An Life, Ping An Annuity and Ping An Health  
(2) Property & Casualty insurance includes our property and casualty insurance business through Ping An Property & Casualty and Ping An Hong Kong

# Life Insurance Business: Strong Growth and Stable Business Quality

Written Premiums/Premium Income

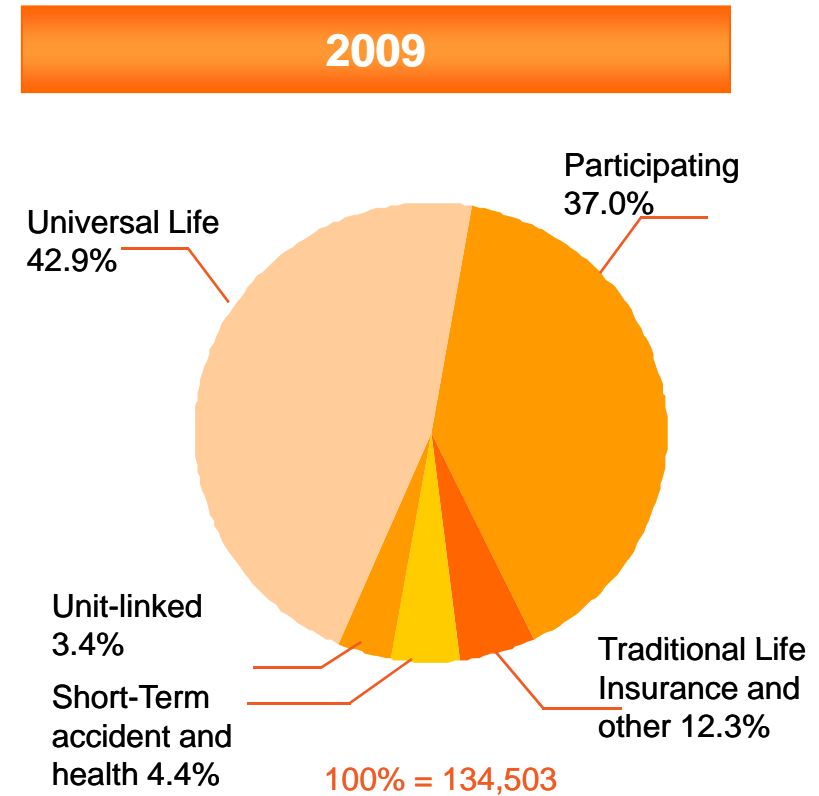
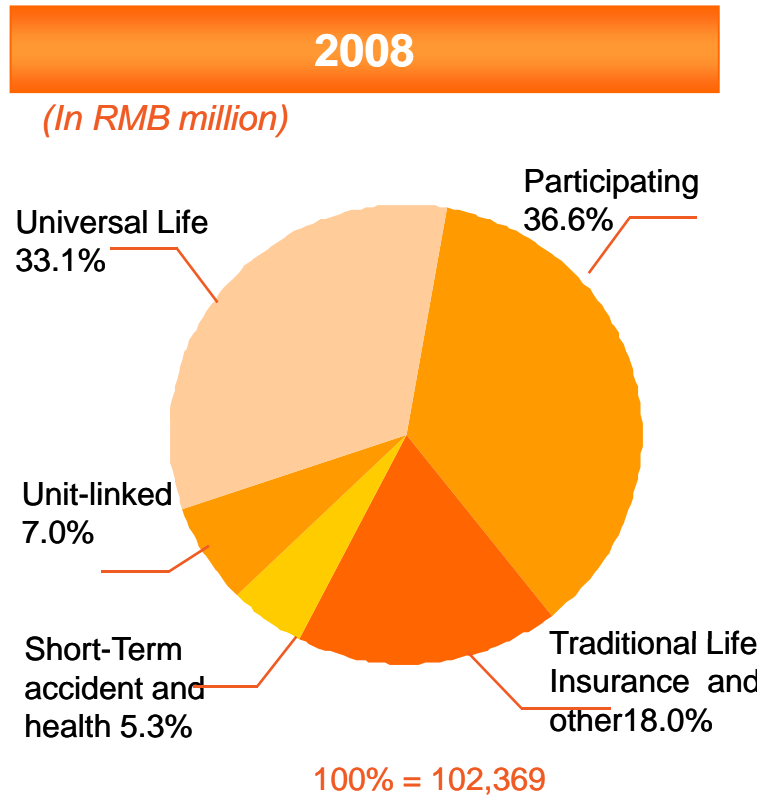


Policy Persistency Ratio



- Notes: (1) Written premiums mean all premiums received from the policies underwritten by the Company, which is prior to the significant insurance risk testing and unbundling of hybrid risks contracts  
 (2) Premium income means premiums after the significant insurance risk testing and unbundling of hybrid risks contracts  
 (3) Life insurance includes our life insurance business conducted through Ping An Life, Ping An Annuity and Ping An Health

# Product Structure of Life Business



- Notes: (1) The above premiums mean written premiums  
 (2) Life insurance includes our life insurance business conducted through Ping An Life, Ping An Annuity and Ping An Health  
 (3) Traditional life insurance and other include Long term health, Life and Annuity

# Individual Life Written Premiums

(In RMB million)

	2008	2009	Growth
<b>Individual Life</b>			
First year regular premiums, policy fees and deposits	19,719	27,318	↑ 38.5%
First year single premiums, policy fees and deposits	1,244	1,748	↑ 40.5%
Short term accident and health premiums	1,911	1,958	↑ 2.5%
Total new business	22,874	31,024	↑ 35.6%
Renewal business	56,230	68,839	↑ 22.4%
Total individual life	79,104	99,863	↑ 26.2%

Notes: Life insurance includes our life insurance business conducted through Ping An Life, Ping An Annuity and Ping An Health

# Bancassurance and Group Insurance Written Premiums

(In RMB million)

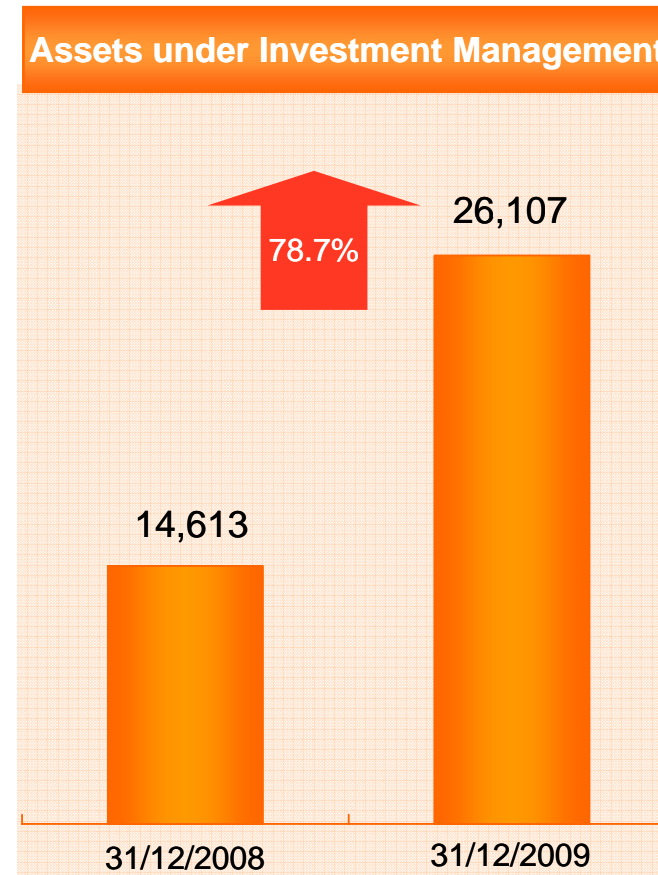
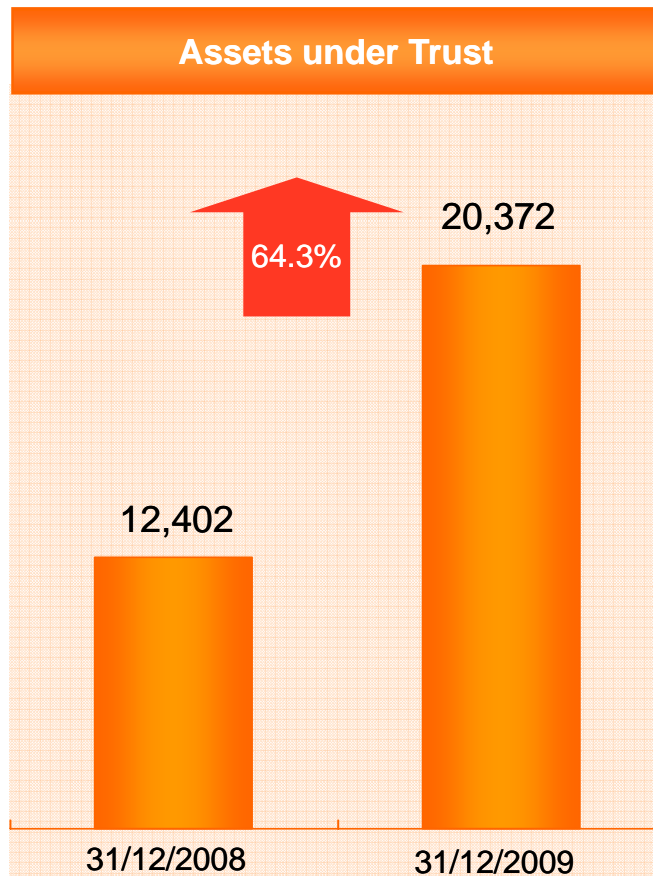
	2008	2009	Growth
<b>Bancassurance</b>			
First year regular premiums, policy fees and deposits	66	349	428.8%
First year single premiums, policy fees and deposits	14,268	26,796	87.8%
Short term accident and health premiums	2	3	50.0%
Total new business	14,336	27,148	89.4%
Renewal business	491	635	29.3%
Total Bancassurance	14,827	27,783	87.4%

	2008	2009	Growth
<b>Group Insurance</b>			
First year regular premiums, policy fees and deposits	-	8	-
First year single premiums, policy fees and deposits	4,705	2,827	(39.9%)
Short term accident and health premiums	3,508	3,977	13.4%
Total new business	8,213	6,812	(17.1%)
Renewal business	225	45	(80.0%)
Total Group Insurance	8,438	6,857	(18.7%)

Notes: Life insurance includes our life insurance business conducted through Ping An Life, Ping An Annuity and Ping An Health

# Strong Growth from Annuity Business

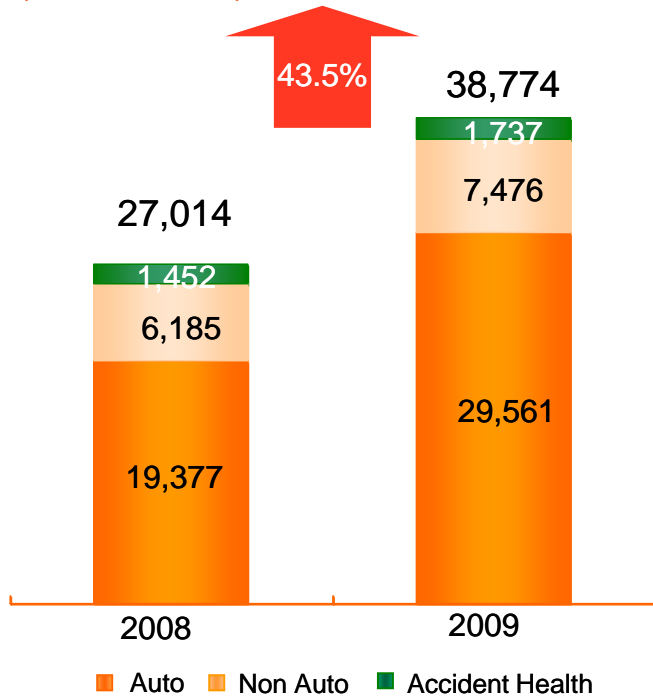
(In RMB million)



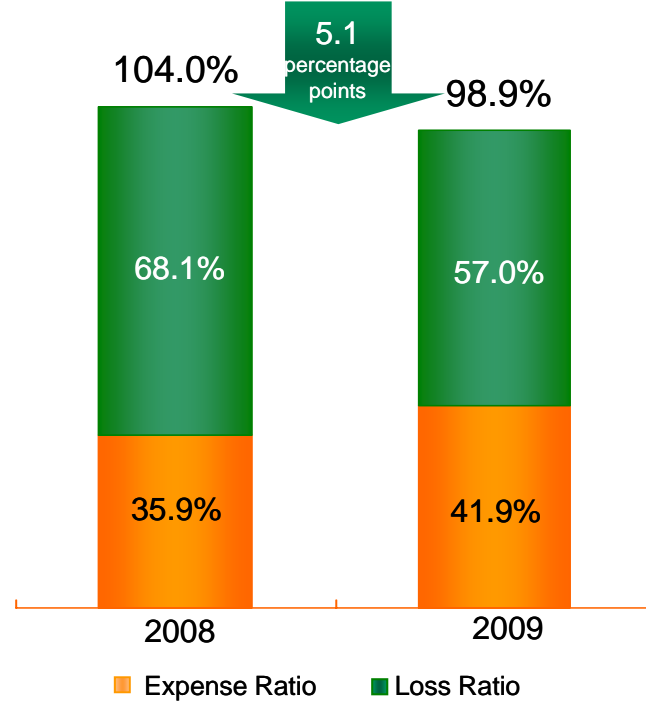
# Property & Casualty: Strong Premium Growth and Improved Combined Ratio

## Premium Income

(In RMB million)



## Combined Ratio



Notes: (1) Property & Casualty insurance includes our property and casualty insurance business through Ping An Property & Casualty and Ping An Hong Kong  
 (2) The data in 2008 had been retroactively adjusted according to new statistical methods in 2009

# Investment Business Review

# Investment Business Highlights

## Investment

- Our investment team captured market opportunities proactively and optimized asset allocation, yielding a total investment return of 6.4%

## Securities

- Investment banking business successfully underwrote 13 IPO and 4 re-financing issuance, maintained its leading position in the industry in terms of number of deals
- As the lead underwriter of the RMB10 billion re-financing project for Guo Yuan Securities in 2009, Ping An Security enhanced its brand value significantly

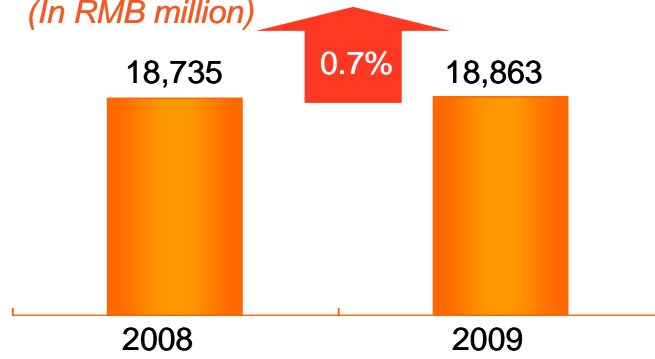
## Trust

- Assets under management of Ping An Trust exceeded RMB130 billion, representing a strong increase compared to the end of 2008
- Ping An Trust focused on the private banking business. We enhanced our product origination and innovation capability and established a sales team with more than 100 professionals

# Investment Income and Investment Yield

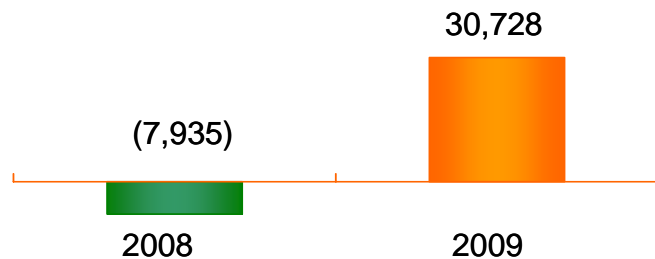
## Net Investment Income

(In RMB million)

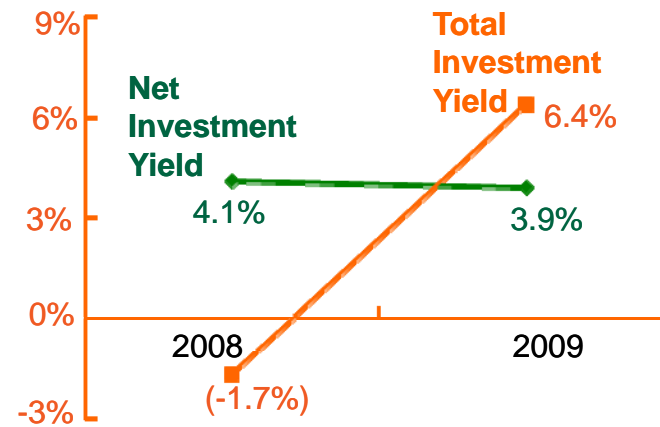


## Total Investment Income

(In RMB million)



## Investment Yield



■ Due to the surging of Chinese stock market, Ping An' proactive investment strategy resulted a sharply rise on the total investment yield. However the net investment yield mildly declined due to the decrease in dividend income from equity investment

Notes: The data above is the related data of insurance fund investment portfolio

# Investment Portfolio of Insurance Funds

(In RMB million)	31/12/2008	31/12/2009	Growth	
Portfolio <sup>(1)</sup>				
Fixed Maturity Investments	80.7%	76.0%	↓	4.7%
Bond Investments <sup>(2)</sup>	61.7%	59.6%	↓	2.1%
Term Deposits <sup>(2)</sup>	18.2%	15.5%	↓	2.7%
Other Fixed Maturity Investments <sup>(2)</sup>	0.8%	0.9%	↑	0.1%
Equity Investments <sup>(2)</sup>	7.8%	10.8%	↑	3.0%
Infrastructure Investments	1.2%	1.5%	↑	0.3%
Cash, Cash Equivalent and Others	10.3%	11.7%	↑	1.4%
	100% =464,665	100% =589,713		

Notes: (1) The above investment portfolio is an insurance fund investment portfolio

(2) The data above exclude items that are classified as cash and cash equivalent

# Banking Business Review

# Banking Business Highlights

## Business Scale

- Total Assets increased by 51.2% as compared to 2008, reached RMB 221 billion
- Total deposits and total loans increased by 39.6% and 48.4% respectively as compared to 2008, faster than the industry average
- Total credit cards in circulation exceeded 3.4 million, and 56.5% of the new cards issued in 2009 were generated from cross-selling

## Assets Quality

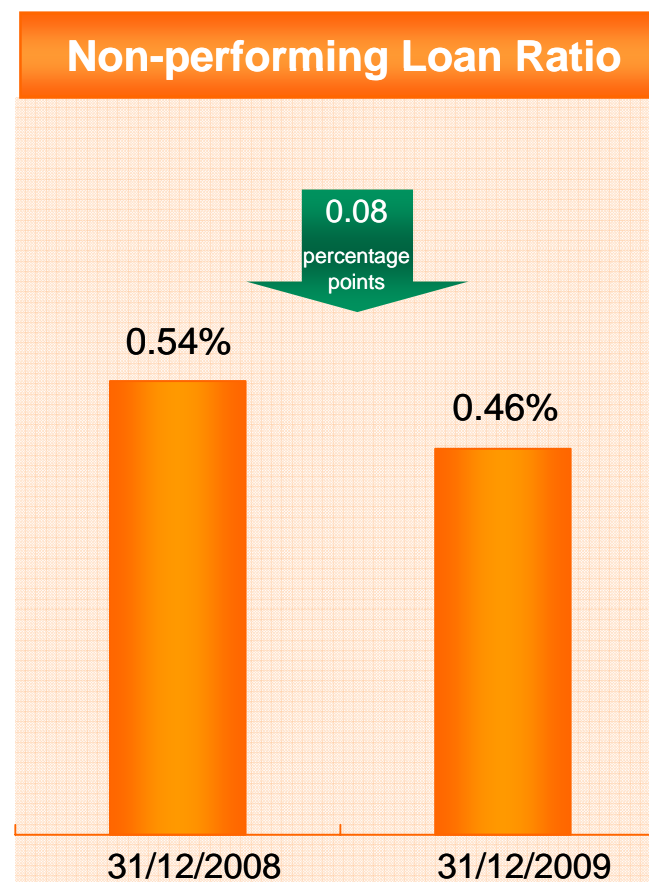
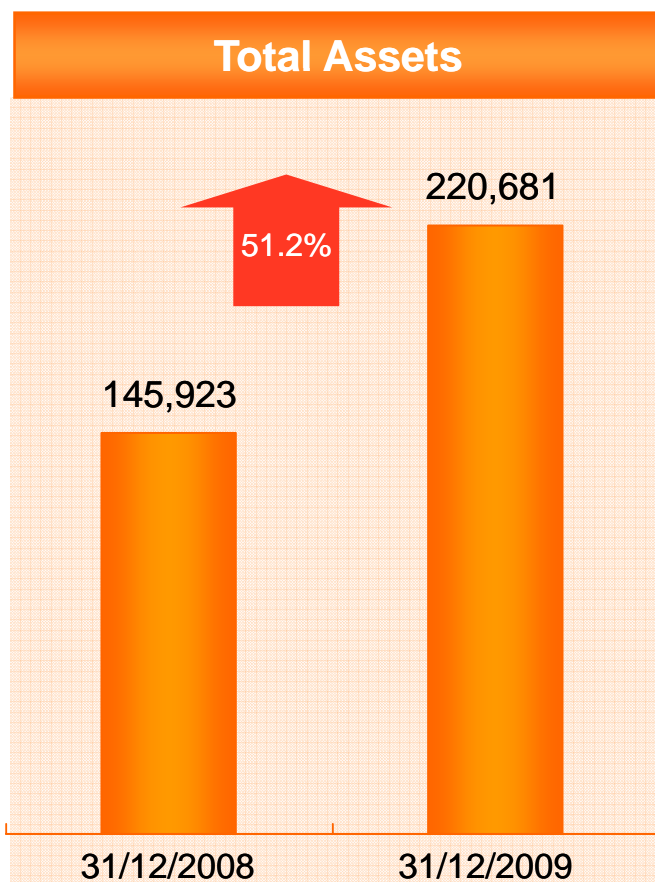
- Non-performing loan ratio kept at the industry leading level of 0.46% and provision coverage was 156.0%
- Successful issuance of subordinated debt and completion of capital injection, with capital adequacy ratio improved to 13.0%

## Service, Channel and Product

- Launched several new services and products, originating several leading technologies in the banking industry and set the industry standard in terms of services
- Launched a pilot program in Beijing where credit cards were issued without a physical branch presence
- Network expansion achieved a further breakthrough with the opening of the Guangzhou, Hangzhou and Dongguan branches

# Continuous Improvement of Asset Size and Quality

(In RMB million)



# Banking Operating Performance

<i>(In RMB million)</i>	2008	2009	Growth
Operating Income	3,924	4,448	↑ 13.4%
Net Interest Income	3,814	3,425	↓ 10.2%
Asset Impairment Loss	(269)	(183)	↓ 32.0%
Operating, Overhead and Other Expenses <sup>(1)</sup>	(2,278)	(2,917)	↑ 28.1%
Income Tax	67	(268)	-
Net Profit	1,444	1,080	↓ 25.2%

Note: (1) Operating, overhead and other expenses include operating expenses, business tax and surcharges, other expenses and non-operating expenses

# Key Ratios

	2008	2009
Net Interest Spread	2.66%	1.77%
Cost/Income Ratio <sup>(1)</sup>	47.0%	59.5%

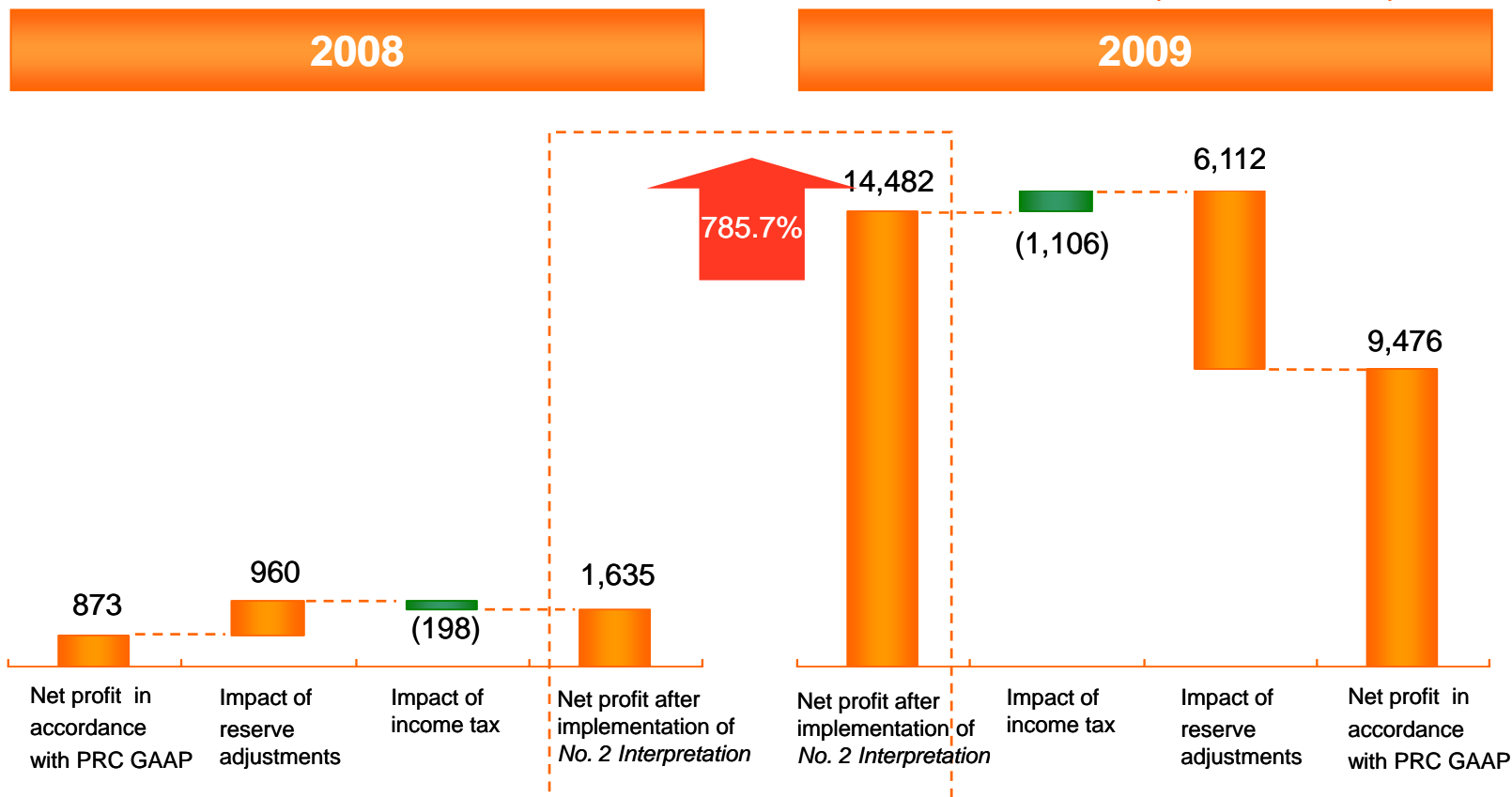
	31/12/2008	31/12/2009
Loan to Deposit Ratio	67.9%	72.2%
Non-performing Loans Ratio	0.54%	0.46%
Provisions Coverage Ratio	153.7%	156.0%
Capital Adequacy Ratio	10.7%	13.0%

Note: (1) Cost/income ratio refers to operating and overhead expenses/operating income

# Q & A

# Attachment 1: Net profit in accordance with PRC GAAP after the implementation of *No.2 Interpretation*

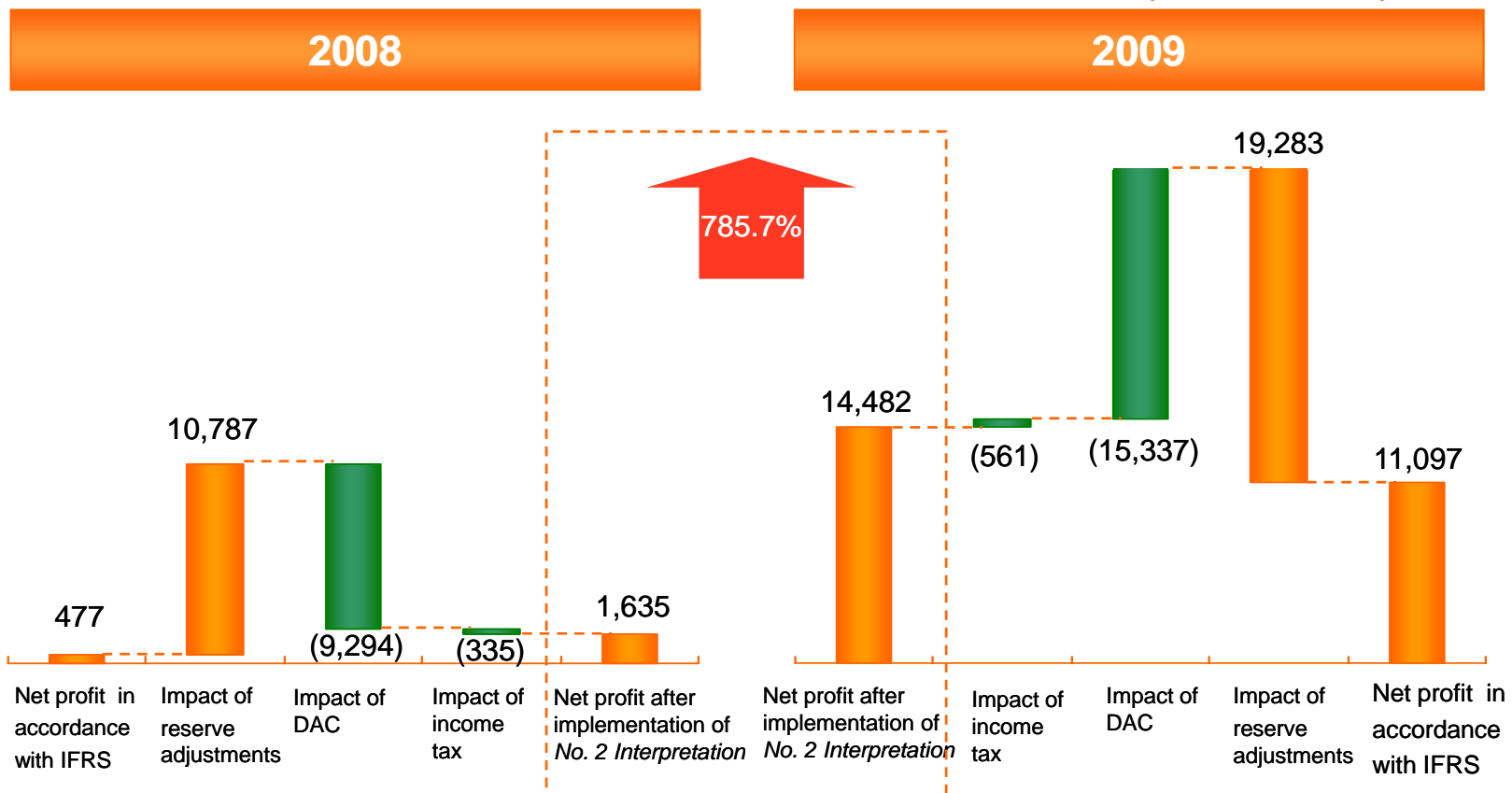
(In RMB million)



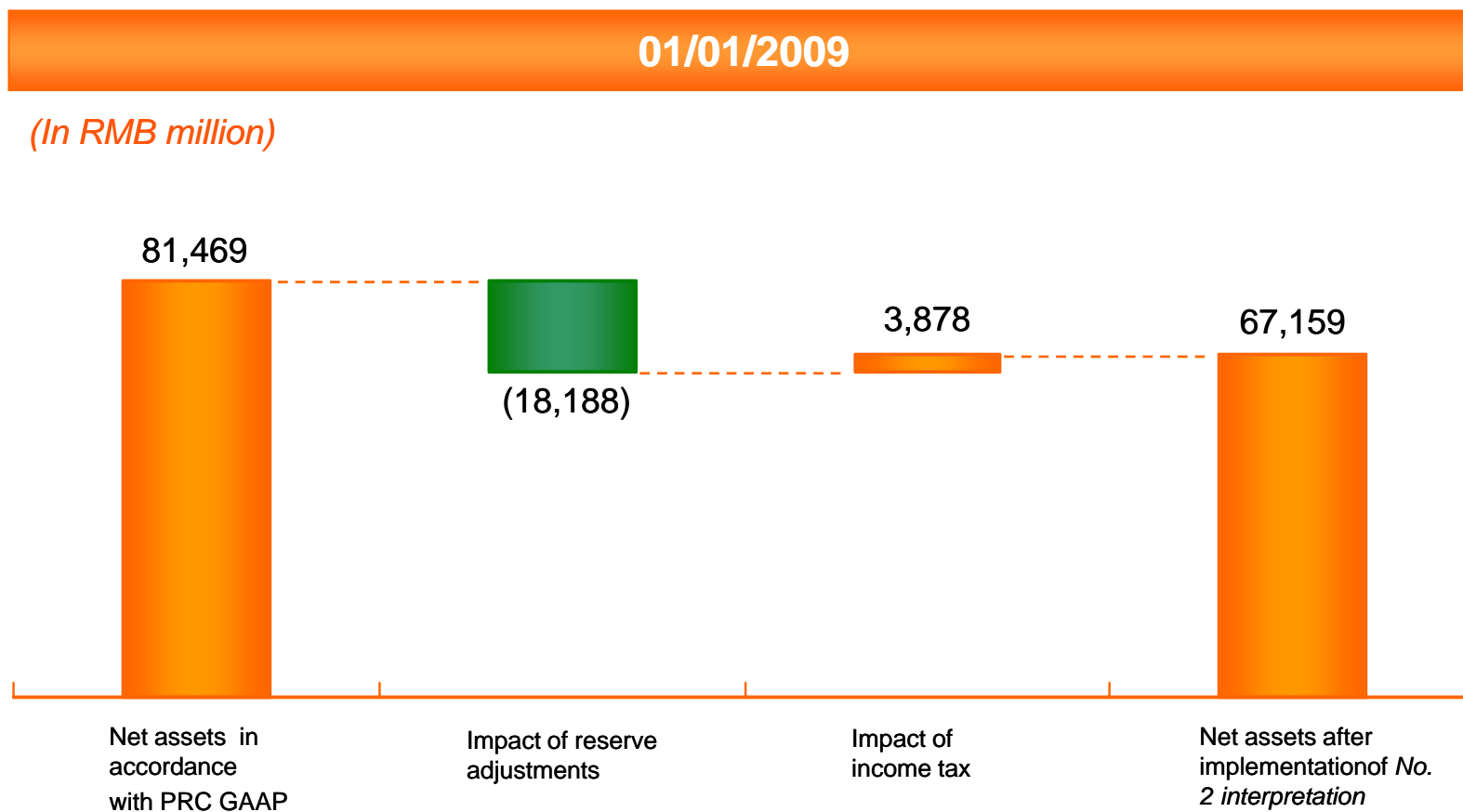
Note: The impact of reserve adjustments includes the adjustment items such as unearned premium reserves, claim reserves, policyholders' reserves for life insurance and long-term health insurance contracts

# Attachment 2: Net profit in accordance with IFRS after the implementation of *No.2 interpretation*

(In RMB million)



# Attachment 3: Net assets in accordance with PRC GAAP after the implementation of *No.2 interpretation*



Note: The impact of reserve includes the adjustment items' impact to the net profit such as the Unearned premium reserves, Claim reserves, Policyholders' reserves for life insurance and Reserves for long-term health insurance

# Attachment 4: Net assets in accordance with IFRS after the implementation of *No.2 interpretation*

