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

(C-ROSS)

Summary of Solvency Report for 2020

Contents

I. Basic Information

(I) Company overview and reporting contact

Company name:	Ping An Insurance (Group) Company of China, Ltd.
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 中国平安 601318
	H share Ping An of China 2318
Legal representative:	Ma Mingzhe
Registered address:	47th, 48th, 109th, 110th, 111th and 112th Floors, Ping An Finance Center, No.5033 Yitian Road, Futian District, Shenzhen
Business scope:	Investing in financial and insurance enterprises, supervising and managing the onshore and offshore businesses of subsidiaries, and engaging in fund utilization.
Reporting contact:	Liang Shuyi
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(II) Shareholding structure and shareholders

The shareholding structure and shareholders of Ping An Group (the “Group”) have been disclosed in the Annual Report of the Group for 2020.

(III) Particulars of controlling shareholders and de facto controlling party

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

(IV) Subsidiaries and jointly controlled entities

The information of the subsidiaries and jointly controlled entities of the Group has been disclosed in the Annual Report of the Group for 2020.

(V) Directors, supervisors, and senior management

The information of the directors, supervisors, and senior management of the Group has been disclosed in the Annual Report of the Group for 2020.

II. Major Indicators

Indicators	December 31, 2020 / 2020	December 31, 2019 / 2019
Core solvency margin ratio (regulatory requirement: >=50%)	231.8%	225.0%
Core solvency margin surplus (in RMB million)	1,395,738	1,224,389
Comprehensive solvency margin ratio (regulatory requirement: >=100%)	236.4%	229.8%
Comprehensive solvency margin surplus (in RMB million)	1,047,336	908,127
Premium income (in RMB million)	797,880	795,064
Net profit (in RMB million)	159,359	164,365
Net profit attributable to shareholders of the parent company (in RMB million)	143,099	149,407
Net assets (in RMB million)	987,905	852,370
Comprehensive risk assessment result for the latest period	Not applicable	Not applicable

III. Actual Capital

Indicators (in RMB million)	December 31, 2020	December 31, 2019
Actual capital	1,815,140	1,607,650
Including: Core tier 1 capital	1,646,216	1,471,156
Core tier 2 capital	133,423	102,994
Supplementary tier 1 capital	35,500	33,500
Supplementary tier 2 capital	-	-

IV. Minimum Capital

Indicators (in RMB million)	December 31, 2020	December 31, 2019
Minimum capital	767,804	699,522
Including: Minimum capital for quantifiable risks	767,804	699,522
Including: Minimum capital of the parent company	-	-
Minimum capital of insurance subsidiaries	497,614	458,301
Minimum capital of banking subsidiaries	252,141	222,752
Minimum capital of securities subsidiaries	9,645	9,972
Minimum capital of trust subsidiaries	8,404	8,497
Minimum capital for specific group-level quantifiable risks	-	-
Capital requirement increase due to risk aggregation	-	-
Capital requirement decrease due to risk diversification	-	-
Minimum capital for control risk	-	-
Additional capital buffer	-	-

Notes: (1) The minimum capital of the parent company, capital requirement increase due to risk aggregation, capital requirement decrease due to risk diversification, minimum capital for control risk, and additional capital buffer will be separately stipulated by the China Banking and Insurance Regulatory Commission（CBIRC）.

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

V. Comprehensive Risk Assessment

Not applicable. The China Banking and Insurance Regulatory Commission has not yet conducted comprehensive risk assessment for insurance groups.

VI. Risk Management

The Group proactively strengthens risk management of its member companies, implements applicable regulatory requirements, and constantly enhances management of group-level risks including risk contagion, the risk due to an opaque organizational structure, the concentration risk, and risks in non-insurance areas.

(I) Risk Contagion

Risk contagion refers to a situation where the risk created by a member of the Group spreads to another member of the Group by means of intercompany transactions or other activities, causing losses to such other member.

As the Group promotes synergies in integrated finance, in order to prevent intra-group risk contagion, the Group has strengthened management and coordination across the Group by building firewalls, managing related party transactions, outsourcing and cross-selling, and centralizing branding, communications and information disclosure. The management of risk contagion within the Group has been fully improved.

The Group has built robust firewalls, including legal-entity firewalls, finance and treasury firewalls, information firewalls, and personnel management firewalls, between the Group and its subsidiaries and among its subsidiaries to prevent risk contagion.

Firstly, legal-entity firewalls. The Group and its subsidiaries have robust governance structures. The Group itself engages in no specific business activity. The Group manages its subsidiaries through shareholding, but neither participates in nor intervenes in the subsidiaries' routine business. The subsidiaries carry out business activities independently, and are supervised by their corresponding regulators.

Secondly, finance and treasury firewalls. The finance and treasury frameworks and management policies of the Group and its members all meet the requirements of finance and treasury independence, including personnel independence, procedure independence, account independence, accounting independence, fund operation independence, and system authority independence, as detailed below:

(1) The Group and its members have independent finance functions, and have financial positions aligned with their own business scale, management model, and risk profiles, in line with the principle of separating incompatible roles. Qualified financial personnel who meet relevant employment standards are in place. Senior finance managers are appointed

and engaged separately, and may not take concurrent offices. The appointment, transfer and resignation of the financial director shall meet the applicable regulations of the corresponding regulators and go through the procedures as required by the regulators.

(2) The Group has established and improved a series of financial management procedures. The members of the Group may develop their financial management procedures in line with their own industry regulations and business plans with reference to the Group's financial management procedures.

(3) The Group and its members perform independent financial accounting. Each member is audited by an external auditor, with an independent financial audit report issued.

(4) The Group and its members implement strict management segregation over the data in the financial and treasury information systems, including the storage, access, modification and use of the data. Moreover, the allocation of access permissions to users follows rigorous examination and approval procedures, and is managed according to the principles of mutual exclusion of posts and minimization of rights to prevent unauthorized activities.

(5) The funds of the Group and its members are managed separately. The fund transactions between the Group and its members shall comply with the regulatory requirements. Unauthorized fund borrowing and transfer between the Group and its members are forbidden. Strict segregation is ensured between insurance funds and non-insurance funds as well as between proprietary funds and client funds. Independent management and operations are implemented in account management, financial accounting, fund settlement and other relevant processes to avoid appropriation of funds of other categories. Mechanisms for hierarchical examination, approval and review of finance accounts, transactions and reconciliation have been established and improved to prevent fund risks.

(6) The Group strictly restricts the cross-guarantee and other credit enhancement behaviors among the members through the well-established procedures. Reasonable cross-guarantee risk limits for the members have been set, and the monitoring and early warning mechanism has been established to preclude the accumulation and transmission of risks among the members.

Thirdly, information firewalls. The Group has established the governance structure with three lines of defense for information security. Member companies have established information security departments to strictly implement the Group's information security policies for effective information segregation. Attaching great importance to the information security of its customers, the security of its products, and the online security of its businesses, the Group has set up and effectively implemented the mechanism for comprehensive security monitoring. In strict accordance with applicable laws, regulations and standards including the *Personal Information Security Regulations*, the Group constructed a personal data authorization management system and implemented the principles of information access control and separation of duties. Moreover, the Group carried out corresponding protection measures for information of different sensitivity levels based on the information classification standards, protecting the confidentiality, integrity, and availability of customer information. The Group implements strict management segregation over the data of its subsidiaries. The allocation of access permissions to users follows rigorous examination and approval procedures, under the principles of mutual exclusion of posts and minimization of rights, with unauthorized activities being prohibited. In addition, the automated platform identifies and desensitizes the sensitive information displayed in the system to reduce the risk of sensitive information leakage. Moreover, the Group adopted cutting-edge technologies, including artificial intelligence (AI) and cloud computing, and security measures in terms of infrastructures, terminals, businesses and people to effectively protect customer information security. Furthermore, the Group has been raising awareness of information security and building a culture where everyone is responsible for information security. The Group is committed to building a secure and innovative financial services ecosystem.

Fourthly, personnel management firewalls. The Group and its subsidiaries have separate organizational structures. Rules were set to clarify limitation to employee behaviors, standardize the double-jobbing of senior management and employees and strengthen the avoidance of relatives. In addition, systems were built to manage conflict of interests, ensuring that each employee does not perform incompatible roles with potential conflict of interests at the same time. Moreover, an insurance company's senior management may not concurrently serve as the senior management of non-insurance subsidiaries (unless otherwise stipulated by laws, regulations and the CBIRC).

The Group has constantly improved the management of related party transactions. The Group and its subsidiaries such as the insurance companies, bank, trust company, securities company, fund management company, and asset management company constantly enhanced management of related party transactions in strict accordance with laws and regulations as well as the requirements of regulators on related party transactions. The Group's Related Party Transaction Control Committee and Related Party Transaction Management Office operate effectively. The Group has constantly optimized the management structures and mechanisms, strengthened the implementation of rules, improved the management procedures, and enhanced related party transaction identification, review and fair value-based pricing to ensure fair pricing for related party transactions. The Group continues to increase transparency by disclosing and reporting related party transactions in strict accordance with regulatory rules. The Group has further improved system-based related party transaction management to empower routine management. Furthermore, the Group has developed a culture of strong compliance awareness for related party transactions through training and education. The Group's related party transaction management systems and mechanisms have been strengthened and operated effectively.

The Group has improved its approach to outsourcing. Currently, Ping An Technology and Ping An Financial Services provide the Group's member companies with outsourced services. The outsourced services provided by Ping An Technology include IT advisory services, development, application system operations and maintenance, call center services, office support and information security. The outsourced services provided by Ping An Financial Services include shared financial and treasury services, comprehensive HR services, customer services, and audit services. The Group and the service providers determine explicit prices according to the fair value-based principle for related party transactions, and sign agreements on the service scope, the service terms, the charging methods, the reconciliation methods, the settlement frequencies, rights and obligations, and liability for breach of agreements. Transactions that meet the criteria for being recognized as material related party transactions shall be submitted to the Related Party Transaction Management Office for consideration and approval, and then to the Related Party Transaction Control Committee, the Board of Directors or the shareholder meeting for consideration and approval before the transaction agreements can be signed, and the transactions are reported and disclosed according to applicable regulatory requirements. Moreover, the Group has also improved the outsourcing follow-up management, strengthened risk monitoring, and reviewed services and duty performance on a regular basis. The Group has established a communication and service evaluation mechanism. Service providers solicit feedback on satisfaction from beneficiaries on a regular basis, and conduct internal appraisals on the basis of such feedback to ensure constant service improvement.

The Group has enhanced the management of integrated financial services. The Group's retail integrated financial service business mainly involves distribution of insurance products by concurrent agents. Such agents distribute products in an orderly manner under concurrent agency agreements in accordance with laws and regulations. If customers have demands for products beyond agents' offerings, customers may visit platforms of other Ping An subsidiaries for information and purchase through online apps. The Group's corporate integrated financial business consists of the insurance business agency mechanism and the other business referral mechanism. The insurance business agency mechanism is managed in strict compliance with the agency rules and regulations. The business referral mechanism only involves facilitation of both parties' intentions to cooperate. Cooperation is conducted in strict accordance with market practices. All businesses are reviewed independently by each subsidiary's risk control function in line with the firewall policies.

The Group has centralized the management of branding, communication, and information disclosure. The Group has developed robust rules and procedures for brand asset management and information disclosure, and strictly implemented them to ensure centralized management and consistency of branding.

(II) Organizational Structure Non-transparency Risk

The organizational structure non-transparency risk refers to the risk of losses in the Group caused by the complexity or opaqueness of the Group's shareholding structure, management structure, operational processes, and business types.

The shareholding of the Group is scattered, and thus there is no controlling shareholder, nor de facto controlling party. The shareholding structure of the Group is clear. The Group has established a complete corporate governance structure in accordance with laws and regulations such as the *Company Law of the People's Republic of China* and the *Securities Law of the People's Republic of China*, with international corporate governance norms and the Group's situations taken into account. The General Meeting of Shareholders, the Board of Directors, the Supervisory Committee, and the senior management have exercised their rights and performed their obligations in accordance with the *Articles of Association*. The Group engages in no specific business activity, while its subsidiaries engage in various businesses including insurance, banking, investment, and technology. The Group manages the subsidiaries through shareholding, but neither participates in nor intervenes in the subsidiaries' routine business. The Group and its subsidiaries have clearly defined roles and responsibilities of their respective functions, which are independently operated and well coordinated subject to checks and balances. There is no overlap, absence, or overconcentration of powers and responsibilities. No risk related to non-transparency exists in the organizational structure, due to clear shareholding structures, complete governance structure and transparent management structure of the Group.

(III) Concentration Risk

The concentration risk refers to the risk that members' single or combined risks, when aggregated at the Group level, may directly or indirectly threaten the Group's solvency position. The Group manages the concentration risk through business counterparty management, investment management, insurance business management, and non-insurance business management.

In order to manage the concentration risk from the perspective of business counterparties, the Group has specified a set of risk limits for counterparties after taking into account risk characteristics of the industry, risk profiles of counterparties as well as risk appetite and tolerance of the Group. The Group's system of risk limits covers major non-retail, non-trading counterparties in its investment and financing businesses. The Group has sorted out and identified relations of counterparties, and established unified and combined concentration limit management for customers of the same group. Moreover, by adopting advanced technology, the Group has been improving the breadth and depth of concentration risk management, increasing its monitoring frequency effectively, and warning against counterparties with higher concentration risks promptly.

To manage the concentration risk in investment assets, the Group has followed the principle of reasonably controlling the concentration risk of investment assets. The Group has set concentration risk limits for industries and counterparties respectively and formed a concentration risk limit system for investment assets based on reasonable classification of investment assets. Moreover, the Group has regularly reviewed the concentration risk posed by investment assets at the subsidiary level to prevent any solvency risk and liquidity risk arising from overconcentration of the Group's investments in certain industries or counterparties.

The Group manages the concentration risk in insurance and non-insurance businesses. The Group evaluates, analyzes, monitors and reports the concentration of its businesses in accordance with the CBIRC's rules for concentration risk management of insurance group's insurance and non-insurance businesses. Regarding the concentration of insurance business, the Group has enhanced the framework of concentration risk limits for reinsurance counterparties, risk monitoring, risk analysis, and risk warning by implementing the reinsurer credit and concentration management procedures. Regarding the concentration of non-insurance businesses, the Group has analyzed the structures and risk profiles of non-insurance businesses, specified the concentration risk indicators to be monitored, and included such indicators in the routine risk management framework. The Group has effectively prevented the concentration risk through regular evaluation, monitoring, and warning of the concentration risk in insurance and non-insurance businesses.

(IV) Non-insurance Risk

As an integrated financial service group authorized by the State Council to engage in separate operations under a listed holding group subject to separate regulation, the Group has established independent legal entities that engage in insurance, banking, investment and technology businesses respectively. Regarding corporate governance, all the subsidiaries in non-insurance businesses carry out specialized operations independently, and are supervised by their respective regulators; the Group ensures that all the non-insurance subsidiaries are effectively segregated from the insurance subsidiaries in terms of assets and liquidity.

For equity investments in non-insurance businesses, the Group has developed rules, standards and limits, established processes for investment decision-making, risk management, investment review, evaluation and reporting, and specified mechanisms for management before, during and after investment deals. Moreover, the non-insurance subsidiaries strictly follow the Company’s strategic planning process to analyze the feasibility of business strategies, regularly review the ROICs, investment payback periods, business and financial performance as well as valuations, and evaluate the risk-return profiles of various businesses.

VII. Liquidity Risk

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 has developed and regularly updated the *Liquidity Risk Management Plan of Ping An Insurance (Group) Company of China, Ltd.* (LRMP). The Group has also established a liquidity risk management framework covering risk appetites and limits, risk strategies, risk monitoring, stress testing, emergency management, and management assessment as well as applicable policies. 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 analyses 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.

VIII. Regulatory Measures Taken by Regulators against the Company

(I) During the reporting period, did the China Banking and Insurance Regulatory Commission (CBIRC) take any regulatory measures against the Company? (Yes□ No■)

(II) The Company's remedial measures and the implementation of such measures (Not applicable)