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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 NINE MONTHS ENDED SEPTEMBER 30, 2020

The board of directors (the “**Board of Directors**”) of Ping An Insurance (Group) Company of China, Ltd. (“**Ping An**” or the “**Company**”) announces the unaudited results (the “**Third Quarter Results**”) of the Company and its subsidiaries (the “**Group**”) for the nine months ended September 30, 2020 (the “**Reporting Period**”). The Board of Directors and its Audit and Risk Management Committee have reviewed the Third Quarter Results.

1. KEY BUSINESS PERFORMANCE

1.1 Business Highlights

- Ping An achieved steady business results. In the first nine months of 2020, operating profit attributable to shareholders of the parent company rose by 4.5% year on year to RMB108,692 million, culminating in a 20.9% annualized operating ROE.
- Retail customer development continued to yield strong results. As of September 30, 2020, retail customers increased by 7.0% from the beginning of 2020 to over 214 million. Contracts per customer grew by 2.7% year to date to 2.71. In the first nine months of 2020, new customers increased by 2.5% year on year to 28.53 million.
- Value contributions from corporate business cross-selling increased. Ping An continued to take a segmented approach to customer development, serving nationwide strategic customers, regional large customers, and small and micro-business customers. In the first nine months of 2020, the new financing scale achieved through corporate business cross-selling climbed by 149.8% year on year, and the written premium of the corporate channel achieved through cross-selling grew by 113.4% year on year.
- The life and health insurance operating profit grew steadily. In the first nine months of 2020, operating profit after tax of the life and health insurance business rose by 9.2% year on year to RMB75,446 million. Amid post-epidemic challenges, the Company remained committed to upgrading business models and advancing Ping An Life’s deep business reform.
- The property and casualty insurance business grew steadily. Ping An Property & Casualty’s premium income grew by 11.5% year on year to RMB219,490 million in the first nine months of 2020. As of September 30, 2020, as the largest automotive tool

app in China, the “Ping An Auto Owner” app had over 117 million registered users, up 26.5% from the beginning of 2020.

- Ping An Bank maintained stable business operations and strengthened provisions. In the first nine months of 2020, operating income before impairment loss increased by 16.2% year on year to RMB83,313 million; net profit dropped by 5.2% year on year to RMB22,398 million, but declining at a slower pace compared with the first half of the year. As of September 30, 2020, the provision coverage ratio was 218.29%, up 35.17 pps from the beginning of 2020.
- Ping An continued to develop its technological capabilities. As of September 30, 2020, Ping An’s technology patent applications increased by 6,654 year to date to 28,037, more than most other international financial institutions’. In addition, Ping An won multiple international honors in AI, healthtech and other fields. Ping An’s healthtech team won the championship in the biomedical translation task of 2020 Conference on Machine Translation (WMT2020).
- Ping An accelerated the development of innovative businesses. In September 2020, Ping An Good Doctor launched a sub-brand “Ping An Doctor Home,” an upgrade of its original innovative product “Private Doctor.” On September 29, 2020, Ping An OneConnect Bank (Hong Kong) Limited, a virtual bank under OneConnect, officially opened for business in Hong Kong.

1.2 Key Figures

For the nine months ended September 30	2020	2019	Change (%)
Operating profit attributable to shareholders of the parent company (in RMB million)	108,692	104,061	4.5
Basic operating earnings per share (in RMB)	6.15	5.85	5.1
Net profit attributable to shareholders of the parent company (in RMB million)	103,041	129,567	(20.5)
Life & Health new business value (NBV) ⁽¹⁾ (in RMB million)	42,844	58,805	(27.1)
Ping An Property & Casualty combined ratio (%)	99.1	96.2	2.9 pps
	September 30, 2020	December 31, 2019	Change (%)
Number of retail customers (in million)	214.47	200.48	7.0
Number of internet users (in million)	578.89	515.50	12.3
Proportion of retail customers holding multiple contracts with different subsidiaries (%)	37.4	36.8	0.6 pps

Note: (1) The computation of Life & Health NBV is based on the 11.0% risk discount rate.

2. PERFORMANCE REVIEW FOR KEY BUSINESSES

2.1 Overview

In the third quarter of 2020, China achieved strong results in the prevention and containment of COVID-19. As a result, the domestic economy saw a steady recovery and Ping An's business development through traditional offline channels gradually resumed. However, Ping An's long-term protection business was still adversely impacted by COVID-19 as domestic consumption demand was still recovering, large-scale offline events were still restricted in China, and offline face-to-face meetings had not increased to pre-epidemic levels yet. Moreover, the ongoing global spread of COVID-19 has sent major economies into recession and complicates the international environment. Facing such unfavorable conditions as rising credit risk and volatile equity markets, Ping An adopted various measures including strengthening risk management, advancing Ping An Life's reform, and promoting online-merge-offline operations to mitigate adverse impacts and lay a solid foundation for future sustainable growth. In the first nine months of 2020, the Group's net profit attributable to shareholders of the parent company decreased by 20.5% year on year to RMB103,041 million, but declining at a slower pace compared with the first half of the year. However, the operating profit attributable to shareholders of the parent company grew by 4.5% year on year to RMB108,692 million. The basic operating earnings per share was RMB6.15, up 5.1% year on year. The annualized operating ROE was 20.9%, down by 2.0 pps year on year.

Operating profit

Operating profit after tax is based on net profit from financial statements, excluding items that are of short-term, volatile or one-off nature. The operating profit after tax which excludes fluctuations of the following non-operating items can provide a clearer and more objective representation of the Company's business performance and trend. These items include:

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

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

2020

For the nine months ended September 30 (in RMB million)	Life and health insurance business	Property and casualty insurance business	Banking business	Trust business	Securities business	Other asset management business	Technology business	Other businesses and elimination	The Group
Net profit attributable to shareholders of the parent company	69,113	11,003	12,981	2,239	2,381	3,808	4,669	(3,153)	103,041
Net profit attributable to non- controlling interests	665	52	9,417	3	106	723	1,011	(126)	11,851
Net profit (A)	69,778	11,055	22,398	2,242	2,487	4,531	5,680	(3,279)	114,892
Excluding:									
Short-term investment variance ⁽¹⁾ (B)	19	-	-	-	-	-	-	-	19
Impact of discount rate change (C)	(5,687)	-	-	-	-	-	-	-	(5,687)
Impact of one-off material non- operating items (D)	-	-	-	-	-	-	-	-	-
Operating profit (E=A-B-C-D)	75,446	11,055	22,398	2,242	2,487	4,531	5,680	(3,279)	120,560
Operating profit attributable to shareholders of the parent company	74,764	11,003	12,981	2,239	2,381	3,808	4,669	(3,153)	108,692
Operating profit attributable to non-controlling interests	682	52	9,417	3	106	723	1,011	(126)	11,868

For the nine months ended September 30 (in RMB million)	Life and health insurance business	Property and casualty insurance business	Banking business	Trust business	Securities business	Other asset management business	Technology business	Other businesses and elimination	The Group
Net profit attributable to shareholders of the parent company	92,054	16,031	13,700	2,424	1,700	4,240	4,110	(4,692)	129,567
Net profit attributable to non- controlling interests	968	79	9,921	3	72	584	703	(149)	12,181
Net profit (A)	<u>93,022</u>	<u>16,110</u>	<u>23,621</u>	<u>2,427</u>	<u>1,772</u>	<u>4,824</u>	<u>4,813</u>	<u>(4,841)</u>	<u>141,748</u>
Excluding:									
Short-term investment variance ⁽¹⁾ (B)	13,114	-	-	-	-	-	-	-	13,114
Impact of discount rate change (C)	2,206	-	-	-	-	-	-	-	2,206
Impact of one-off material non-operating items (D)	8,597	1,856	-	-	-	-	-	-	10,453
Operating profit (E=A-B-C-D)	<u>69,104</u>	<u>14,254</u>	<u>23,621</u>	<u>2,427</u>	<u>1,772</u>	<u>4,824</u>	<u>4,813</u>	<u>(4,841)</u>	<u>115,975</u>
Operating profit attributable to shareholders of the parent company	68,394	14,184	13,700	2,424	1,700	4,240	4,110	(4,692)	104,061
Operating profit attributable to non-controlling interests	<u>710</u>	<u>70</u>	<u>9,921</u>	<u>3</u>	<u>72</u>	<u>584</u>	<u>703</u>	<u>(149)</u>	<u>11,914</u>

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

(2) The life and health insurance business represents the results of three subsidiaries, namely Ping An Life, Ping An Annuity, and Ping An Health. The property and casualty insurance business represents the results of Ping An Property & Casualty. The banking business represents the results of Ping An Bank. The trust business represents the results of Ping An Trust and Ping An New Capital. The securities business represents the results of Ping An Securities. The other asset management business represents the results of 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 Lufax Holding, OneConnect, Ping An Good Doctor, Ping An HealthKconnect, and Autohome. Eliminations include offsets against cross-shareholding among business lines.

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

2.2 Customer Development

RETAIL CUSTOMER DEVELOPMENT

Despite the COVID-19 epidemic, Ping An's retail customers increased steadily. As of September 30, 2020, Ping An's retail customers⁽¹⁾ grew by 7.0% from the beginning of 2020 to over 214 million, 37.4% of whom held multiple contracts with different subsidiaries. Contracts per customer grew by 2.7% year to date to 2.71. In the first nine months of 2020, new retail customers acquired by the Group increased by 2.5% year on year to 28.53 million, 34.8% of whom were sourced from internet users within the Group. As of September 30, 2020, the Group's unique internet users⁽²⁾ increased by 12.3% year to date to nearly 579 million. The number of yearly active users⁽³⁾ reached 315 million.

(in million)	September 30, 2020	December 31, 2019	Change (%)
Number of retail customers	214.47	200.48	7.0
Including: number of retail customers holding multiple contracts with different subsidiaries	80.31	73.71	9.0
Number of internet users	578.89	515.50	12.3
Including: number of app users	528.17	470.01	12.4

Notes: (1) Retail customers refer to retail customers holding valid financial products with core financial companies of the Group. At the end of 2019, we revised the definition of retail customers by removing customers with complimentary insurance only from retail customers to provide a more objective representation of the size of valuable customers. Moreover, we restated the data for the comparable period of 2019.

(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. At the end of 2019, we revised the definition of internet customers by removing the unique users of suspended internet platforms from internet users. Moreover, we restated the data for the comparable period of 2019.

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

CORPORATE CUSTOMER DEVELOPMENT

Ping An conducts segmented customer development under a “1+N” service model of the corporate business. In corporate business, Ping An focuses on nationwide strategic customers, regional large customers, and small and micro-business customers under a customer-centric philosophy. Ping An taps customer demand and promotes customer value through segmented customer development under a “1+N” service model (one customer + N products).

Ping An has achieved significant results in customer development, boosting the business scale continuously. Under the corporate integrated financial business strategy, Ping An’s corporate customer base continues to grow, customer services improve steadily, and the business scale keeps on expanding. In the first nine months of 2020, the corporate premium achieved through cross-selling grew by 38.0% year on year to RMB12,795 million, in which the written premium of the corporate channel rose by 113.4% year on year. The new financing scale achieved through corporate business cross-selling increased by 149.8% year on year to RMB411,319 million.

For the nine months ended September 30 (in RMB million)	2020	2019	Change (%)
Corporate premiums achieved through cross-selling ⁽¹⁾	12,795	9,275	38.0
Including: Written premium of the corporate channel ⁽²⁾	3,628	1,700	113.4
New financing scale achieved through corporate business cross-selling ⁽³⁾	<u>411,319</u>	<u>164,638</u>	<u>149.8</u>

Notes: (1) The corporate premiums achieved through cross-selling refer to written premiums of insurance policies sold by the Group to corporate customers through cross-selling.

(2) Written premium of the corporate channel refers to the written premium of the integrated financial business less that of the life insurance channel.

(3) The new financing scale achieved through corporate business cross-selling refers to the scale of new financing projects achieved by the Group’s member companies through cross-selling.

2.3 Life and Health Insurance Business

Ping An continues to upgrade its operating models to tackle challenges in the post-COVID-19 era. In the first nine months of 2020, Ping An’s traditional offline operations were hindered and high-value protection business was impacted by the COVID-19 epidemic. With the epidemic under control in China, traditional offline operations were gradually recovering, but it remained difficult to hold large-scale offline campaigns and offline customer meetings have not resumed to pre-epidemic levels. As a result, NBV of the life and health insurance business declined by 27.1% year on year to RMB42,844 million. In response to the challenges posed by the epidemic, the Company continued to upgrade its online operating model, and took innovative measures in team management, customer development, and product promotion to accumulate momentum for business growth.

Ping An Life’s reform continues. The traditional life insurance industry is facing challenges including receding demographic dividends, evolving consumer demands, customer segment migration, and rapidly advancing technology applications. To tap into China’s high-potential life insurance market, Ping An Life has started a series of reform projects to empower business teams through culture building, model upgrading, operations improvement, product strategies, and channel development. By doing so, Ping An Life builds long-term competitive advantages and sustainable, healthy growth platforms for its long-term strategic development. The reform projects have been piloted and will be scaled up. In respect of channels, Ping An Life upgraded the agent remuneration, care and management under the basic management procedure for sales agents to switch the focus from “scale” to “scale + quality.” In respect of products, Ping An Life established a “product + service” system and launched “critical illness + health” management services to build differential competitive edges. In respect of operations empowerment, Ping An Life upgraded AskBob, an AI-aided tool, to empower sales agents. Moreover, Ping An Life built a digital business outlet management platform and improved the appraisal criteria and management mechanisms to empower business outlets. Going forward, Ping An Life will strive to be a world-leading life insurer by giving full play to its four major advantages, namely a professional management team, a highly competent sales force, a strong integrated financial product portfolio, and leading technological strengths.

Driven by the transformation, all channels of Ping An Life leveraged online operations to lay a foundation for high-quality development. In the first nine months of 2020, despite the COVID-19 epidemic, the agent channel achieved efficient recruitment, training, customer acquisition and management by adhering to a high-quality human resource strategy, promoting the reform, upgrading the management platform, and strengthening technological empowerment. In agent recruitment, Ping An Life carried out online and offline activities during different phases of the epidemic. At the early stage, Ping An Life carried out online recruitment activities including “Lu Chuang: Winning at Ping An,” attracting about 1.06 million views in its first livestreaming session. At the later stage, Ping An Life combined online management with offline activities, attracting about 677,000 offline participants in September. In agent training, Ping An Life further improved the expertise and skills of the sales force by improving the training system and upgrading the online learning management platform. In customer acquisition, Ping An Life used complimentary insurance and online marketing to acquire customers, increase customer stickiness, and support agents’ business development. In agent management, Ping An Life introduced a number of team care policies and more flexible performance appraisal policies to offset the impact of the epidemic on the agents’ benefits and incomes. In addition, to support the implementation of the reform strategy as well as the transformation and upgrade of the sales force, Ping An Life upgraded the basic management procedure for sales agents, empowering them to boost and improve business continuously. As of September 30, 2020, the proportion of Talented Agents⁽¹⁾ in branches with Talented Agents rose from the beginning of 2020, with greater contributions to the core value of the Company. Adhering to technological empowerment under the value creation strategy, the bancassurance channel continued to promote the steady, healthy growth in value and scale by transforming the regular premium business. The telemarketing channel upgraded its business model from pure telemarketing to a long-term business model combining telemarketing and online marketing under a customer-centric approach. Moreover, the telemarketing channel used the private-domain operations platform dominated by Ping An Life to carry out efficient, precise and controllable user interaction and product recommendation, achieving improvements in both operational efficiency and embedded value. The internet channel continued to boost customer conversion and facilitate steady business development by optimizing its own platform and enhancing cooperation with third parties to acquire customers precisely.

Note: (1) Talented Agents refer to sales agents recruited in accordance with the Company’s criteria for Talented Agents covering the age, education background, occupation and income before joining the Company.

Ping An Life continued to build its core competitiveness in products and technology.

In the third quarter of 2020, Ping An Life built a series of high-end products to address the comprehensive insurance needs of high-end customers. Regarding savings products, Ping An Life launched new products that serve the elderly care needs of high-end customers, and launched the innovative annuity insurance for sub-standard customer groups. Regarding protection products, to address the high-end customers' medical needs, Ping An Life launched high-end medical insurance which pooled high-quality medical resources, and built barriers to competition based on the health care ecosystem. Ping An Life also launched competitive whole life insurance to meet high-end customers' wealth inheritance needs. Moreover, Ping An Life launched long-term medical insurance with adjustable rates in the third quarter, providing customers with long-term medical benefits and "E Sheng RUN" health services. The product is designed to serve customers' diverse needs for health management, hospitalization expense reimbursement, and hospitalization services through considerate products and services under multiple scenarios with high frequency. In addition, Ping An Life continued to drive technological empowerment and achieved remarkable results:

- Ping An Life implemented an innovative online customer development model focused on services, events, information and livestreaming via its "Jin Guan Jia" app. The app had over 243 million users and recorded over 880 million user interactions in the first nine months of 2020.
- Ping An Life upgraded its smart insurance tool to analyze and calculate the coverages of large numbers of insurance products and provide customers with thorough coverage reviews. In the first nine months of 2020, the smart insurance tool generated premium income of nearly RMB6,000 million from customer conversion for Ping An Life.
- Ping An Life pioneered an integrated business development model of "learning, training, and using" with its AI Customer Visit Assistant to provide an online 50-people reception room and a customer-visit training camp. The AI Customer Visit Assistant was used over 11.50 million times in the first nine months of 2020.
- Ping An Life's AI-powered, video-based customer survey robot supports real-time authentication through facial recognition, and completed customer surveys for nearly 2.70 million new insurance policies in the first nine months of 2020.
- Ping An Life has built a "smart brain" of the headquarters by setting up operations processes for the headquarters to connect with branches, business outlets and sales agents, effectively supporting data-driven decision-making and management.

Key indicators of the life and health insurance business

For the nine months ended September 30

(in RMB million)	2020	2019	Change (%)
Operating profit	<u>75,446</u>	<u>69,104</u>	<u>9.2</u>
First-year premium used to calculate NBV	120,152	122,273	(1.7)
NBV ⁽¹⁾	42,844	58,805	(27.1)
NBV margin (%)	<u>35.7</u>	<u>48.1</u>	<u>-12.4 pps</u>

Note: (1) The computation of Life & Health NBV is based on the 11.0% risk discount rate.

	September 30, 2020	December 31, 2019	Change (%)
Number of individual life insurance sales agents (person)	<u>1,048,469</u>	<u>1,166,914</u>	<u>(10.2)</u>

2.4 Property and Casualty Insurance Business

The property and casualty insurance business grew steadily, with quality under control. In the first nine months of 2020, Ping An Property & Casualty maintained steady development despite the COVID-19 epidemic. Premium income grew by 11.5% year on year to RMB219,490 million. There was a short-term increase in guarantee insurance claims paid due to the impact of COVID-19. However, China has contained the epidemic and maintained strong economic resilience, growth momentum, and favorable policies. In addition, Ping An Property & Casualty has improved its risk management policies, customer management, and post-underwriting management. As a result, Ping An Property & Casualty's guarantee insurance combined ratio for the first nine months of 2020 was better than that for the first half of the year. As market competition intensified, the overall combined ratio for the first nine months of 2020 reached 99.1%, 1.0 pps higher than that for the first half of the year. Operating profit of Ping An Property & Casualty decreased by 22.4% year on year to RMB11,055 million.

Ping An Property & Casualty continued to strengthen online customer development.

As of September 30, 2020, as the largest automotive tool app in China, the "Ping An Auto Owner" app had over 117 million registered users, up 26.5% year to date. The users had linked over 76 million vehicles with the app, including over 22 million not insured by Ping An yet, which indicated great growth potential from user conversion. In September 2020, the app had over 29 million monthly active users. Ping An Property & Casualty is dedicated to providing customers with excellent services. By introducing a precise claims settlement decision engine capable of precise customer profiling and AI-powered image-based loss assessment, Ping An Property & Casualty streamlined the claims process to offer precise claims services. As of September 30, 2020, 87.93% of family auto insurance claims were settled via "One-click Claim Services," demonstrating the leading position of Ping An Property & Casualty in online claims settlement.

For the nine months ended September 30 (in RMB million)	2020	2019	Change (%)
Operating profit	<u>11,055</u>	<u>14,254</u>	<u>(22.4)</u>
Premium income	219,490	196,875	11.5
Including: Auto insurance	147,072	138,683	6.0
Non-auto insurance	59,734	48,636	22.8
Accident and health insurance	12,684	9,556	32.7
Combined ratio (%)	<u>99.1</u>	<u>96.2</u>	<u>2.9 pps</u>

2.5 Investment Portfolio of Insurance Funds

The Company continued to improve the asset allocation and asset-liability duration matching of its investment portfolio of insurance funds. As of September 30, 2020, the Company's investment portfolio of insurance funds grew by 10.3% from the beginning of 2020 to RMB3.54 trillion. In the first nine months of 2020, the investment portfolio of insurance funds achieved an annualized net investment yield of 4.5% and an annualized total investment yield of 5.2%.

In the first nine months of 2020, the world's major economies experienced significant negative growth due to COVID-19. Recently, the economic indicators of some economies have improved with the resumption of work and production. Offshore capital markets suffered drastic fluctuations, stock markets experienced V-shaped rebounds, and the U.S. dollar squeeze has eased. As China took the lead in containing the epidemic, and adopted timely and effective policies, the domestic economy has shown strong resilience. Since the second quarter, as the domestic economic recovery continued, domestic capital markets have been more stable than the offshore markets. Moreover, in the first nine months of 2020, onshore market interest rates first declined and then rose back to early-2020 levels due to the Chinese central bank's prudent, flexible, appropriate monetary policy and the robust domestic economic recovery. The investment yields of the Company's investment portfolio of insurance funds were under pressure due to declining Hong Kong stocks and volatile market interest rates.

For the nine months ended September 30

(in RMB million)	2020	2019	Change (%)
Net investment income ⁽¹⁾	115,796	109,100	6.1
Total investment income ⁽²⁾	<u>135,869</u>	<u>140,301</u>	<u>(3.2)</u>
Net investment yield ⁽³⁾ (annualized, %)	4.5	4.9	-0.4 pps
Total investment yield ⁽³⁾ (annualized, %)	<u>5.2</u>	<u>6.0</u>	<u>-0.8 pps</u>

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) Total investment income includes net investment income, realized gains, fair value gains and losses, and impairment losses on investment assets.

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

Ping An continued to improve the asset-liability duration matching of insurance funds. Ping An adhered to robust asset-liability management strategies. Based on the long-term trends of China's economic growth and financial markets, the Company optimized asset allocation and strengthened ex-ante risk management. Ping An boosted investment returns by managing equity investment flexibly to seize opportunities from epidemic-induced market volatility and structural trends. In addition, the Company increased asset allocation to central and local government bonds as well as financial bonds issued by policy banks at the peak of bond supply. By prolonging the durations of assets, the Company mitigated the reinvestment risk amid low interest rates, and further narrowed the duration gap between assets and liabilities to improve asset-liability matching. Moreover, Ping An established flexible asset-liability management mechanisms, maintained reasonable guaranteed interest rates of liabilities, and continued to improve the interest rate matching between assets and liabilities.

Corporate default risk increased due to the impact of COVID-19 on businesses. Ping An continued to strengthen credit risk management, improved risk assessment and management before, during and after investment, and enhanced the efficiency of risk management with fintech. As of September 30, 2020, debt schemes and debt wealth management products as a percentage of the Company's investment portfolio of insurance funds decreased from 13.4% at the beginning of 2020 to 10.6%. The credit quality of debt schemes and debt wealth management products in the Company's investment portfolio of insurance funds remained sound at industry-leading levels, and no default had occurred. This indicates that risks were under control.

2.6 Banking Business

The year 2020 is the first year for the implementation of Ping An Bank's new 3-year strategy. Ping An Bank continued its mission to build "China's most outstanding, world-leading smart retail bank" under the strategy of "technological empowerment, breakthroughs in retail banking, and enhancement of corporate banking." Ping An Bank established the "3+2+1" strategy for Retail, Corporate, and Interbank businesses. Moreover, Ping An Bank has positioned itself as "a digital bank, an ecosystem, and a platform" to optimize its asset-liability structure, lay a solid foundation for transformation and upgrade, and drive its strategic transformation into full swing.

Ping An Bank maintained stable business growth. In the first nine months of 2020, revenue grew by 13.2% year on year to RMB116,564 million. Operating income before impairment loss grew by 16.2% year on year to RMB83,313 million. Due to the uncertainties brought by the COVID-19 epidemic, Ping An Bank proactively strengthened provisions for impairment losses on loans and advances as well as non-credit assets according to economic trends and predictions on domestic and international environments. Moreover, Ping An Bank enhanced the disposal and write-off of non-performing assets and raised the provision coverage ratio. As a result, net profit decreased by 5.2% year on year to RMB22,398 million, but declining at a slower pace compared with the first half of the year.

Ping An Bank upgraded its retail business transformation. Ping An Bank implemented the new strategy of data-driven operations, online operations, comprehensive services, and ecosystem-based development to optimize the asset-liability structure of the retail business and promote its retail business transformation. Despite the impact of COVID-19, Ping An Bank resumed its businesses quickly and maintained steady growth in the retail business with its technology-powered online operational capabilities. As of September 30, 2020, Ping An Bank's retail assets under management (AUM) rose by 25.5% from the beginning of 2020 to RMB2,488,171 million. Retail customers increased by 6.8% from the beginning of 2020 to 103.6434 million. The balance of retail deposits increased by 12.2% from the beginning of 2020 to RMB655,020 million, and the average cost rate of retail deposits for the first nine months of 2020 declined by 0.21 pps year on year to 2.44%, reflecting an optimized deposit portfolio. The balance of retail loans grew by 10.5% from the beginning of 2020 to RMB1,499,261 million, with the business portfolio and customer portfolio further improving.

Ping An Bank continued to enhance corporate banking. Amid the COVID-19 epidemic, Ping An Bank accelerated its data-driven operations and served the real economy by leveraging the Group's competitive edge in "finance + technology" and focusing on new business opportunities of corporate banking. Ping An Bank continued to optimize its corporate asset-liability structure. As of September 30, 2020, the balance of corporate loans grew by 12.4% from the beginning of 2020 to RMB1,085,743 million. The balance of corporate deposits grew by 2.2% from the beginning of 2020 to RMB1,894,825 million, and its average cost rate in the first nine months of 2020 declined by 0.22 pps year on year to 2.22%. Moreover, Ping An Bank leveraged technologies to enable corporate business innovation. In the first nine months of 2020, the transaction volume of Ping An Bank's internet payment and settlement services platform rose 125.8% year on year to RMB6.21 trillion. As of September 30, 2020, Ping An Bank provided 597 core enterprises and their upstream suppliers with financial services through the "Ping An Good Chain," a cloud-based supply chain accounts receivable services platform, with a total transaction volume of RMB35,095 million in the first nine months of 2020, up 46.2% year on year. As of September 30, 2020, the balance of loans to small and micro-businesses each with a credit line not more than RMB10 million ("inclusive small and micro-business loans") increased by 12.6% from the beginning of 2020 to RMB247,727 million, accounting for 9.6% in the balance of loans of Ping An Bank. In the first nine months of 2020, Ping An Bank granted RMB192,596 million of such loans, up 14.0% year on year.

Ping An Bank achieved steady growth in interbank business. Ping An Bank focused on new transactions, new interbank business, and new asset management business to accelerate its data-driven operations, fighting COVID-19 to maintain operations and development. In the first nine months of 2020, the market shares by transaction volume of interest swap business, gold business and bond business were 11.9%, 6.4% and 1.2% respectively. In the derivatives market making rankings for the third quarter of 2020 announced by China Foreign Exchange Trade System (CFETS), Ping An Bank maintained its leading role in the market. In the first nine months of 2020, the interbank institutional sales reached RMB554,619 million, up 54.3% year on year. Ping An Wealth Management Co., Ltd. officially opened for business on August 28, 2020. As of September 30, 2020, Ping An Bank had RMB377,949 million of NAV-type (net asset value-type) products in compliance with the new asset management regulation, up 46.9% from the beginning of 2020, accounting for 59.9% of the balance of the non-principal-guaranteed wealth management products, compared with 43.6% at the beginning of 2020.

Ping An Bank consolidated the capital base. In the first nine months of 2020, Ping An Bank issued undated capital bonds worth RMB30 billion. The funds raised are used to replenish other tier 1 capital. As of September 30, 2020, Ping An Bank's capital adequacy ratio increased by 0.64 pps from the beginning of 2020 to 13.86%.

Ping An Bank kept asset quality risks under control. Ping An Bank offered full support for the prevention and containment of COVID-19 as well as the stability of financial markets. Ping An Bank helped epidemic-hit enterprises and individuals to tide over their difficulties with its differentiated emergency financial services. Moreover, Ping An Bank continued to adjust its business portfolio and facilitate the growth of micro-, small and medium-sized enterprises as well as non-state-owned enterprises. Ping An Bank enhanced the disposal and write-off of non-performing assets. In the first nine months, loans worth RMB40,402 million were written off and RMB9,141 million of written-off loans were recovered. Asset quality risks were generally under control. As of September 30, 2020, Ping An Bank's non-performing loan ratio was 1.32%, down 0.33 pps from the beginning of 2020. The provision coverage ratio was 218.29%, up 35.17 pps from the beginning of 2020. Deviations of loans more than 60 days overdue and loans more than 90 days overdue both remained below 1.

The quality of retail loans was affected by negative factors such as shrinking consumer demand and declining incomes caused by the COVID-19 epidemic. As of September 30, 2020, the retail non-performing loan ratio was 1.32%, up 0.13 pps from the beginning of 2020 but down 0.24 pps from June 30, 2020. Ping An Bank developed an emergency response plan in late January. Moreover, Ping An Bank strengthened the monitoring of external developments and the review of internal risk management strategies to mitigate the epidemic-induced temporary risks. As a result, monthly new non-performing retail loans have been on a decline since August, and the non-performing loan ratios of the main products all reached an inflection point. In addition, since 2018, Ping An Bank has been enhancing its ability to withstand risks by increasing the proportions of unsecured loans to high-quality white-collar customers as well as secured loans, optimizing the retail credit business portfolio, and moderately tightening its lending policy. With the improvement of the macroeconomic climate and the recovery of employment and consumption, the risk in retail assets will return to a normal level.

In terms of corporate asset quality, as of September 30, 2020, the corporate non-performing loan ratio was 1.31%, down 0.98 pps from the beginning of 2020. The improvement was a result of Ping An Bank's continued efforts in optimizing the credit portfolio, improving asset quality management through technological empowerment, and enhancing the recovery and disposal of existing non-performing assets.

For the nine months ended September 30			
(in RMB million)	2020	2019	Change (%)
Operating income before impairment loss	83,313	71,709	16.2
Net profit	22,398	23,621	(5.2)
Revenue	116,564	102,958	13.2
Net interest revenue	75,154	66,269	13.4
Net non-interest revenue	41,410	36,689	12.9
Impairment losses on credit and other assets	54,390	40,996	32.7
Operational efficiency and profitability			
Cost-to-income ratio (%)	27.53	29.43	-1.90 pps
Net interest margin (annualized, %)	2.56	2.62	-0.06 pps
(in RMB million)			
	September 30,	December 31,	
	2020	2019	Change (%)
Deposits and loans⁽¹⁾			
Total loans and advances	2,585,004	2,323,205	11.3
Including: Retail loans	1,499,261	1,357,221	10.5
Corporate loans	1,085,743	965,984	12.4
Deposits	2,549,845	2,436,935	4.6
Including: Retail deposits	655,020	583,673	12.2
Corporate deposits	1,894,825	1,853,262	2.2

Note: (1) Total loans and advances, deposits, and their components are exclusive of interest receivable and payable.

(in RMB million)	September 30, 2020	December 31, 2019	Change (%)
Asset quality			
Percentage of special mention loans (%)	1.59	2.01	-0.42 pps
Non-performing loan ratio (%)	1.32	1.65	-0.33 pps
Provision coverage ratio (%)	218.29	183.12	35.17 pps
Percentage of loans more than 60 days overdue (%)	1.27	1.58	-0.31 pps
Deviation of loans more than 60 days overdue ⁽¹⁾	0.96	0.96	–
Provision coverage ratio for loans more than 60 days overdue (%)	226.29	190.34	35.95 pps
Percentage of loans more than 90 days overdue (%)	1.10	1.35	-0.25 pps
Deviation of loans more than 90 days overdue ⁽²⁾	0.84	0.82	2 pps
Provision coverage ratio of loans more than 90 days overdue (%)	260.81	222.89	37.92 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.

	September 30, 2020	December 31, 2019	Change (%)
Capital adequacy ratio			
Total risk weighted assets (in RMB million)	2,971,284	2,784,405	6.7
Core tier 1 capital adequacy ratio (%)	8.94	9.11	-0.17 pps
Tier 1 capital adequacy ratio (%)	11.29	10.54	0.75 pps
Capital adequacy ratio (%)	<u>13.86</u>	<u>13.22</u>	<u>0.64 pps</u>

Note: 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.

2.7 Asset Management Business

In the first nine months of 2020, the net profit of the asset management business increased by 2.6% year on year to RMB9,260 million. The increase was small because the investment income of the other asset management business declined year on year due to the COVID-19 epidemic and capital market turmoil.

Ping An Trust sped up its transformation while optimizing the business portfolio, preventing risks, and focusing on trust business. Ping An Trust remains focused on four core businesses, namely special asset investment, infrastructure investment, financial service trusts, and private equity investment, pursuing technological empowerment to serve the real economy. As of September 30, 2020, Ping An Trust's AUM reached RMB410,241 million, with an increasing contribution from assets under active management. Net profit of the trust business for the first nine months of 2020 dropped by 7.6% year on year to RMB2,242 million, driven by a year-on-year decrease in the investment return due to a more prudent investment strategy amid economic slowdowns and increasing industry risks.

Ping An Securities is committed to developing a smart securities services platform under the Group's integrated financial business strategy. In the first nine months of 2020, the average daily trading volume on Shanghai Stock Exchange ("SSE") and Shenzhen Stock Exchange rose by 59.2% year on year, reflecting brisk trading. Net profit of Ping An Securities grew by 40.3% year on year to RMB2,487 million. In brokerage business, by leveraging its online advantages, Ping An Securities continued to expand its market share by retail volume (excluding Northbound Stock Connect), which grew by 0.35 pps year on year to 3.53%. In investment banking business, Ping An Securities actively served the real economy through financing, outperformed most peers by the number of bonds underwritten as the lead underwriter, and achieved significant increases in completed and pipeline stock issuance projects.

2.8 Technology Business

Ping An continues to further its technology strategies and develop various businesses rapidly. In the first nine months of 2020, total revenue of the technology business⁽¹⁾ increased by 8.3% year on year to RMB65,028 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 in the respective companies.

Ping An Good Doctor (HKSE: 01833.HK), as an integral part of the Group’s health care ecosystem, has built an AI-aided in-house medical team, and provides users with online-merge-offline services by integrating offline health care networks. After years of unremitting efforts, Ping An Good Doctor has built an excellent in-house medical team of nearly 2,000 members. Supported by a proprietary AI-based medical system, this team has constantly improved user services.

In mid-2020, Ping An Good Doctor launched an across-the-board strategic upgrade, focusing on channels, services, and capabilities. In respect of channels, Ping An Good Doctor extended its channels from retail users and insurance customers to corporate clients and internet-based hospitals. In respect of services, Ping An Good Doctor launched an upgrade from online medical services to medical services and health care services, as well as from private doctor services to private doctor services and family doctor services, covering both individuals and families. In respect of capabilities, while expanding its in-house medical team, Ping An Good Doctor tapped the resources of domestic and foreign renowned doctors, and set up a global network of doctors under the multi-sited practice model. Moreover, Ping An Good Doctor expanded its business from purely online services to online-merge-offline services. Through the strategic upgrade, Ping An Good Doctor is committed to facilitating communication between doctors and patients. Aiming at building trust by offering expertise and convenience, Ping An Good Doctor strives to become China’s largest online health care services platform with the most advanced business models and the strongest barriers to competition.

In September 2020, Ping An Good Doctor launched a sub-brand “Ping An Doctor Home” to facilitate communication between doctors and patients. Ping An Good Doctor upgraded its services, including the Private Doctor and the Doctor Virtual Office, to serve both users and doctors. For users, Ping An Good Doctor launched a multi-layer membership system of health steward services targeting individuals and families. For doctors, Ping An Good Doctor upgraded the Doctor Virtual Office to empower in-house doctors as well as external ones. By addressing doctors’ five demands for academic achievements, incomes, brands, capabilities and efficiency, Ping An Good Doctor strives to build the world’s largest doctor ecosystem.

Going forward, Ping An Good Doctor will make greater efforts to develop online medical services and enhance health management services. Ping An Good Doctor will proactively expand its offline partner network of check-up centers, testing and diagnostics centers, fitness centers, medical beauty clinics. Moreover, Ping An Good Doctor will expand its in-house medical team, tap the resources of domestic and foreign renowned doctors, and continue to build the global network of doctors under the multi-sited practice model to provide users with more comprehensive and specialized medical services.

Ping An HealthKonnnect strives to be a smart technology company that fully empowers the health care ecosystem. Ping An HealthKonnnect leverages its industry-leading experience in social health insurance (SHI), medical, health and disease management to fully empower the health care ecosystem. Ping An HealthKonnnect empowers Healthcare Security Administrations by developing the Smart SHI Integrated Platform centering around a smart SHI system. Starting from SHI, Ping An HealthKonnnect also provides integrated medical management solutions covering hospitals, doctors, pharmacies, and insured members. Moreover, Ping An HealthKonnnect empowers commercial insurers in terms of insurance product design, risk management, and marketing channels. In the first nine months of 2020, Ping An HealthKonnnect won bids to construct SHI platforms for provinces including Qinghai, Hainan, Guizhou, Guangdong, Xinjiang, and Shaanxi. As of September 30, 2020, Ping An HealthKonnnect had won bids to construct SHI platforms for nine provinces.

Lufax Holding is a leading technology-empowered personal financial services platform in China. In the first nine months of 2020, Lufax Holding maintained steady growth in revenue. Loans facilitated by Lufax Holding to small and micro-business owners and retail customers grew steadily. As of September 30, 2020, the balance of retail credit facilitated by Lufax Holding increased by 15.9% from the beginning of 2020 to RMB535,788 million. During the COVID-19 epidemic, Lufax Holding made full use of AI to alleviate the manpower shortages in post-lending management and closely monitor the loan quality, effectively mitigating the impact of the epidemic on the asset quality of the loans facilitated as well as on the partners. The ratio of loans more than 30 days overdue in the loan portfolio facilitated by Lufax Holding has fallen drastically from the peak seen in the second quarter, and has returned to pre-epidemic levels. In online wealth management, as of September 30, 2020, Lufax Holding's client assets rose by 9.1% from the beginning of 2020 to RMB378,278 million due to business transformation in response to the latest regulatory requirements. Lufax Holding continued to optimize its product portfolio, achieved rapid growth in standard products and assets sourced via B-end cooperation, and lifted revenue from C-end business. Lufax Holding has built a technology-powered smart business development framework, using AI to match customers and products.

OneConnect (NYSE: OCFT) is a leading technology-as-a-service platform for financial institutions in China. OneConnect went public on the New York Stock Exchange in 2019. OneConnect provides cloud-based technology solutions for financial institutions by integrating extensive financial service experience with market-leading technology. OneConnect's end-to-end technology applications and business services help financial institutions boost revenues, manage risks, increase efficiency, improve services, and reduce costs, thereby enabling digital transformations. OneConnect has effectively pursued technological empowerment. In August 2020, OneConnect was selected for the 2020 IDC China Fintech Top 50. In September 2020, OneConnect won the Platinum Award for Digital Banking at the IFTA FinTech Achievement Awards 2019. Ping An OneConnect Bank (Hong Kong) Limited, OneConnect's virtual bank, officially opened for business in Hong Kong on September 29, 2020. The virtual bank aims to push beyond the boundaries of traditional banks with fintech, and provide flexible, convenient financial services for small- and medium-sized enterprises and retail customers in Hong Kong.

Autohome (NYSE: ATHM), as China’s leading online auto services platform, is committed to developing an auto ecosystem centering on data and technology. In the ecosystem, Autohome provides auto consumers with diverse products and services across the entire auto lifecycle. In data-based business, Autohome is committed to empowering automakers and dealers in terms of research and development, marketing, and conversion. Autohome successfully held the “818 Global Super Auto Show” in 2020, which was attended by over 70 brands and over 2,400 auto dealers, receiving wide attention from consumers. Keeping pace with the times, Autohome helps automakers identify trends, analyze issues, and customize solutions so that they can get first-mover advantages and succeed in digital transformations.

Ping An’s smart city business empowers city development with technologies in government services, business development, and citizen services. Ping An has developed a basket of integrated smart city solutions to fulfill the Company’s mission of serving the country, society, and public. Ping An’s smart city business covers sectors including government services, daily life, transportation, health care, and education, with presence in 143 domestic cities and multiple countries and regions involved in the Belt and Road Initiative. In government services, Ping An helped governments to improve public governance through an integrated smart government platform. In September 2020, Ping An signed a contract worth RMB180 million on the construction of Shenzhen’s integrated smart market supervision platform. This is so far the largest order for a smart market supervision platform in China and the first integrated project conducted by the State Administration for Market Regulation after the super ministry reform. Moreover, Ping An won the bid for a vocational skills training supervision platform of Shenzhen Human Resources and Social Security Bureau. This platform is the first domestic project to use biometric technology for full-process monitoring of learning. The platform supervised the data-driven training for over 14,000 trainees in the first week, ensuring that the training subsidies were used appropriately and safely. In business development, Ping An helps the government strengthen ecological environment management and assists businesses in green environmental protection by building an integrated smart environmental protection platform. In citizen services, Ping An built an integrated smart citizen services platform to improve the service experience of citizens. As of September 30, 2020, the citizen services platform had attracted nearly 23 million registered users and over 1.5 billion visits since its go-live. Moreover, Ping An launched the “Nationwide COVID-19 Real Time Dashboard” with authoritative organizations of the state. The dashboard went live on over 300 official platforms in 21 provinces and 31 cities across China, keeping the public updated on COVID-19 developments in real time. Ping An also provided AI-based image reading services for over 1,500 medical institutions across China to identify COVID-19. It took only 15 seconds on average to issue a single smart analysis, and over 40 million images were analyzed.

2.9 Technology-powered Business Transformation

Ping An adopted advanced medical technologies to build and empower its health care ecosystem and create new drivers of value growth. In September 2020, Ping An unveiled its comprehensive health care ecosystem strategies and world-leading medical technologies. Ping An provides comprehensive health care services for various sectors and parties through its health care ecosystem. In addition, Ping An leverages ecosystem resources to build technology-based barriers to competition and empower its main financial and insurance businesses. The financial products provided by Ping An feature the caring nature, multiple scenarios and service differentiation. Going forward, Ping An will seize the great development opportunities in the health care market and create new drivers of value growth by building a closed-loop health care ecosystem involving the government, users, service providers, payers, and technology. Specifically, Ping An's health care ecosystem will focus on three missions. First, the ecosystem will seek horizontal integration by grabbing user traffic from the user end, managing medical institutions from the payment end, and empowering service providers to maximize value. Second, the ecosystem will pursue vertical integration by leveraging the core resources of hospitals, doctors and pharmacies through serving the government and empowering ecosystem members to build technology-based barriers to competition. Third, the ecosystem will generate synergies with Ping An's main financial businesses in acquiring customers, enhancing customer stickiness, and increasing average customer value.

Ping An leverages cutting-edge technologies to upgrade the end-to-end services of its core financial businesses. In respect of sales, Ping An Life pioneered an integrated business development model of “learning, training, and using” with its AI Customer Visit Assistant to provide an online 50-people reception room and a customer-visit training camp. The AI Customer Visit Assistant was used over 11.50 million times in the first nine months of 2020. Ping An Life's AI-powered, video-based customer survey robot supports real-time authentication through facial recognition and completed customer surveys for nearly 2.70 million new insurance policies in the first nine months of 2020. In terms of operations, Ping An leverages technologies to optimize financial business processes, boost operational efficiency, and improve customer experiences. In property and casualty insurance operations, Ping An combines such AI technologies as image-based loss assessment with precise customer profiling to provide targeted claims services and streamline the claims process. As of September 30, 2020, 87.93% of family auto insurance claims were settled via “One-click Claim Services,” demonstrating the leading position of Ping An Property & Casualty in online claims settlement. Regarding customer services, Ping An's self-developed speech robots have been widely used in banking, insurance, and other businesses. In the first nine months of 2020, the speech robots provided services over 1,380 million times. The net promoter score (NPS) of the speech robots for September 2020 was 16.5 pps higher than that for December 2019.

Ping An continues to focus on developing core technologies and securing proprietary intellectual property rights. As of September 30, 2020, Ping An's technology patent applications increased by 6,654 year to date to 28,037, more than most other international financial institutions'. Of these applications, nearly 96% were for inventions, and 6,908 were filed under the Patent Cooperation Treaty (PCT) and abroad. In addition, Ping An won multiple international honors in top technology competitions. Ping An's healthtech team won the championship in the biomedical translation task of 2020 Conference on Machine Translation (WMT2020).

2.10 Prospects of Future Development

China is promoting COVID-19 prevention and containment as well as economic and social development. The domestic economy is recovering steadily, but the global spread of COVID-19 has not been effectively contained, posing a high risk of imported cases. Meanwhile, the epidemic has exacerbated changes in the external environment, causing the world economy to be weak and global markets to contract.

In the short run, consumer demands for insurance and other financial services, though having recovered to some extent, will still be weaker than before the epidemic due to COVID-19. Moreover, as credit risk increases, the asset management business will remain under pressure in terms of quality. However, in the long run, profound changes in the domestic and foreign environments will also bring some new opportunities, and economic growth will be driven by released potential domestic demands. People's health awareness will be stronger after the epidemic, and their demands for insurance and other financial services will grow. Moreover, driven by policies and technologies, the health care industry will develop rapidly, bringing growth opportunities in the upstream and downstream of the industry.

In response to the state's call, the Company will pursue steady progress by executing the "finance + technology" and "finance + ecosystem" strategies. By accelerating technological empowerment, the Company will seize new opportunities in industries including financial services and health care to create greater value for shareholders, customers, and society.

3. TOTAL NUMBER OF SHAREHOLDERS AND TOP TEN SHAREHOLDERS AS AT THE END OF THE REPORTING PERIOD

As of September 30, 2020, the share capital of the Company was 18,280,241,410 shares, of which 10,832,664,498 were A shares and 7,447,576,912 were H shares.

Total number of shareholders as at the end of the Reporting Period		Total number of shareholders was 764,460, of which 760,014 were holders of A shares and 4,446 were holders of H shares.				
Shareholdings of top ten shareholders						
Name of shareholder	Nature of shareholder ⁽¹⁾	Shareholding percentage (%)	Total number of shares held (Shares) ⁽²⁾	Type of shares	Number of shares subject to selling restrictions (Shares)	Number of pledged or frozen shares (Shares)
Hong Kong Securities Clearing Company Nominees Limited ⁽³⁾	Overseas legal person	34.53	6,312,556,479 ⁽⁴⁾	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	4.15	759,322,311	A Share	–	–
Business Fortune Holdings Limited	Overseas legal person	3.16	577,287,663	H Share	–	411,809,012 pledged shares
China Securities Finance Corporation Limited	Others	2.99	547,459,336	A Share	–	–
New Orient Ventures Limited	Overseas legal person	2.93	535,255,126	H Share	–	–
Central Huijin Asset Management Ltd.	State-owned legal person	2.65	483,801,600	A Share	–	–
Shum Yip Group Limited	State-owned legal person	1.41	257,728,008	A Share	–	–
Dacheng Fund-Agricultural Bank of China-Dacheng Zhongzheng Financial Asset Management Plan	Others	1.10	201,948,582	A Share	–	–
Huaxia Fund-Agricultural Bank of China-Huaxia Zhongzheng Financial Asset Management Plan	Others	1.09	199,511,462	A Share	–	–

- Notes:* (1) Nature of the holders of A shares represents the nature of accounts held by the holders of A shares registered with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited.
- (2) As the shares of the Company could be used as underlying securities for margin financing and securities lending, the shareholdings of the shareholders are the aggregate of all the shares and interests held in ordinary securities accounts and credit securities accounts.
- (3) Hong Kong Securities Clearing Company Nominees Limited (“HKSCC Nominees Limited”) is the nominee holder of the shares held by non-registered H shareholders of the Company.
- (4) Business Fortune Holdings Limited and New Orient Ventures 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 under 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 New Orient Ventures Limited are indirect wholly-owned subsidiaries of CP Group Ltd., and they are presumed to be acting in concert with each other since they are under the common control of CP Group Ltd. As of September 30, 2020, CP Group Ltd., through the above two companies and other subsidiaries, indirectly held 1,560,137,273 H shares of the Company, representing approximately 8.53% of the total share capital of the Company.

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

4. SIGNIFICANT EVENTS

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.

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

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

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

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

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

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

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

The long-term service plan

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

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

Regarding the Long-term Service Plan for 2019, there were 31,026 participants. A total of 54,294,720 A shares of the Company were purchased for a total amount of RMB4,296,112,202.60 (expenses inclusive), accounting for 0.297% of the total share capital of the Company at that time. Regarding the Long-term Service Plan for 2020, there were 32,022 participants. A total of 49,759,305 A shares of the Company were purchased for a total amount of RMB3,988,648,517.41 (expenses inclusive), accounting for 0.272% of the total share capital of the Company at that time. In the Reporting Period, 2,691 employees did not qualify for the vesting and 5,648,089 shares were forfeited under the Long-term Service Plan for 2019, and 2,417 employees did not qualify for the vesting and 3,892,766 shares were forfeited under the Long-term Service Plan for 2020.

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

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

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

Purchase, Sale or Redemption of the Company's Listed Securities

The Annual General Meeting for 2018, the 1st A Shareholders' Class Meeting for 2019 and the 1st H Shareholders' Class Meeting for 2019 held by the Company on April 29, 2019 deliberated and approved *the Resolution regarding the A Share Repurchase Plan by Means of Centralized Bidding Transactions*. As of April 28, 2020, the Company had completed the repurchase and cumulatively repurchased 70,006,803 A shares of the Company by means of centralized bidding transactions via the trading system of the SSE, representing 0.38296% of the total share capital of the Company. Total funds paid amounted to RMB5,993,765,118.20 (excluding transaction expenses)/RMB5,994,784,083.55 (including transaction expenses). The lowest transaction price was RMB79.27 per share, the highest transaction price was RMB91.43 per share, and the average repurchase price was RMB85.62 per share. The repurchased A shares of the Company will be reserved exclusively for the employee stock ownership plan of the Company, including but not limited to the Long-term Service Plan which has been deliberated and approved at the general meeting of the Company.

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

5. GUARANTEE

(in RMB million)

External guarantee of the Company and its subsidiaries (excluding the guarantee in favor of its subsidiaries)	
Total external guarantee incurred during the Reporting Period	–
Total external guarantee balance as at the end of the Reporting Period	–
Guarantee of the Company and its subsidiaries in favor of its subsidiaries	
Total guarantee in favor of its subsidiaries incurred during the Reporting Period ⁽²⁾	10,426
Total guarantee balance in favor of its subsidiaries as at the end of the Reporting Period	53,870
Total guarantee of the Company (including the guarantee in favor of its subsidiaries)	
Total guarantee	53,870
Total guarantee as a percentage of the Company's net assets (%)	7.6
Including: Direct or indirect guarantee for the companies with a total liabilities to total assets ratio over 70% (as at September 30, 2020)	52,873
The amount by which the total guarantee balance of the Company and its subsidiaries exceeded 50% of the Company's net assets	–

Notes: (1) The data set out in the table above does not include those arising from financial guarantee businesses conducted by Ping An Bank (a controlled subsidiary) and other subsidiaries of the Company in strict compliance with the scope of business approved by regulatory authorities.

(2) During the Reporting Period, the total guarantee incurred was the guarantee withdrawal of RMB26,685 million less the guarantee repayment of RMB16,259 million.

6. SOLVENCY MARGIN OF SUBSIDIARIES

As at September 30, 2020	Ping An Life	Ping An Property & Casualty
Core capital (in RMB million)	969,853	98,021
Actual capital (in RMB million)	1,000,853	111,521
Minimum capital (in RMB million)	430,946	48,771
Core solvency margin ratio (%)	225.1	201.0
Comprehensive solvency margin ratio (%)	232.2	228.7

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 subsidiaries' solvency margin, please refer to the Company's website (www.pingan.cn).

7. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

7.1 Consolidated Income Statement

For the nine months ended September 30, 2020

(in RMB million)	For the three months ended September 30		For the nine months ended September 30	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Gross written premiums	181,191	168,586	626,696	615,067
Less: Premiums ceded to reinsurers	(5,603)	(4,742)	(17,672)	(16,365)
Net written premiums	175,588	163,844	609,024	598,702
Change in unearned premium reserves	(2,736)	(4,610)	(20,418)	(18,036)
Net earned premiums	172,852	159,234	588,606	580,666
Reinsurance commission revenue	1,607	1,581	5,007	5,248
Interest revenue from banking operations	45,746	44,495	140,415	131,078
Interest revenue from non-banking operations	30,179	24,503	86,467	73,905
Fees and commission revenue from non-insurance operations	18,265	14,115	47,753	40,976
Investment income	22,326	15,255	66,955	76,914
Share of profits and losses of associates and jointly controlled entities	4,962	5,124	12,969	17,288
Other revenues and other gains	15,905	15,929	46,950	44,407
Total revenue	311,842	280,236	995,122	970,482
Gross claims and policyholders' benefits	(137,301)	(113,498)	(473,438)	(444,443)
Less: Reinsurers' share and policyholders' benefits	3,028	3,052	8,876	8,261
Claims and policyholders' benefits	(134,273)	(110,446)	(464,562)	(436,182)
Commission expenses on insurance operations	(24,775)	(26,846)	(82,129)	(88,503)
Interest expenses on banking operations	(20,319)	(21,837)	(64,583)	(64,664)
Fees and commission expenses on non-insurance operations	(3,773)	(2,906)	(9,423)	(7,756)
Net impairment losses on financial assets	(17,384)	(14,420)	(57,910)	(44,423)
Net impairment losses on other assets	(412)	(429)	(2,172)	(1,408)
Foreign exchange (losses)/gains	1,082	(216)	1,222	241
General and administrative expenses	(50,679)	(43,569)	(134,016)	(126,623)
Interest expenses on non-banking operations	(6,930)	(4,940)	(19,912)	(14,696)
Other expenses	(7,766)	(9,965)	(24,264)	(25,567)
Total expenses	(265,229)	(235,574)	(857,749)	(809,581)

(in RMB million)	For the three months ended September 30		For the nine months ended September 30	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Profit before tax	46,613	44,662	137,373	160,901
Income tax	(7,689)	(8,652)	(22,481)	(19,153)
Profit for the period	<u>38,924</u>	<u>36,010</u>	<u>114,892</u>	<u>141,748</u>
Attributable to:				
– Owners of the parent	34,358	31,891	103,041	129,567
– Non-controlling interests	4,566	4,119	11,851	12,181
	<u>38,924</u>	<u>36,010</u>	<u>114,892</u>	<u>141,748</u>
	RMB	RMB	RMB	RMB
Earnings per share attributable to ordinary equity holders of the parent				
– Basic	1.94	1.80	5.83	7.29
– Diluted	1.93	1.79	5.79	7.26

7.2 Consolidated Statement of Comprehensive Income

For the nine months ended September 30, 2020

(in RMB million)	For the three months ended September 30		For the nine months ended September 30	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Profit for the period	38,924	36,010	114,892	141,748
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	(4,371)	940	(4,359)	710
Credit risks provision of debt instruments at fair value through other comprehensive income	(415)	565	373	1,226
Shadow accounting adjustments	1,327	(473)	796	(248)
Reserve from cash flow hedging instruments	225	–	280	–
Exchange differences on translation of foreign operations	(1,282)	1,001	(1,107)	871
Share of other comprehensive income of associates and jointly controlled entities	61	(98)	(252)	39
Others	594	–	594	–
Items that will not be reclassified to profit or loss:				
Changes in the fair value of equity investments at fair value through other comprehensive income	(28,125)	(5,987)	(67,797)	(6,571)
Shadow accounting adjustments	16,692	3,250	40,885	2,357
Share of other comprehensive income of associates and jointly controlled entities	(309)	–	2,971	–
Other comprehensive income for the period, net of tax	(15,603)	(802)	(27,616)	(1,616)
Total comprehensive income for the period	23,321	35,208	87,276	140,132
Attributable to:				
– Owners of the parent	19,373	30,930	76,217	127,399
– Non-controlling interests	3,948	4,278	11,059	12,733
	23,321	35,208	87,276	140,132

7.3 Consolidated Statement of Financial Position

As at September 30, 2020

(in RMB million)	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Cash and amounts due from banks and other financial institutions	581,563	508,706
Balances with the Central Bank	294,975	246,771
Financial assets purchased under reverse repurchase agreements	92,917	96,457
Premium receivables	98,114	82,416
Accounts receivable	24,150	28,579
Derivative financial assets	31,650	18,957
Reinsurers' share of insurance liabilities	19,175	17,703
Policy loans	156,702	139,326
Finance lease receivables	190,696	183,957
Loans and advances to customers	2,506,500	2,240,396
Financial assets at fair value through profit or loss	1,060,413	961,073
Financial assets at amortized cost	2,570,357	2,281,225
Debt financial assets at fair value through other comprehensive income	536,483	458,165
Equity financial assets at fair value through other comprehensive income	246,694	282,185
Investments in associates and jointly controlled entities	236,685	204,135
Statutory deposits for insurance operations	12,611	12,501
Investment properties	39,018	39,848
Property and equipment	45,108	46,971
Intangible assets	62,175	63,333
Right-of-use assets	16,547	16,553
Deferred tax assets	56,243	50,301
Other assets	208,669	197,240
Policyholder account assets in respect of insurance contracts	46,616	41,763
Policyholder account assets in respect of investment contracts	4,257	4,368
Total assets	<u>9,138,318</u>	<u>8,222,929</u>

(in RMB million)	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
EQUITY AND LIABILITIES		
Equity		
Share capital	18,280	18,280
Reserves	199,688	225,911
Treasury shares	(5,995)	(5,001)
Retained profits	497,696	433,971
	<hr/>	<hr/>
Equity attributable to owners of the parent	709,669	673,161
Non-controlling interests	225,962	179,209
	<hr/>	<hr/>
Total equity	935,631	852,370
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Due to banks and other financial institutions	921,472	824,025
Financial liabilities at fair value through profit or loss	56,681	39,458
Derivative financial liabilities	42,984	24,527
Assets sold under agreements to repurchase	311,723	176,523
Accounts payable	5,136	4,821
Income tax payable	18,543	12,445
Insurance payables	108,981	126,255
Policyholder dividend payable	63,466	59,082
Customer deposits and payables to brokerage customers	2,568,941	2,431,713
Bonds payable	824,973	699,631
Insurance contract liabilities	2,873,241	2,612,184
Investment contract liabilities for policyholders	65,107	57,489
Lease liabilities	16,232	15,986
Deferred tax liabilities	8,718	22,282
Other liabilities	316,489	264,138
	<hr/>	<hr/>
Total liabilities	8,202,687	7,370,559
	<hr/>	<hr/>
Total equity and liabilities	9,138,318	8,222,929
	<hr/> <hr/>	<hr/> <hr/>

7.4 Consolidated Statement of Cash Flows

For the nine months ended September 30, 2020

For the nine months ended September 30 (in RMB million)	2020 (Unaudited)	2019 (Unaudited)
Net cash flows from operating activities	264,313	330,888
Cash flows from investing activities		
Purchases of investment properties, property and equipment, and intangible assets	(5,619)	(6,982)
Proceeds from disposal of investment properties, property and equipment, and intangible assets	337	2,395
Proceeds from disposal of investments	1,586,327	1,121,273
Purchases of investments	(2,060,694)	(1,441,634)
Acquisition of subsidiaries, net	(336)	26
Disposal of subsidiaries, net	1,851	1,095
Interest received	133,196	108,135
Dividends received	26,019	26,892
Rentals received	2,278	1,858
Increase in policy loans	(17,058)	(20,878)
Net cash flows used in investing activities	(333,699)	(207,820)
Cash flows from financing activities		
Capital injected into subsidiaries by non-controlling interests	36,130	6,071
Proceeds from bonds issued	697,902	367,576
Increase/(Decrease) in assets sold under agreements to repurchase of insurance operations, net	72,922	(92,247)
Proceeds from borrowed funds	163,946	155,923
Repayment of borrowed funds	(695,085)	(460,031)
Interest paid	(33,369)	(37,592)
Dividends paid	(35,226)	(30,134)
Net increase in insurance placements from banks and other financial institutions	2,800	–
Payment of acquisition of treasury shares	(994)	(5,001)
Payment of share purchased for Long-term Service Plan	(3,989)	(4,296)
Others	604	(6,442)
Net cash flows generated from/(used in) financing activities	205,641	(106,173)
Net increase in cash and cash equivalents	136,255	16,895
Net foreign exchange differences	(1,771)	3,008
Cash and cash equivalents at beginning of the period	303,466	308,024
Cash and cash equivalents at the end of the period	437,950	327,927

8. RELEASE OF RESULTS ANNOUNCEMENT

This results announcement is simultaneously available on the website of HKEX (www.hkexnews.hk) and the website of the Company (www.pingan.cn). This results announcement is prepared in accordance with IFRSs. The full report of the Third Quarter Results for 2020 prepared in accordance with the *Accounting Standards for Business Enterprises* issued by the Ministry of Finance of the People's Republic of China and other relevant regulations will be published on the Company's website (www.pingan.cn) at the same time as it is published on the website of SSE (www.sse.com.cn).

By order of the Board of Directors

Ma Mingzhe

Chairman

Shenzhen, PRC, October 27, 2020

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 Wang Yongjian; the Independent Non-executive Directors of the Company are Ge Ming, Ouyang Hui, Ng Sing Yip, Chu Yiyun and Liu Hong.