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

(C-ROSS)  

Summary of Solvency Report for  
2016
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I. Basic Information

(I) Company overview and reporting contact

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

Type of security and listing place:
- A share The Shanghai Stock Exchange
- H share The Stock Exchange of Hong Kong Limited

Security name and stock code:
- A share Ping An of China 601318
- H share Ping An of China 2318

Legal representative: Ma Mingzhe

Registered address: Offices at 15, 16, 17, 18 Floors, Galaxy Development Center, Fu Hua No.3 Road, Futian District, Shenzhen, Guangdong Province, PRC

Business scope: Investing in financial and insurance enterprises, supervising and managing onshore and offshore businesses of subsidiaries, and engaging in fund utilization.

Reporting contact: Chen Yue
Office telephone: 0755-22626430
Fax: 0755-82431029
Email address: chenyue921@pingan.com.cn

(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 2016.

(III) Particulars of controlling shareholders and de facto controller

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

(IV) Subsidiaries and joint ventures
The information of subsidiaries and joint ventures of the Group has been disclosed in the Annual Report of the Group for 2016.

(V) Directors, supervisors, and senior management
The information of directors, supervisors, and senior management of the Group has been disclosed in the Annual Report of the Group for 2016.
## II. Major Indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>December 31, 2016/For the year ended December 31, 2016</th>
<th>December 31, 2015/For the year ended December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core solvency margin ratio (regulatory requirement: &gt;=50%)</td>
<td>201.0%</td>
<td>195.6%</td>
</tr>
<tr>
<td>Core solvency margin surplus (RMB'mn)</td>
<td>668,519</td>
<td>543,459</td>
</tr>
<tr>
<td>Comprehensive solvency margin ratio (regulatory requirement: &gt;=100%)</td>
<td>210.0%</td>
<td>204.9%</td>
</tr>
<tr>
<td>Comprehensive solvency margin surplus (RMB'mn)</td>
<td>487,154</td>
<td>391,491</td>
</tr>
<tr>
<td>Premium income (RMB'mn)</td>
<td>469,555</td>
<td>386,012</td>
</tr>
<tr>
<td>Net profit (RMB'mn)</td>
<td>72,368</td>
<td>65,178</td>
</tr>
<tr>
<td>Net profit attributable to shareholders of the parent company (RMB'mn)</td>
<td>62,394</td>
<td>54,203</td>
</tr>
<tr>
<td>Net assets (RMB'mn)</td>
<td>486,461</td>
<td>413,571</td>
</tr>
<tr>
<td>Comprehensive risk assessment result for the latest period</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

## III. Actual Capital

<table>
<thead>
<tr>
<th>Indicators (unit: RMB'mn)</th>
<th>December 31, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual capital</td>
<td>929,883</td>
<td>764,677</td>
</tr>
<tr>
<td>Including: core tier-1 capital</td>
<td>837,138</td>
<td>698,317</td>
</tr>
<tr>
<td>Core tier-2 capital</td>
<td>52,745</td>
<td>31,735</td>
</tr>
<tr>
<td>Supplementary tier-1 capital</td>
<td>40,000</td>
<td>34,625</td>
</tr>
<tr>
<td>Supplementary tier-2 capital</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

## IV. Minimum Capital

<table>
<thead>
<tr>
<th>Indicators (unit: RMB'mn)</th>
<th>December 31, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum capital</td>
<td>442,729</td>
<td>373,186</td>
</tr>
<tr>
<td>Including: minimum capital for quantifiable risks</td>
<td>450,594</td>
<td>373,186</td>
</tr>
<tr>
<td>Including: minimum capital of the parent company</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Minimum capital of insurance subsidiaries</td>
<td>273,706</td>
<td>229,169</td>
</tr>
<tr>
<td>Minimum capital of banking subsidiaries</td>
<td>162,697</td>
<td>132,940</td>
</tr>
<tr>
<td>Minimum capital of securities subsidiaries</td>
<td>7,533</td>
<td>3,026</td>
</tr>
<tr>
<td>Minimum capital of trust subsidiaries</td>
<td>6,658</td>
<td>8,051</td>
</tr>
<tr>
<td>Minimum capital for specific group-level quantifiable risks</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital requirement increase due to risk aggregation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital requirement decrease due to risk diversification</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Minimum capital for control risk</td>
<td>(7,865)</td>
<td>-</td>
</tr>
<tr>
<td>Additional capital buffer</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
V. Comprehensive Risk Assessment

Not applicable. The CIRC has not yet conducted comprehensive risk assessment for insurance groups.

VI. Risk Management

The Group proactively strengthens risk control of its subsidiaries, implements relevant regulatory requirements, and constantly enhances management of group-level risks such as risk contagion, the risk due to an opaque organization 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 connected-party transactions ("CPTs"), outsourcing and cross-selling, and coordinating the Group’s branding, communication, and information security functions.

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

The Group and its subsidiaries have complete governance structures. The Group itself engages in no specific business activity. It manages the 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 respective regulators. Second, the finance firewalls. The Group and its subsidiaries have finance functions respectively; senior finance managers may not take concurrent offices at different entities within Ping An. Each entity has clear accounts, with independent accounting, assets, and liabilities. Third, the information firewalls. The Group has built an efficient and safe information security system, and constantly optimized the system, with well-developed information protection policies, standard information management procedures, and clear accountabilities. The subsidiaries manage the Company’s information assets in strict accordance with the information security rules, and strictly protect the Company’s business information, trade secrets, intellectual properties, and
other information assets. Each subsidiary manages its information assets independently and strictly in line with the Group’s information security management rules for effective information segregation. The Group attaches great importance to customer data protection, and the cyber-security of products and businesses. The Group has established strict rules and procedures for customer data protection at the group and subsidiary levels. Moreover, to ensure effective customer data protection, the Group has developed pre-cautions related to the entry, transfer, storage and application of customer data, and taken a series of countermeasures against potential data leak. Furthermore, the Group has developed a contingency center and business risk management platform, etc. for active detection of information security threats and quick responses to provide clients with stable information security protection. Fourth, the personnel management firewalls. The Group and its subsidiaries have separate management structures, with clear roles and responsibilities so that personnel do not perform roles with potential conflict of interests. Meanwhile, an insurance subsidiary’s senior management may not serve as the senior management of non-insurance subsidiaries (unless otherwise stipulated by laws, administrative regulations and the CIRC).

The Group has constantly improved its approach to management of CPTs. The Group and its subsidiaries engaging in insurance, banking, trust, securities, funds, asset management and other businesses are all subject to CPT-related laws, regulations and regulatory requirements. Regulators tightened monitoring on CPTs and issued stricter standards in 2016. The Group attaches great importance to CPT management, strictly abides by laws, regulations, and regulatory requirements. The Group’s Connected-Party Transaction Committee functioned effectively, which has coordinated Group-wide CPTs management, constantly optimized management policies and procedures, enhanced CPT identification review and fair value-based pricing to ensure fair pricing for CPTs and prevent improper transfer of benefits. The Group continued to improve transparency in CPTs, disclosed and reported CPT-related information in strict accordance with relevant rules and procedures. The Group has developed a culture of strong compliance awareness for CPTs. The Group has constantly enhanced the systems for CPT management to increase efficiency. The Group’s CPT management systems and mechanisms have been improved and effectively operated.

The Group has improved its approach to outsourcing. Currently, the Group’s four centres (Administration, Internal Control, HR, and Finance) outsource IT services to Ping An Technology (Shenzhen) Co., Ltd., including IT advisory services, development, application system operation, call centre services, office support, and information security; they outsource financial operations to Shenzhen Ping An Financial Services Co. Ltd., including financial review and accounting, financial system configuration, cash collection and payment, financial voucher filing, tax processing, sale/purchase and payment of
foreign exchanges, and personal income tax declaration. The Group has specified the information security requirements in the outsourcing management rules and procedures; going forward, the Group will improve the rules and procedures for approval, contract signing, and filing of outsourcing. In particular, the process for approval by the Board of Directors or a body delegated by the Board of Directors will be formalized, and the Group’s outsourcing contracts will be filed with the CIRC 20 business days before contract signing.

The Group has enhanced its cross-selling management. Retail cross-selling businesses are mainly done by agent distribution. Such agents should enter into agency agreements with Ping An Group and agree to distribute products of the Group only. Moreover, agents should observe relevant laws and regulations for compliant and organized product distribution. If customers need products beyond agents’ offering, customers may use specific apps or visit platforms of other Ping An subsidiaries for product information and purchase. Group Integrated Finance Committee coordinates and promotes cross-selling within Ping An Group. The business is done through insurance agent distribution and business recommendation. The agent-related businesses strictly follow the rules on agent distribution, and business recommendation only involves matching both sides’ intentions of cooperation strictly following the market rules. All businesses are evaluated independently by each subsidiary’s risk function in line with the firewall system.

The Group has centralized the management of branding, communication, and information disclosure. The Group has implemented central 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 central management and consistency of branding.

(II) Risk of Opaque Organization Structure

Risk of opaque organizational structure 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 Group has a clear shareholding structure. The shareholding structure of the Group is clear, balanced, and relatively scattered. There is no controlling shareholder, nor de facto controller. The Group’s subsidiaries engage in businesses such as insurance, banking, investment, and internet; all of the subsidiaries have clear shareholding structures; none of them have cross-shareholding or illegal subscription for capital instruments.

The Group has a transparent governance structure. The Group has established a clear corporate governance structure in compliance with laws and regulations such as the
Company Law of the PRC and the Securities Law of the PRC, with the actual conditions of the Company 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 itself engages in no specific business activity. It manages the subsidiaries through shareholding, but neither participates in nor intervenes in the subsidiaries' routine business. The Company and its subsidiaries have clearly defined roles and responsibilities of their respective functions, which are independently operated and well-coordinated with checks and balances; there is no overlap, absence, or over-concentration of powers and responsibilities.

(III) Concentration Risk

The concentration risk refers to members’ single or combined risk that, when aggregated at the Group level, may be enough to 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 businesses management.

The concentration risk management of business counterparties. In order to control the concentration risk from the perspective of business counterparties, the Group has specified a set of single risk limits for major counterparties based on the counterparties’ risk tolerance and the Group’s risk appetites as well as risk tolerance. The Group’s set of single risk limits covers major non-retail, non-trading counterparties in its investment and financing businesses.

The concentration risk management of investment assets. In order to manage the concentration risk of investment assets, the Group has appropriately classified the investment assets, and specified concentration risk limits for the asset classes according to their respective risk-return profiles and formulate concentration risk limits system for investment assets. Moreover, the Group regularly reviews the concentration risk posed by investment assets at the subsidiary level to prevent any solvency risk and liquidity risk arising from over-concentration of the Group’s investment assets in a certain asset class, counterparty, or industry.

The concentration risk management of insurance and non-insurance businesses. The Group evaluates, analyzes, monitors and reports the concentration of its businesses in accordance with the CIRC’s rules for concentration risk management of the 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) Risks in Non-insurance Areas

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 internet finance respectively. Regarding corporate governance, all the subsidiaries in
non-insurance areas 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 areas, the Group has developed rules,
standards and limits, established processes for investment decision making, risk
management, investment review, evaluation and reporting, and specified procedures for
activities 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
or fulfill other payment obligations that have become due.

In accordance with domestic and international regulatory requirements such as those
for the Global Systemically Important Insurers (G-SIIs) and those under C-ROSS, the
Group has developed and regularly updated the Liquidity Risk Management Plan of Ping
An Insurance (Group) Company of China, Ltd. (LRMP), and established a robust liquidity
risk management framework covering risk appetites and limits, risk strategies, risk
monitoring, stress testing, emergency management, appraisal and accountability. The
Group has constantly improved its management procedures and processes for better
identification, evaluation, and management of the liquidity risk at the group and subsidiary

levels.

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

The Group and its subsidiaries have built liquidity reserves and maintain stable, convenient, and diversified sources of financing to ensure that they have adequate liquidity to tackle possible impacts from adverse situations; moreover, the Group and its major subsidiaries have developed robust liquidity contingency plans for handling any significant liquidity events. The Group has set up internal firewalls to prevent intra-group contagion of the liquidity risk.

**VIII. Regulatory measures taken by regulators against the Company**

(I) During the reporting period, did the CIRC take any regulatory measures against the Company? (Yes☐  No■)

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