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

(C-ROSS)

Summary of Solvency Report for the First Half of 2018

Contents

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:	47th, 48th, 109th, 110th, 111th and 112th Floors, Ping An Finance Center, No.5033 Yitian Road, Futian District, Shenzhen
Business scope:	Investing in financial and insurance enterprises, supervising and managing onshore and offshore businesses of subsidiaries, and engaging in fund utilization.
Reporting contact:	Ma Yuqiong
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(II) Shareholding structure and shareholders

The shareholding structure and shareholders of Ping An Group (the "Group") have been disclosed in the Interim Report of the Group for 2018.

(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 2017 and the Interim Report of the Group for 2018.

(V) Directors, supervisors, and senior management

The information of directors, supervisors, and senior management of the Group has been disclosed in the Interim Report of the Group for 2018.

II. Major Indicators

Indicators	As at June 30, 2018/For the six months ended June 30, 2018	As at December 31, 2017/For the six months ended June 30, 2017
Core solvency margin ratio (regulatory requirement: >=50%)	211.7%	209.0%
Core solvency margin surplus (RMB'mn)	924,321	848,477
Comprehensive solvency margin ratio (regulatory requirement: >=100%)	217.3%	214.9%
Comprehensive solvency margin surplus (RMB'mn)	670,081	613,090
Premium income (RMB'mn)	408,194	341,390
Net profit (RMB'mn)	64,770	49,093
Net profit attributable to shareholders of the parent company (RMB'mn)	58,095	43,427
Net assets (RMB'mn)	635,092	587,917
Comprehensive risk assessment result for the latest period	Not applicable	Not applicable

III. Actual Capital

Indicators (unit: RMB'mn)	June 30, 2018	December 31, 2017
Actual capital	1,241,560	1,146,865
Including: Core tier-1 capital	1,148,051	1,062,031
Core tier-2 capital	62,009	53,334
Supplementary tier-1 capital	31,500	31,500
Supplementary tier-2 capital	-	-

IV. Minimum Capital

Indicators (unit: RMB'mn)	June 30, 2018	December 31, 2017
Minimum capital	571,479	533,775
Including: Minimum capital for quantifiable risks	571,479	533,775
Including: Minimum capital of the parent company	-	-
Minimum capital of insurance subsidiaries	373,216	340,066
Minimum capital of banking subsidiaries	180,889	178,089
Minimum capital of securities subsidiaries	8,884	7,147
Minimum capital of trust subsidiaries	8,490	8,473
Minimum capital for specific group-level quantifiable risks	-	-
Capital requirement increase due to risk aggregation	-	-
Capital requirement decrease due to risk diversification	-	-
Minimum capital for control risk	-	-
Additional capital buffer	-	-

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

V. Comprehensive Risk Assessment

Not applicable. China Banking and Insurance Regulatory Commission 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 integrated finance, 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 the Group. Each entity has clear accounts, with independent accounting, assets, and liabilities. Third, the information firewalls. The Group has established the governance structure with three lines of defense for information security. Subsidiaries have established information security departments to strictly implement the Group's information security management rules for effective information segregation. Attaching great importance to customer information security and cybersecurity in terms of products and businesses, the Group has set up the mechanism for comprehensive in-the-process monitoring since the *Cybersecurity Law of the People's Republic of China* was promulgated in 2017. Moreover, the Group adopted cutting-edge technologies, such as big data and artificial intelligence (AI), and security measures in terms of infrastructures, terminals, business and people to effectively protect customer information security. In addition, the Group has constantly improved the mechanism for information security according to regulations and internal rules. The Group has been increasing awareness of information security and building a culture where everyone is responsible for information security. The Group's information security system boasts ongoing improvement and effective operations. 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 CBIRC).

The Group has constantly improved the management of CPTs. In 2018, domestic regulators further tightened regulation on CPTs. The Group and its subsidiaries such as the insurance companies, bank, trust company, securities company, fund management company, and asset management company constantly enhanced management of CPTs in strict accordance with laws and regulations. The Group's Connected-Party Transaction Committee functioned effectively, coordinated Group-wide CPT management, constantly optimized management policies and procedures, and 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 increase transparency by disclosing and reporting CPTs in strict accordance with rules. The Group has developed a culture of strong compliance awareness for CPTs. 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, including IT advisory services, development, application system operation, call centre services, office support, and information security. The four centers outsource financial operations to Ping An Financial Services, 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 enhanced the management of cross-selling. Retail cross-selling businesses are mainly distribution of insurance products by sideline agents. Such agents distribute products in an orderly manner under sideline agency agreements with Ping An in accordance with laws and regulations. If customers need products beyond agents' offerings, customers may use specific applications or visit platforms of other Ping An subsidiaries for information and purchase. The Group Integrated Finance Committee coordinates and promotes cross-selling of group products within Ping An Group. The business is done through distribution by insurance agents and business recommendation. Distribution by agents is subject to the rules on sales agents; business recommendation only involves matching both parties' intentions of cooperation in strict accordance with market rules. All businesses are reviewed independently by each subsidiary's risk function in line with the firewall policies.

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) Organizational Structure Non-transparency Risk

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

The Group has a clear shareholding structure. The shareholding structure of the Group is clear, balanced, and 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 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 accordance with laws and regulations such as the *Company Law of the PRC* and the *Securities Law of the PRC*, with the Group's situations taken into account. The General Meeting of Shareholders, the Board of Directors, the Supervisory Committee, and the senior management have exercised their rights and performed their obligations in accordance with the Articles of Association. The Group engages in no specific business activity. The Group 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 subject to checks and balances. There is no overlap, absence, or overconcentration of powers and responsibilities.

(III) Concentration Risk

The concentration risk refers to the risk that members' single or combined risks, 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 business 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 as well as the Group's risk appetite and 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 in investment assets, the Group has classified investment assets and specified a set of concentration risk limits for asset classes according to their respective risk-return profiles. Moreover, the Group has regularly reviewed the concentration risk posed by investment assets at the subsidiary level to prevent any solvency risk and liquidity risk arising from over-concentration of the Group' s investment assets in a certain asset class, counterparty, or sector.

The Group also manages the concentration risk in insurance and non-insurance businesses. The Group evaluates, analyzes, monitors and reports the concentration of its businesses in accordance with the 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 fintech businesses 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 mechanisms for management before, during and after investment deals. Moreover, the non-insurance subsidiaries strictly follow the Company’s strategic planning process to analyze the feasibility of business strategies, regularly review the ROICs, investment payback periods, business and financial performance as well as valuations, and evaluate the risk-return profiles of various businesses.

VII. Liquidity Risk

Liquidity risk refers to the risk of the Company being unable to obtain sufficient cash in time, or being unable to obtain sufficient cash in time at a reasonable cost, to repay debts that have become due or fulfill other payment obligations.

In accordance with domestic and international regulatory requirements 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, and relevant policies. Ping An 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 of the liquidity risk for a certain period in the future to identify the potential liquidity risk and take measures to control liquidity gaps.

The Group and its subsidiaries have established liquidity reserve policies and maintained stable, convenient, and diverse sources of financing to ensure that they have adequate liquidity to tackle possible impacts from adverse situations; meanwhile, the Group and its major subsidiaries have developed robust liquidity contingency plans for handling any significant liquidity events. In addition, 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 China Banking and Insurance Regulatory Commission (CBIRC) take any regulatory measures against the Company? (Yes□ No■)

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