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

(C-ROSS)

Summary of Solvency Report for the First Half of 2020

Contents

I. Basic Information 1

II. Major Indicators 2

III. Actual Capital 2

IV. Minimum Capital 3

V. Comprehensive Risk Assessment 4

VI. Risk Management 4

VII. Liquidity Risk 11

VIII. Regulatory Measures Taken by Regulators against the Company 13

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
Office telephone:	0755-22628621
Fax:	0755-82431029
Email address:	mayuqiong511@pingan.com.cn

(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 2020.

(III) Particulars of controlling shareholder 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

Information on the subsidiaries and joint ventures of the Group has been disclosed in the Annual Report of the Group for 2019 and the Interim Report of the Group for 2020.

(V) Directors, supervisors, and senior management

Information on the directors, supervisors, and senior management of the Group has been disclosed in the Interim Report of the Group for 2020.

II. Major Indicators

Indicators	As of June 30, 2020/For the six months ended June 30, 2020	As of December 31, 2019/For the six months ended June 30, 2019
Core solvency margin ratio (regulatory requirement: >= 50%)	224.1%	225.0%
Core solvency margin surplus (in RMB million)	1,288,996	1,224,389
Comprehensive solvency margin ratio (regulatory requirement: >= 100%)	230.8%	229.8%
Comprehensive solvency margin surplus (in RMB million)	968,337	908,127
Premium income (in RMB million)	445,505	446,481
Net profit (in RMB million)	75,968	105,738
Net profit attributable to shareholders of the parent company (in RMB million)	68,683	97,676
Net assets (in RMB million)	922,171	852,370
Comprehensive risk assessment result for the latest period	Not applicable	Not applicable

III. Actual Capital

Indicators (in RMB million)	June 30, 2020	December 31, 2019
Actual capital	1,708,655	1,607,650
Including : Core tier 1 capital	1,525,330	1,471,156
Core tier 2 capital	133,825	102,994
Supplementary tier 1 capital	49,500	33,500
Supplementary tier 2 capital	-	-

IV. Minimum Capital

Indicators (in RMB million)	June 30, 2020	December 31, 2019
Minimum capital	740,317	699,522
Including: Minimum capital for quantifiable risks	740,317	699,522
Including: Minimum capital of the parent company	-	-
Minimum capital of insurance member companies	487,183	458,301
Minimum capital of banking member companies	231,238	222,752
Minimum capital of securities member companies	12,209	9,972
Minimum capital of trust member companies	9,687	8,497
Minimum capital for specific group-level quantifiable risks	-	-
Capital requirement increase due to risk aggregation	-	-
Capital requirement decrease due to risk diversification	-	-
Minimum capital for control risk	-	-
Additional capital buffer	-	-

Notes : (1) The minimum capital 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 and additional capital buffer will be separately stipulated by the China Banking and Insurance Regulatory Commission.

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

V. Comprehensive Risk Assessment

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

VI. Risk Management

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

(I) Risk Contagion

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

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

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

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

activities independently, and are supervised by their respective regulators.

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

(1) The Group and its member companies have independent finance functions, and have financial positions aligned with the business scale, the management model, and risk profiles, in line with the principle of separating incompatible posts. Qualified financial personnel who meet relevant employment standards are in place. Senior finance managers are appointed and engaged separately, and may not take concurrent positions. The appointment, transfer and resignation of the financial director shall meet the relevant regulations of the corresponding regulators and go through relevant procedures as required by the regulators.

(2) The Group has established and improved a series of financial management rules. The member companies of the Group may develop their financial management rules compliant with their respective industry regulations and business plans with reference to the Group's financial management rules.

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

(4) The Group and its member companies implement strict management segregation over the data of the financial and fund information system, including data storage, access, modification and use. Besides, the allocation of user access follows rigorous examination and approval rules, and is managed according to the principle of mutual exclusion of posts and minimization of authority to prevent unauthorized activities.

(5) The funds of the Group and its member companies are managed separately. The

fund transactions between the Group and its member companies shall comply with regulatory requirements. Unauthorized fund borrowings and transfers between the Group and its member companies are prohibited. Strict segregation is ensured among the insurance funds, non-insurance funds, proprietary funds and clients' funds. Independent management and operations are conducted in account management, financial accounting, fund settlement and other relevant processes to avoid appropriation of funds of other categories. Mechanisms for hierarchical examination, approval and review of fund accounts, transactions and reconciliation have been established and improved to prevent fund risks.

(6) Cross-guarantee behaviors among the member companies are strictly supervised. Reasonable cross-guarantee risk limits for member companies are set. Monitoring and early warning mechanisms have been established to prevent the accumulation and transmission of risks among member companies.

Thirdly, information firewalls. The Group has established the governance structure with three lines of defense for information security. Member companies have established information security departments to strictly implement the Group's information security policies for effective information segregation. Attaching great importance to customer information security and security of its own products and businesses on the internet, the Group has set up and effectively implemented mechanisms for comprehensive security monitoring. Moreover, the Group adopted cutting-edge technologies, including artificial intelligence (AI) and cloud computing, and security measures in terms of infrastructures, terminals, businesses and people to effectively protect customer information security. Meanwhile, the Group has been raising the awareness of information security and building a culture where everyone is responsible for information security. The Group is committed to building a secure, innovative, healthy financial services environment and ecosystem.

Fourthly, personnel management firewalls. The Group and its subsidiaries have established independent organizational structures, clarified in their rules the prohibited behaviors for its employees and the double-jobbing of the senior management and

employees, and strengthened the management of assignment evasion. The Group has established a management framework for employee conflicts of interest to ensure that the same post or the same person does not perform incompatible duties that may cause conflicts of interest. Meanwhile, the Group strictly abides by the regulation that an insurance company's senior management may not concurrently serve as the senior management of non-insurance subsidiaries (unless otherwise stipulated by laws, regulations and the CBIRC).

The Group has constantly improved the management of related party transactions. In the first half of 2020, China's regulators continued to pay close attention to the management of related party transactions. The Group and its subsidiaries, including the insurance companies, bank, trust company, securities company, fund management company, and asset management company, constantly enhanced management of related party transactions in strict compliance with laws and regulations as well as the requirements of regulators on related party transactions. The Company's Related-party Transaction Control Committee functions efficiently, coordinating the Group-wide related party transaction management. The Group has constantly optimized management structures, policies and procedures, and enhanced related party transaction identification, review and fair value-based pricing to ensure fair pricing for related party transactions. The Group continued to increase transparency by disclosing and reporting related party transactions in strict compliance with applicable rules. The Group has developed a culture of strong compliance awareness for related party transactions. The Group's related party transaction management systems and mechanisms have been strengthened and operated effectively.

The Group has improved its approach to outsourcing. Currently, Ping An Technology (Shenzhen) Co., Ltd. and Shenzhen Ping An Financial Services Co., Ltd. provide the Group's member companies with outsourcing services. The outsourcing services provided by Ping An Technology include IT advisory services, development, application system operations and maintenance, call center services, office support and information security. The outsourcing services provided by Ping An Financial Services include financial and

treasury shared services, comprehensive staff services, customer services, and audit services. The Group and the service providers determine explicit prices according to the fair value-based principle for related party transactions, and sign agreements on the service contents, the service terms, the charging methods, the reconciliation methods, the settlement frequencies, rights and obligations. Transactions that meet the criteria for being recognized as material related party transactions shall be submitted to the Related-party Transaction Management Office for consideration and approval, and then to the Related-party Transaction Control Committee, the Board of Directors or the general meeting of shareholders for consideration and approval before the transaction agreements may be signed, and the transactions are reported and disclosed according to the relevant regulatory requirements. Meanwhile, the Group has also improved the outsourcing follow-up management and established a service evaluation mechanism. Service providers solicit feedback on satisfaction from beneficiaries on a regular basis, and conduct internal appraisals on the basis of such feedback to ensure services are constantly improved.

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

The Group has centralized the management of branding, communication, and information disclosure. The Group has developed robust rules and procedures for brand

management and information disclosure, and strictly implemented them to ensure the centralized management and consistency of branding.

(II) Organizational Structure Non-transparency Risk

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

The shareholding of the Group is scattered, and thus there is no controlling shareholder, nor de facto controller. The shareholding structure of the Group is clear, balanced and reasonable. The Group has established a clear corporate governance structure in accordance with laws and regulations including the *Company Law of the People's Republic of China* and the *Securities Law of the People's Republic of China*, 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, while its subsidiaries engage in various businesses including insurance, banking, investment, and technology. The Group manages the subsidiaries through shareholding, but neither participates in nor intervenes in the subsidiaries' routine business. The Group and its subsidiaries have clearly defined roles and responsibilities of their respective functions, which are independently operated and well coordinated subject to checks and balances. There is no overlap, absence, or overconcentration of powers and responsibilities. No risk related to non-transparency exists in organizational structure, due to the clear shareholding structure and transparent governance structure of the Group.

(III) Concentration Risk

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

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

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

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

Group has effectively prevented the concentration risk through regular evaluation, monitoring, and warning of the concentration risk in insurance and non-insurance businesses.

(IV) Non-insurance Risk

As an integrated financial service group authorized by the State Council to engage in separate operations under a listed holding group subject to separate regulation, the Group has established independent legal entities to engage in insurance, banking, investment, and technology businesses respectively. Regarding independent 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.

To meet domestic and international regulatory requirements, the Group has developed and regularly updated the *Liquidity Risk Management Plan of Ping An Insurance (Group)*

Company of China, Ltd. (LRMP). The Group has also established a 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 for the Group and its members.

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 coordinates its subsidiaries to regularly evaluate liquid assets and maturing debts, conduct stress tests of cash flows, and carry out forward-looking analyses 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 maintain stable, convenient, and diverse sources of financing to ensure that they have adequate liquidity to tackle possible impacts from adverse situations. Moreover, The Group and its subsidiaries have developed robust liquidity contingency plans for handling any significant liquidity events. The Group has set up internal firewalls to prevent intra-group contagion of the liquidity risk.

VIII. Regulatory Measures Taken by Regulators against the Company

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

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