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

(C-ROSS)

Summary of Solvency Report for 2021

Contents

I. Basic Information

(I) Company overview and reporting contact

Company name:	Ping An Insurance (Group) Company of China, Ltd.
Types of securities and listing places:	
	A share The Shanghai Stock Exchange
	H share The Stock Exchange of Hong Kong Limited
Stock short names and codes:	
	A share 中国平安 601318
	H share Ping An 2318
Legal representative:	Ma Mingzhe
Registered address:	47th, 48th, 109th, 110th, 111th and 112th Floors, Ping An Finance Center, No.5033 Yitian Road, Futian District, Shenzhen
Business scope:	Investing in financial and insurance enterprises, supervising and managing the onshore and offshore businesses of subsidiaries, and engaging in fund utilization
Reporting contact:	Ma Yuqiong
Office telephone:	0755-22628621
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(II) Shareholding structure and shareholders

The shareholding structure and shareholders of Ping An Group (the “Group”) have been disclosed in the Annual Report of the Group for 2021.

(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

The information on the subsidiaries and joint ventures of the Group has been disclosed in the Annual Report of the Group for 2021.

(V) Directors, supervisors, and senior management

The information on the directors, supervisors, and senior management of the Group has been disclosed in the Annual Report of the Group for 2021.

II. Major Indicators

Indicators	December 31, 2021/2021	December 31, 2020/2020
Core solvency margin ratio (regulatory requirement: >= 50%)	228.7%	231.8%
Core solvency margin surplus (in RMB million)	1,454,596	1,395,738
Comprehensive solvency margin ratio (regulatory requirement: >= 100%)	233.5%	236.4%
Comprehensive solvency margin surplus (in RMB million)	1,086,208	1,047,336
Premium income (in RMB million)	760,843	797,880
Net profit (in RMB million)	121,802	159,359
Net profit attributable to shareholders of the parent company (in RMB million)	101,618	143,099
Net assets (in RMB million)	1,077,723	987,905
Comprehensive risk assessment result for the latest period	N/A	N/A

III. Actual Capital

Indicators (in RMB million)	December 31, 2021	December 31, 2020
Actual capital	1,899,989	1,815,140
Including: Core tier 1 capital	1,703,744	1,646,216
Core tier 2 capital	157,743	133,424
Supplementary tier 1 capital	38,502	35,500
Supplementary tier 2 capital	-	-

IV. Minimum Capital

Indicators (in RMB million)	December 31, 2021	December 31, 2020
Minimum capital	813,781	767,804
Including: Minimum capital for quantifiable risks	813,781	767,804
Including: Minimum capital of the parent company	-	-
Minimum capital of insurance member companies	507,554	497,614
Minimum capital of banking member companies	285,317	252,141
Minimum capital of securities member companies	13,958	9,645
Minimum capital of trust member companies	6,952	8,404
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 risks	-	-
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 risks, and additional capital buffer will be separately stipulated by the China Banking and Insurance Regulatory Commission (CBIRC).

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

V. Comprehensive Risk Assessment

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

VI. Risk Management

The Group proactively strengthens risk management of its member companies, implements applicable regulatory requirements, and constantly enhances management of group-level risks including risk contagion, organizational structure non-transparency risk, 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 related party transactions or other activities, causing unexpected losses to such other member or the Group. 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 integrated financial services, and centralizing branding, communications and information disclosure. The management of risk contagion within the Group has been fully improved.

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

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

Secondly, finance and treasury firewalls. The finance and treasury frameworks and management policies of the Group and its members all meet the requirements of finance and treasury independence, including personnel independence, policy independence, account independence, accounting independence, treasury operation independence, and system authority independence, as detailed below: The Group and its members have respective independent finance functions, perform independent financial accounting, implement strict management segregation over the data of the financial and treasury information systems, ensure separate treasury management, and prohibit unauthorized fund borrowings and transfers between the Group and its member companies. The Group strictly restricts the cross-guarantee and other credit enhancement behaviors among the members through the well-established policies, and each member company formulates rules and requirements that meet its own needs.

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, the security of its products, and the cybersecurity of its businesses, the Group strictly complies with laws and regulations including the *Data Security Law of the People's Republic of China* and the *Personal Information Protection Law of the People's Republic of China*, and has set up and effectively implemented the mechanism for comprehensive security monitoring to protect the security, integrity and availability of customer information.

Fourthly, personnel management firewalls. The Company has established rational, effective personnel management firewalls. The Group and its member companies maintain mutually independent organizational structures, and have established respective independent personnel management rules and processes. Moreover, the Company ensures effective personnel segregation through an employee conflict of interest management framework by taking measures including: strictly restricting the double-jobbing of senior management among the Group and its member companies in accordance with applicable laws and regulations; ensuring that no employee performs incompatible roles with potential conflict of interests at the same post and time through appropriate duty segregation; and establishing rules for the avoidance of relatives and strengthening relevant day-to-day management.

The Group has constantly improved the management of related party transactions. The Group and its member companies 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 accordance with laws and regulations as well as the requirements of regulators on related party transactions. The Group's Related Party Transaction Control and Consumer Rights Protection Committee and the Related Party Transaction Management Office operate effectively. The Group has constantly optimized the management systems, structures and mechanisms, improved the management procedures, and enhanced related party transaction identification, review and fair value-based pricing to ensure compliant and fair pricing for related party transactions. The Group continued to increase transparency by disclosing and reporting related party transactions in strict accordance with regulatory rules. The Group has further improved system-based related party transaction management to empower governance of related party transactions. Furthermore, the Group has developed a culture of strong compliance awareness for related party transactions through constant training and education emphasizing every employee's responsibility for the management of related party transactions. The Group's related party transaction management systems and mechanisms have been strengthened and operating effectively.

The Group has improved its approach to outsourcing management. The Group complies with applicable laws, regulations and regulatory documents to carry out outsourcing management. Currently, Ping An Technology and Ping An Financial Services provide the Group's members with outsourced services. The outsourced services provided by Ping An Technology include IT advisory services, development, application system operations and maintenance, call center services, office support and information security. The outsourced services provided by Ping An Financial Services include shared financial and treasury services, comprehensive HR services, customer services, and audit services. The Group's members can outsource their business in accordance with their own operation and management requirements. The core business of insurance companies may not be outsourced. The member companies follow the principles of independent transactions and fair pricing for the outsourcing, and perform corresponding approval procedures in accordance with the applicable regulations and management rules for related party transactions. Moreover, the Group's members sign agreements setting out the service scope, the service terms, the charging methods, the reconciliation methods, the settlement frequencies, rights and obligations, and liability for breach of agreements. The transactions shall be reported and disclosed in accordance with applicable regulatory requirements. Moreover, the Group has also improved the outsourcing follow-up management, strengthened risk monitoring, and reviewed services and duty performance on a regular basis. The Group has established communication and service evaluation mechanisms for outsourcing. Service providers solicit feedback on satisfaction from beneficiaries on a regular basis, and conduct internal appraisals on the basis of such feedback to ensure constant service improvement.

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

The Group has centralized the management of branding, communication, and information disclosure. The Group has developed robust policies, rules and procedures for brand asset management and information disclosure, and strictly implemented them to ensure centralized and consistent brand management. In terms of brand asset management, the Group constantly improves its reputation risk management framework in accordance with applicable laws and regulations and regulatory requirements. The Group adheres to a reputation risk management philosophy centering on prevention, and conducts multi-level differentiated reputation risk management. The Group takes risk prevention and control, effective disposal, and image restoration as the ultimate standards for reputation risk management. In this way, the Group ensures rapid, coordinated responses to and efficient handling of reputation risk events, and promptly repairs its reputation and image. In terms of information disclosure, the Group subjects itself to public oversight, and has developed centralized interview and information release mechanisms to ensure timely and accurate information disclosure, and prevent reputation risk arising from misreading or misunderstanding.

(II) Organizational Structure Non-transparency Risk

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 established a complete 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 international corporate governance norms and the Group's situations taken into account. The General Meetings 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 member companies engage in various businesses including insurance, banking, asset management and technology. The Group manages its member companies through shareholding, but neither participates in nor intervenes in the member companies' routine business. The Group and its member companies 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, lack, or overconcentration of powers and responsibilities. The Group has a comprehensive governance structure, and a transparent management structure. The Group bans cross-shareholding and illegal subscription for capital instruments.

(III) Concentration Risk

Concentration risk refers to the risk that member companies' single or combined risks, when aggregated at the Group level, may directly or indirectly threaten the Group's solvency position. The Group manages concentration risks from the perspectives of counterparties, investment assets, industries, regions, customers, and businesses.

To manage the concentration risk from the perspectives of counterparties, the Group has followed the principle of reasonably controlling the concentration risk of counterparties. The Group has specified a set of risk limits for counterparties after considering the risk profiles of counterparties and the appetite and tolerance of the Group. The Group's set of risk limits cover major non-retail, non-trading counterparties in its investment and financing businesses. For a group of corporations and public institutions or interbank customers with control relationships among them, the Group includes them in the same group, and implements unified and combined concentration limit management. Moreover, by adopting advanced technology, the Group has been improving the breadth and depth of the concentration risk management, increasing its monitoring frequency effectively, and warning against counterparties with higher concentration risks promptly.

To manage the concentration risk in investment assets, the Group has followed the principle of reasonably controlling the concentration risk in investment assets. The Group has set concentration risk limits for different asset classes 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 investments in certain asset classes after consolidation.

To manage the concentration risk in industries, the Group has established industry-specific concentration risk limits based on the principle of reasonably controlling the concentration risk in industries. Moreover, the Group develops the high-risk industry management plans based on its macroeconomic and industry analysis every year to exercise total controls over high-risk industries and optimize the portfolio.

To manage the concentration risk in regions, the insurance member companies have set the upper limits for the proportions of overseas investments and emerging market investments with insurance funds in accordance with the CBIRC's regulations for region-specific concentration risk limits.

To manage the concentration risk in customers, the Group evaluates, analyzes, monitors and reports the overall customer concentration based on the CBIRC's requirements for the management of customer concentration risk. In this way, the Group prevents risks caused by the overconcentration of the Group's revenue from a single customer or the same group of customers, to avoid affecting the Group's operation stability and management quality.

To manage the concentration risk in 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 groups' insurance and non-insurance businesses. Regarding the concentration of insurance business, the Group has enhanced the concentration management of the insurance business, the framework of concentration risk limits for reinsurance counterparties, and the framework for risk monitoring, analysis, reporting and warning. Regarding the concentration of non-insurance businesses, the Group has analyzed the structures and risk profiles of non-insurance businesses, specified the concentration risk indicators to be monitored, and included such indicators in the routine risk management framework. The Group has effectively prevented the concentration risk through regular evaluation, monitoring, and warning of the concentration risk in insurance and non-insurance businesses.

(IV) Non-insurance Risk

Non-insurance risk refers to the impact of the business activities of non-insurance member companies on the solvency of the Company and its insurance member companies.

The Group is 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 improves its overall specialized capabilities and market competitiveness through its diversified business presence in non-insurance sectors while focusing on main insurance businesses. The Group strictly manages its non-insurance member companies' strategic planning processes, and regularly evaluates and adjusts its diversification strategy.

For equity investments in non-insurance businesses, the Group has developed rules, standards and limits, established investment decision-making and risk management processes as well as investment review, evaluation and reporting processes, and specified mechanisms for management before, during and after investment deals. Moreover, the Group regularly tracks and analyzes its investments, and evaluates the risk-return profiles of various businesses.

All the non-insurance member companies of the Group engage in specialized operations independently, and are supervised by their corresponding regulators. Through corporate governance and internal mechanisms, the Group ensures that all the non-insurance member companies are segregated from the insurance member companies in terms of assets and liquidity.

VII. Liquidity Risk

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

In accordance with domestic and international regulatory requirements, the Group developed and regularly updated the *Liquidity Risk Management Plan of Ping An Insurance (Group) Company of China, Ltd*. (LRMP). The Group has also established a liquidity risk management framework and applicable policies covering risk appetites and limits, risk strategies, risk monitoring, stress testing, emergency management, and management assessment. Ping An has constantly improved its management mechanisms and processes for better identification, evaluation, and management of liquidity risk for the Group and its subsidiaries.

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

The Group and its subsidiaries have established liquidity reserve policies and maintained stable, convenient, and diverse sources of financing to ensure that they have adequate liquidity to tackle possible impacts from adverse situations. Moreover, the Group and its subsidiaries have developed robust liquidity contingency plans for handling any significant liquidity events. The Group has set up internal firewalls to prevent the intra-group contagion of liquidity risk.

VIII. Regulatory Measures Taken by Regulators against the Company

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

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